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Cybersecurity Market Update

November 2025

Brian White
Co-Head of Technology Investment Banking

Bryant Williams
Managing Director

Lauren Webster
Managing Director

FORGEPOINT

Expectations for Cybersecurity

1. **Valuations will remain strong and cybersecurity will continue to garner a premium to broader software**

2. **We expect the IPO market to unlock and the return of smaller cap IPOs**

3. **Growth remains challenged, and executive teams must be nimble and disciplined on their ICP with an emphasis on sales efficiency and customer retention**

4. **Rationalization of vendor sprawl (e.g., platformization) should drive sustained M&A from strategics and private equity in an effort to drive higher cross sell / NRR**

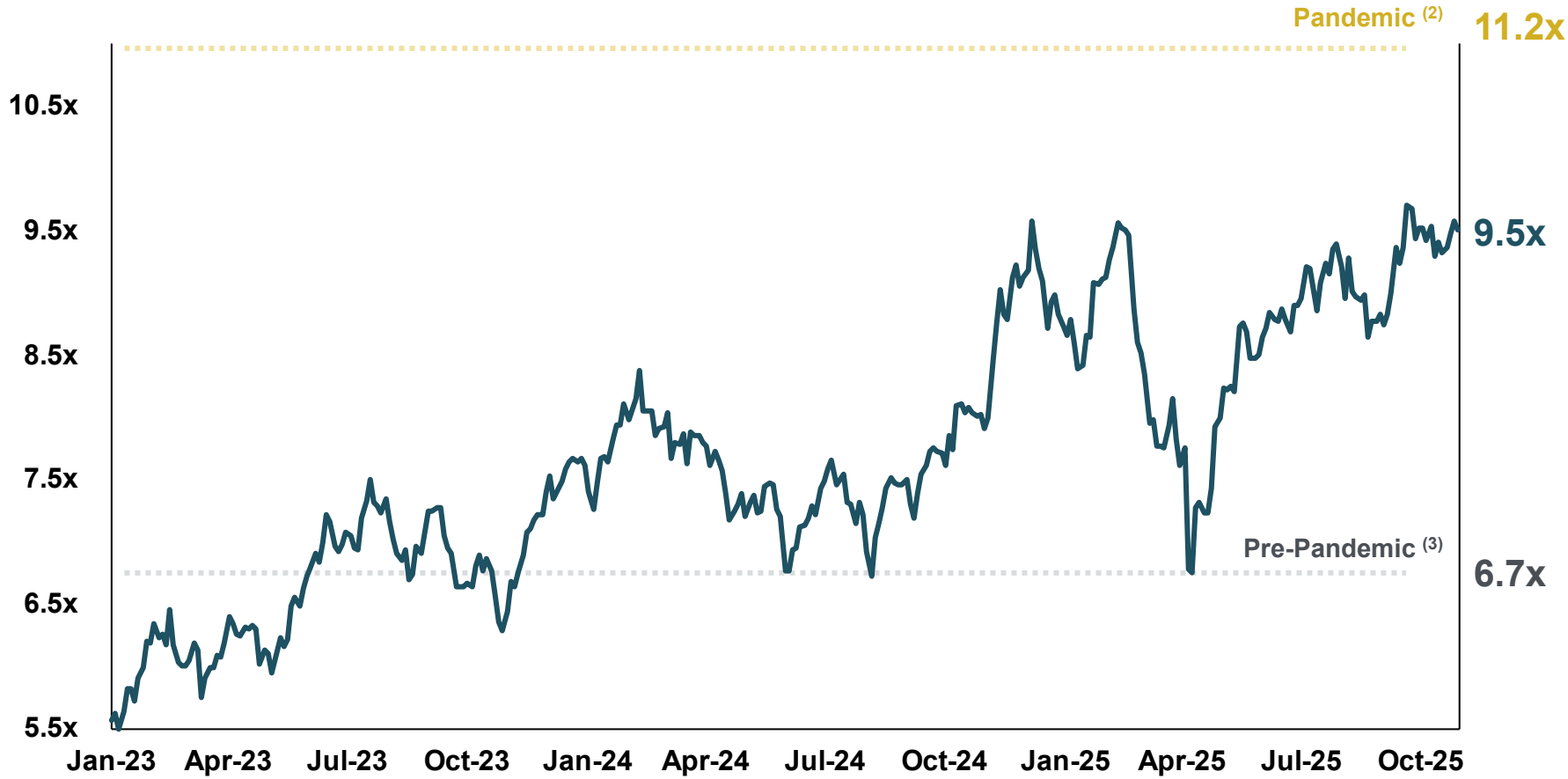
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Technology Valuations Have Risen Over the Last Two Years…

Aggregate Software EV / NTM Revenue [1]

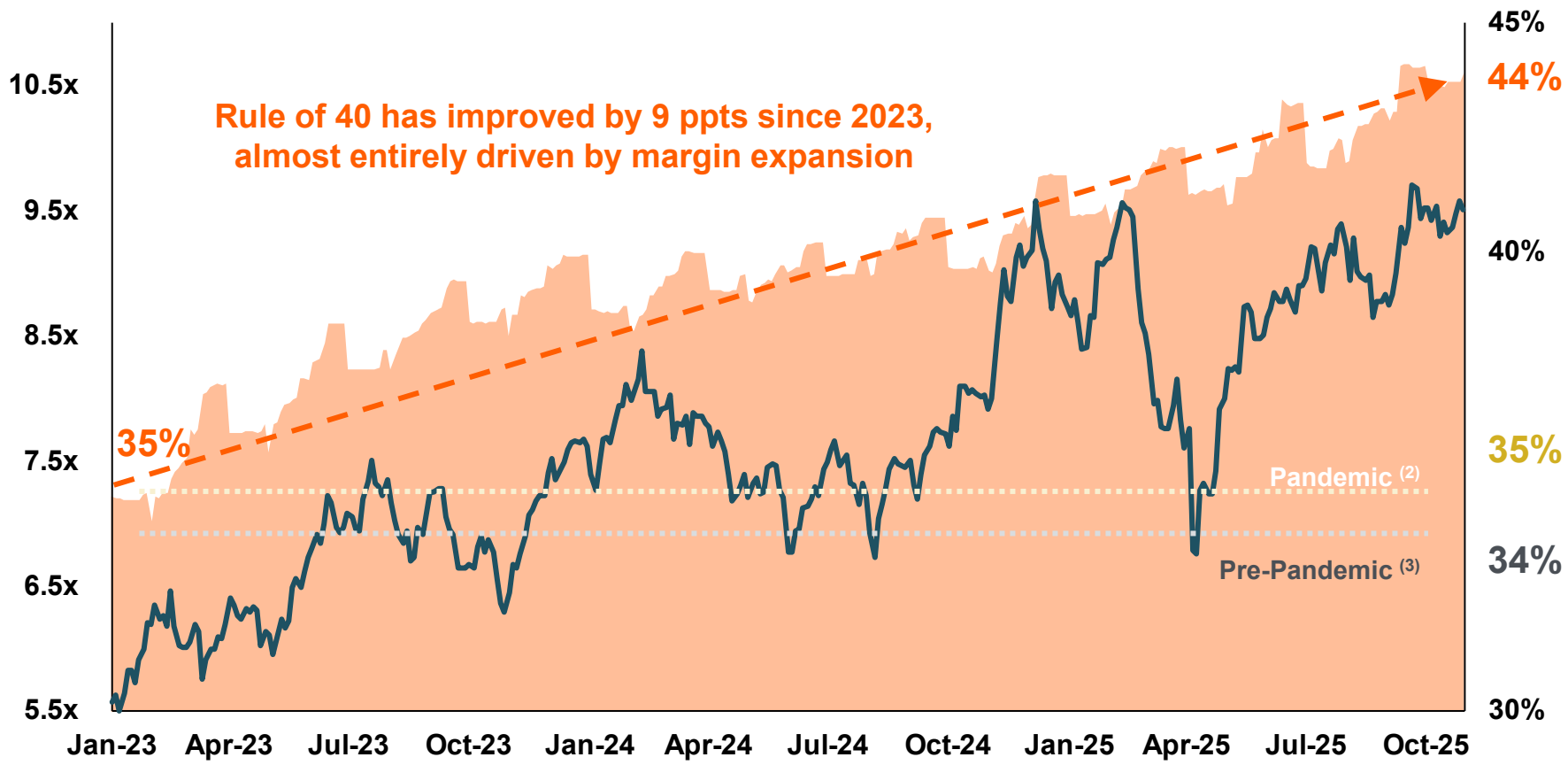


Source: Capital IQ as of 10/29/2025

1) Calculated by taking the weighted enterprise value of a broad set of public software companies (N=117) and their respective median consensus estimates for NTM revenue
2) Pandemic is defined as the period between 4/30/2020 and 12/31/2021; multiple calculated as the median quarterly NTM revenue multiple between 4/30/2020 and 12/31/2021
3) Pre-pandemic is defined as the period between 1/1/2018 and 3/1/2020; multiple calculated as the median quarterly NTM revenue multiple between 1/1/2018 and 3/1/2020

... And It Is Underpinned by an Overall Improvement in Business Quality

Aggregate Software EV / NTM Revenue and Rule of 40 (1)

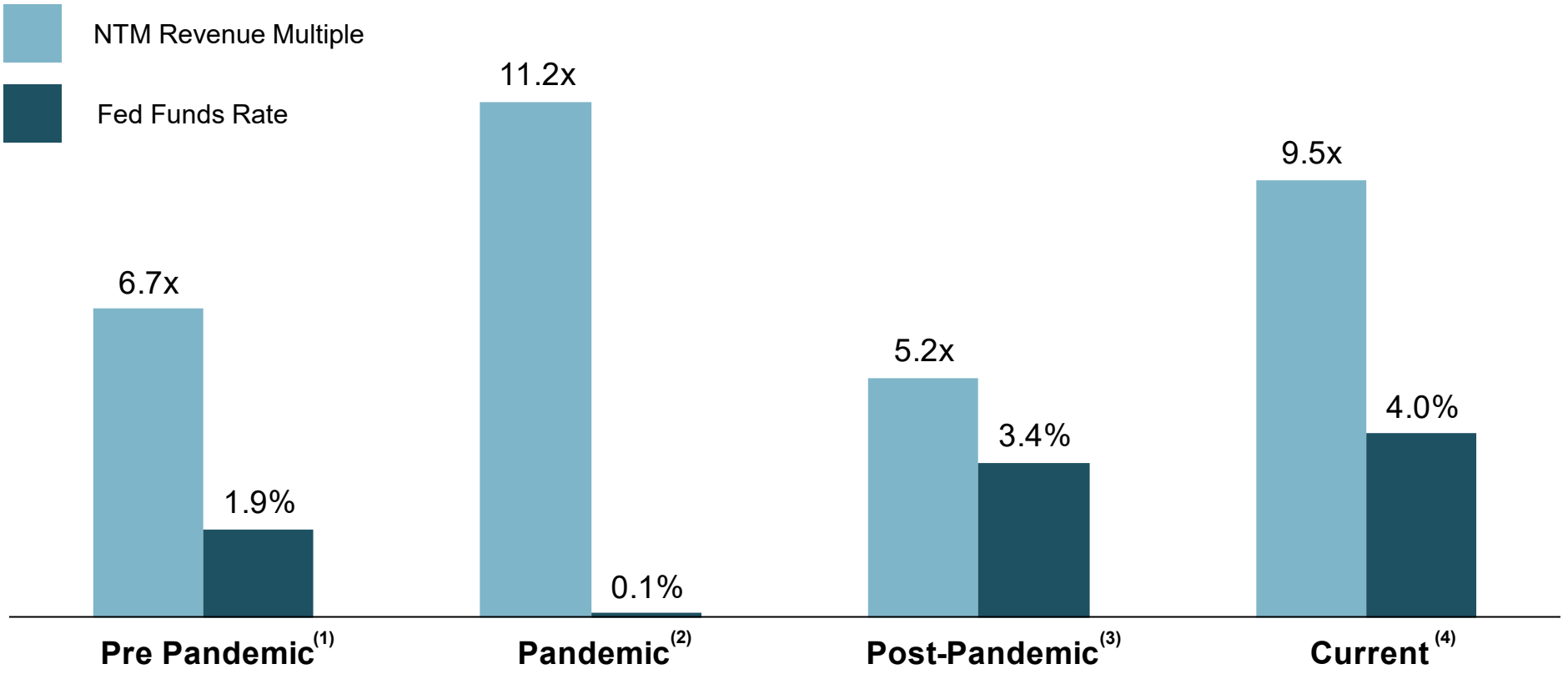


Source: Capital IQ as of 10/29/2025

1) Calculated by taking the weighted enterprise value of a broad set of public software companies (N=117) and their respective median consensus estimates for NTM revenue and EBITDA; Rule of 40 calculated as the sum of NTM EBITDA margin plus NTM revenue growth
2) Pandemic is defined as the period between 4/30/2020 and 12/31/2021
3) Pre-pandemic is defined as the period between 1/1/2018 and 3/1/2020

We Believe These Valuations Have Staying Power

Aggregate Software EV / NTM Revenue and Avg. Fed Funds Rate



26 IPOs	84 IPOs	5 IPOs

Multiples have continued to expand despite a weak IPO environment and high interest rates, suggesting that these valuation levels are durable

Source: Capital IQ as of 10/29/2025
1) Pandemic is defined as the period between 4/30/2020 and 12/31/2021
2) Pre-Pandemic is defined as the period between 1/1/2018 and 3/1/2020
3) Post-Pandemic is defined as the period between 1/1/2022 and 12/31/2023; IPOs are between 1/1/2022 and 10/29/2025
4) Spot fed funds rate is as of 10/29/2025; IPOs are between 1/1/2022 and 10/29/2025

Street Continues to Favor Security

Recognition of Strategic Importance…

"We acknowledge that overarching macro uncertainty could continue to weigh on performance in the near-term, ***but believe fundamental performance [of cybersecurity] should continue to be a bright spot given…mission-critical nature of solutions****"*

– Piper Sandler Equity Research

…With 2022-23 Downturn a Proof Point of Resilience

Security group ***outgrew broader enterprise software group by 13% in 2022***

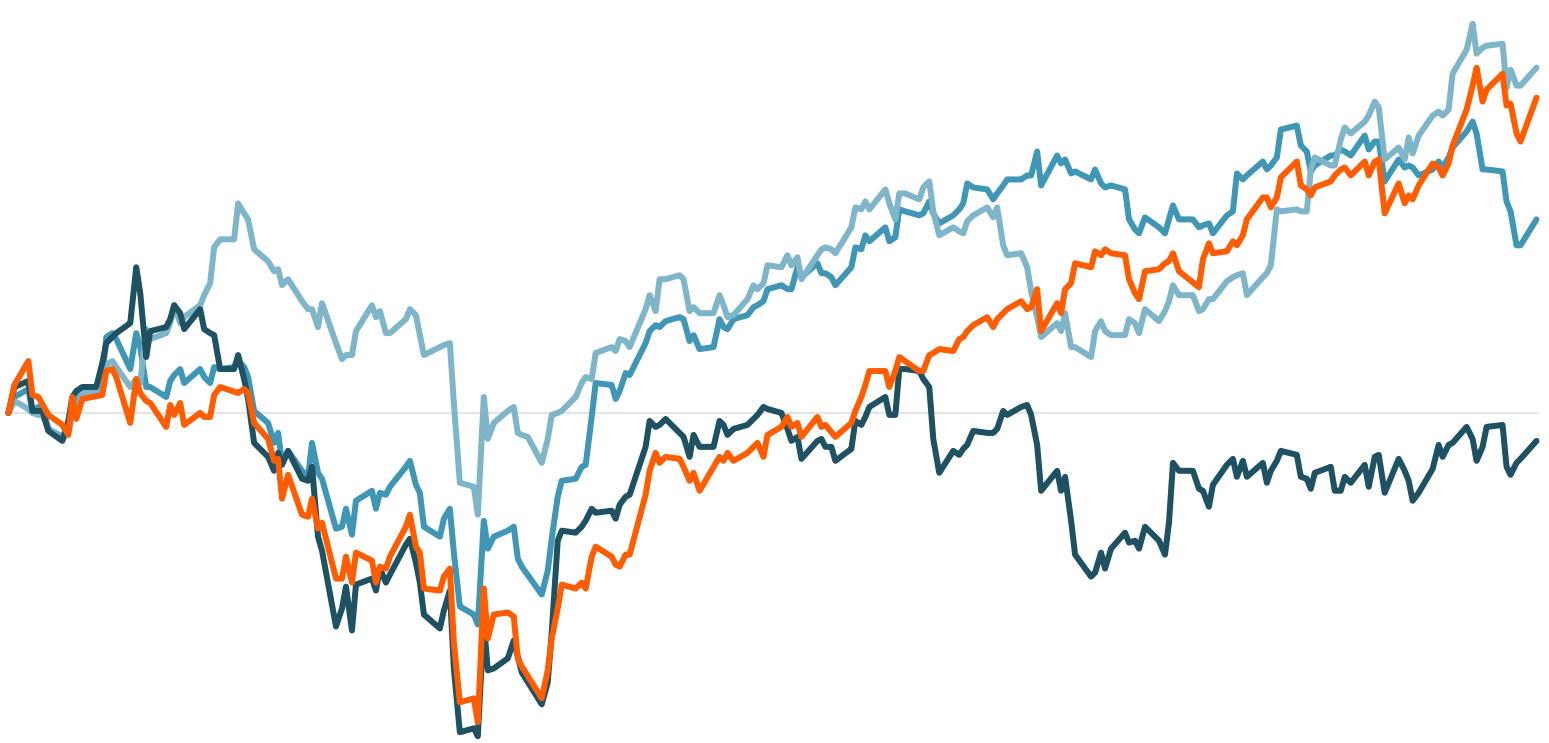
PE investors rotated into security during 2022-23, ***allocating 26% of all software investment to security vs. 21% in two years prior***

End-user spend of security grew by 20% in 2023 *vs. median of 10% for all other enterprise software categories*

N = 13 for Security median; N = 136 for Broader Software median; Broader Software includes public Application Software & Systems Software in US / Canada / Europe with market caps > $1B
Source: Capital IQ and Pitchbook as of 04/17/2025; Piper Sandler, "Sec & Infra Tracker: Madness in March Marks Worst Performance in 2+ Years," 04/02/2025; Gartner, "Forecast: Enterprise Infrastructure Software, Worldwide, 2022-2028, 1Q24 Update" 03/22/2024

Public Security Has Outperformed Year-to-Date

YTD Price Performance



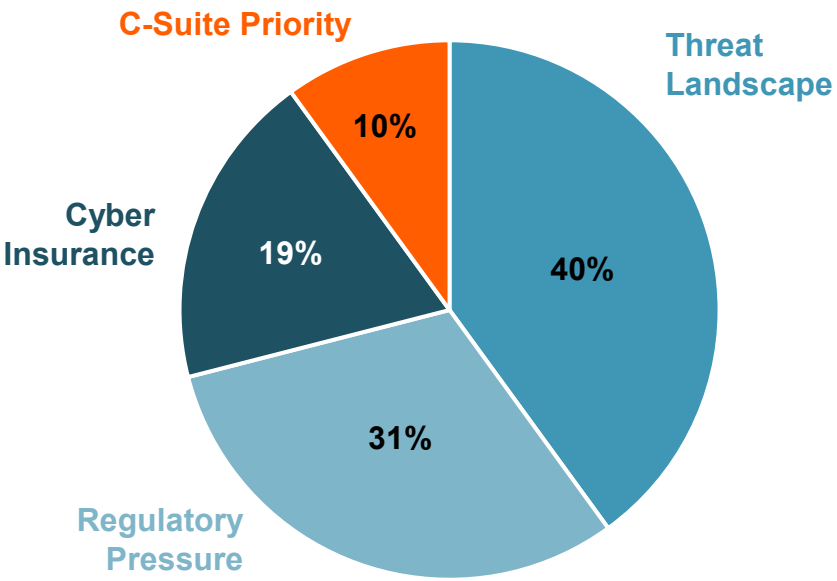
Top 5 YTD Performers	CLOUDFLARE +113%	zscaler 81%	CROWDSTRIKE +60%	CYBERARK +53%	paloalto NETWORKS +20%
Bottom 5 YTD Performers	RAPID7 (64%)	tenable (28%)	SentinelOne (24%)	VARONIS (22%)	FORTINET (13%)

N = 13 for Security; N = 136 for Broader Software; Broader Software includes public Application Software & Systems Software in US / Canada / Europe with market caps > $1B; N=27 for Infrastructure
Source: Capital IQ as of 11/10/2025

Security Budget Strength Underpins Outpaced Growth

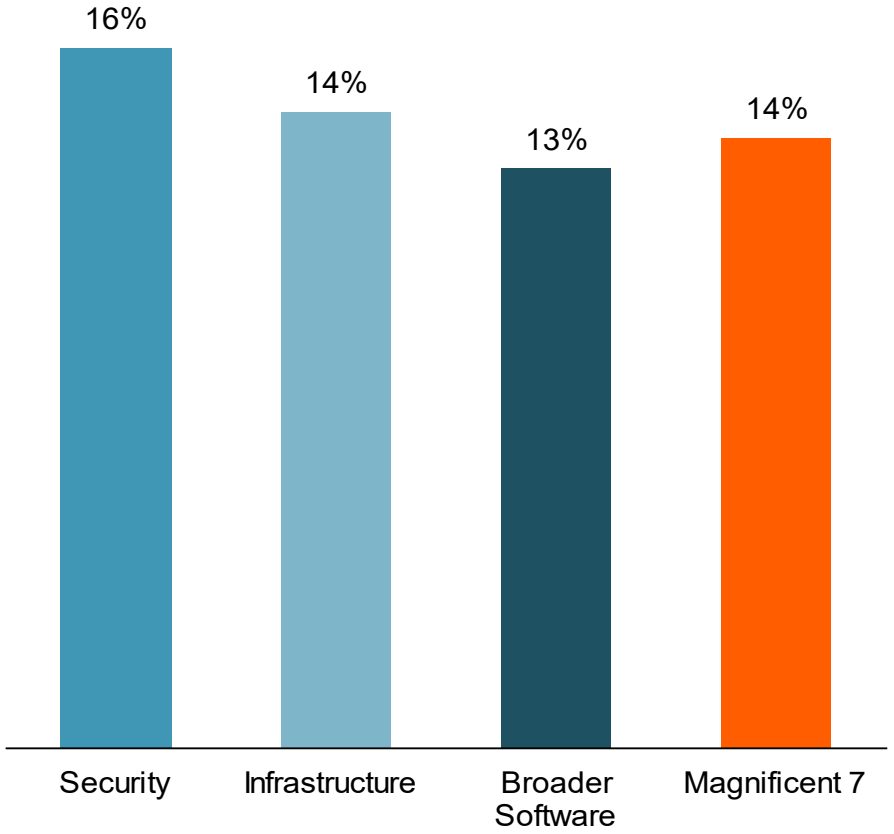
Multiple Long-Term Tailwinds Driving Spend…

Core Driver of Increased Security Spend



…Sustaining Security at the Top of the Growth Curve

2025 Q2 LTM Revenue Growth

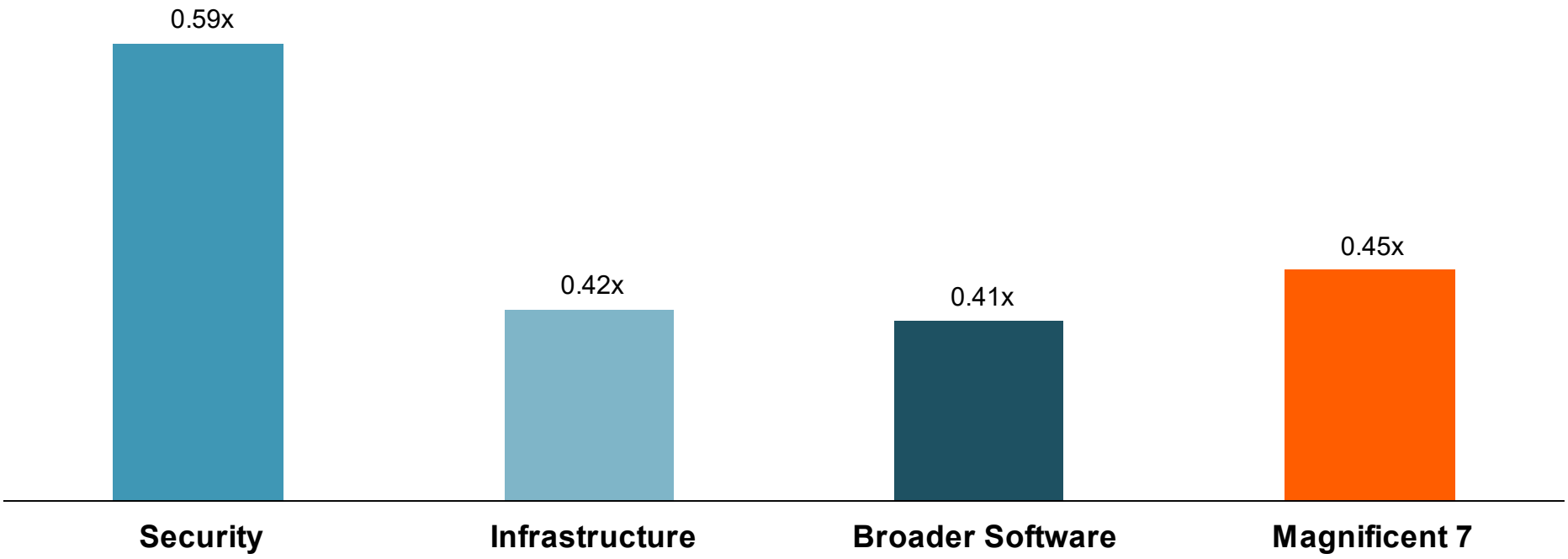


Security remains the top CIO budget priority in 2025, with 89% of organizations planning to increase spend

N = 13 for Security median; N = 136 for Broader Software median; Broader Software includes public Application Software & Systems Software in US / Canada / Europe with market caps > $1B; N=27 for Infrastructure median
Note: All group medians are unweighted
Source: Piper Sandler 2025 CIO Survey; Capital IQ as of 10/29/2025

Security Commands a Premium for Each Point of Growth

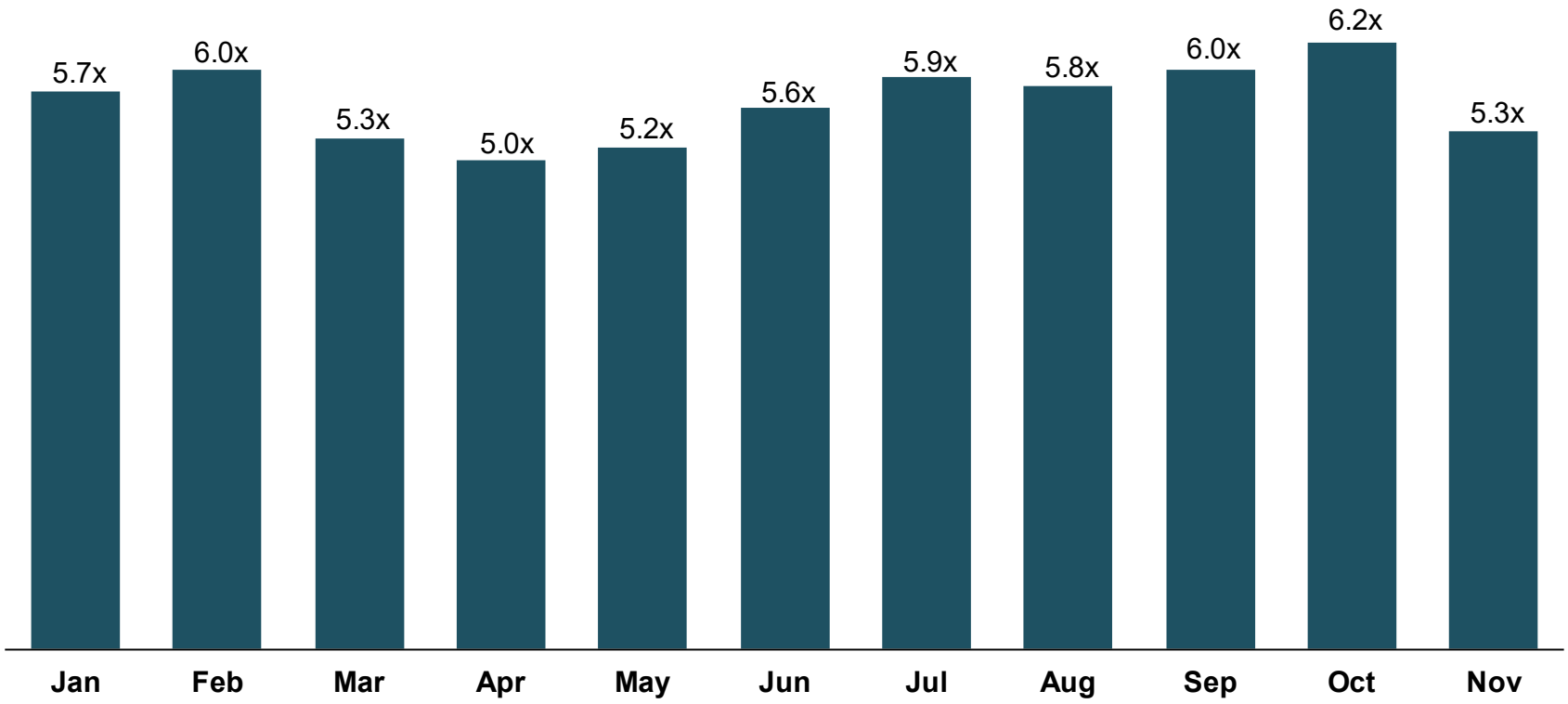
CY26 Revenue Multiple-to-Growth



CY Revenue Multiple-to-Growth = CY Revenue Multiple / (CY Growth % *100)
N = 13 for Security median; N = 136 for Broader Software median; Broader Software includes public Application Software & Systems Software in US / Canada / Europe with market caps > $1Bn; N=27 for Infrastructure median
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Source: Capital IQ as of 10/29/2025

Security Multiples Are Holding Steady

CY26 Security EV / NTM Revenue

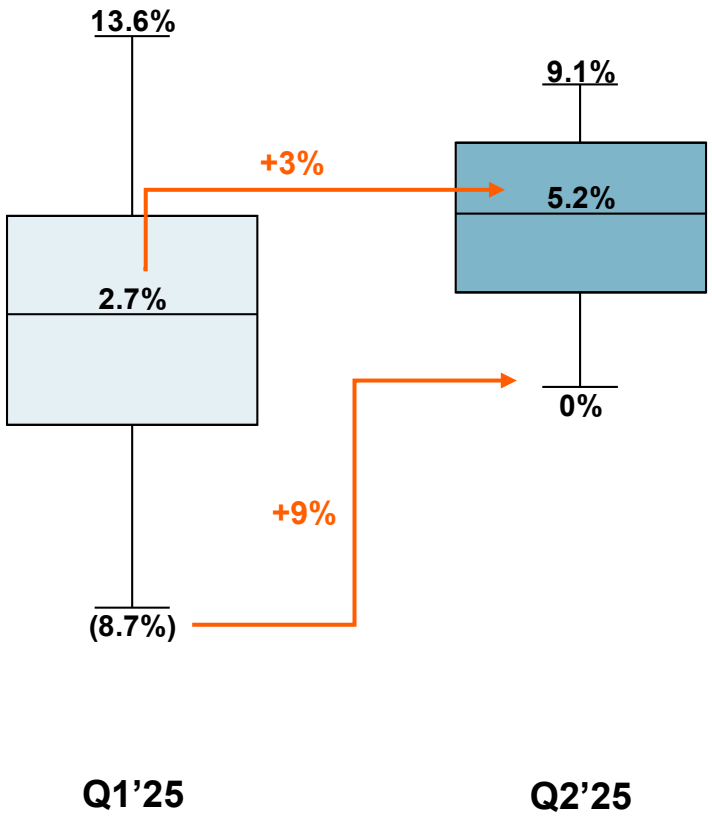


Source: Capital IQ as of 11/03/2025

Revenue Beats Improved Throughout First Half of 2025

Security Median Revenue Beat % (Miss)

Q1'25 showed a wide range of results, with a median beat of 2.7%



During Q2'25, dispersion narrowed and median revenue beat rose to 5.2%

Sequential improvement in revenue beats reflects stronger execution and reduced variability across the security sector

Source: Capital IQ as of 10/29/2025

Premium Valuations Require More Than Just Growth

Growth

Build out platform, scale GTM efficiently, penetrate new geos, grow market share

CLOUDFLARE

Leveraged CDN as entry point into security then deliberately integrated into app performance and SASE, now expanding into AI infrastructure

37x 2025 Revenue

27% Growth Rate

Retention

Invest in customer support and capabilities that increase stickiness

zscaler™

Feature acquisitions facilitated zero trust bundle that drove 115%+ NRR through existing growth

17x 2025 Revenue

22% Growth Rate

TAM

Seek out horizontal mergers to create a compelling platform story

CROWDSTRIKE

Expanded TAM by >4x across security through thoughtful M&A and organic development

28x 2025 Revenue

21% Growth Rate

Source: Capital IQ as of 10/29/2025

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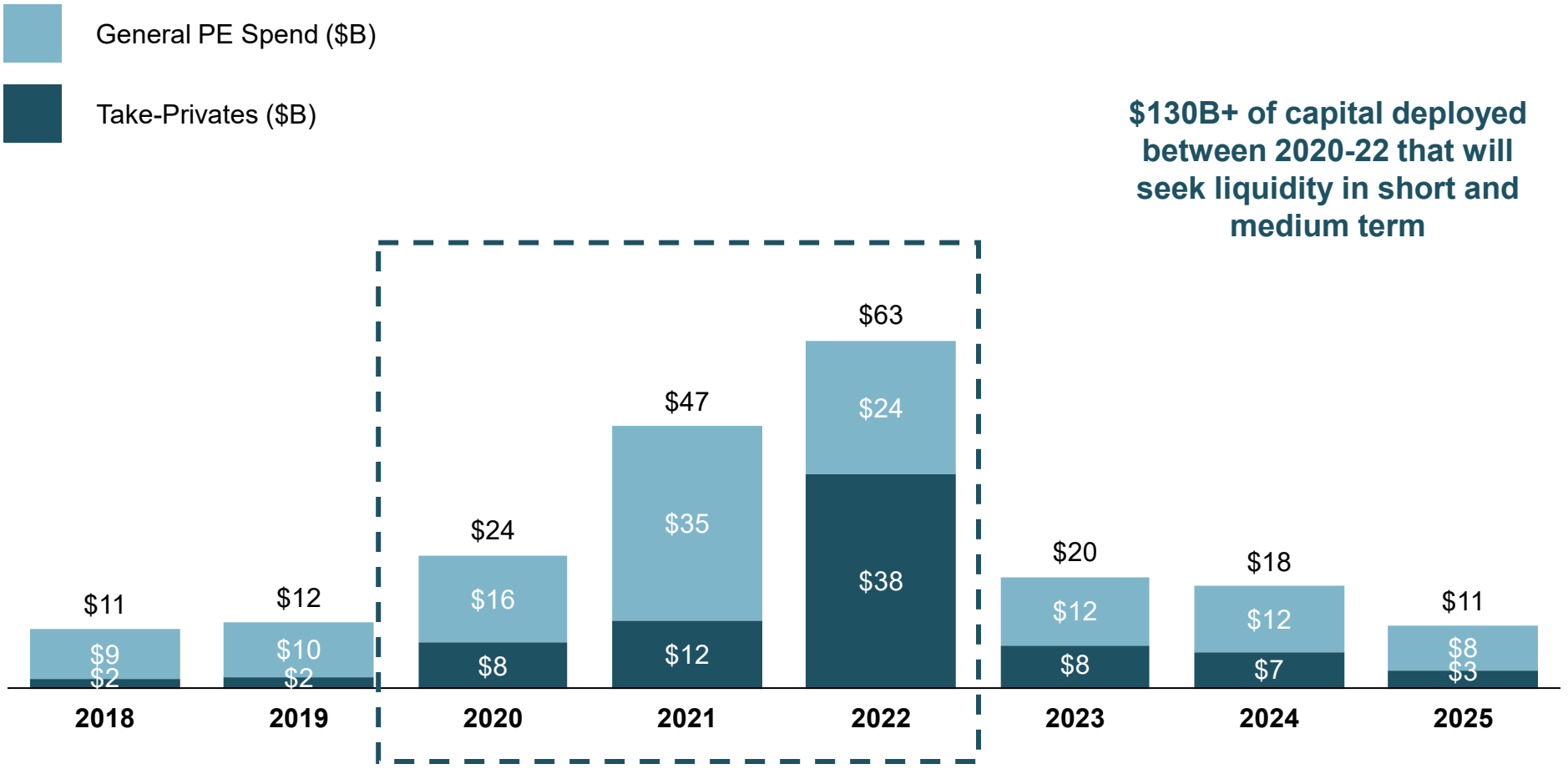
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Private Equity Investments of 2020-21 Are “Coming Due”

PE Cybersecurity Spend

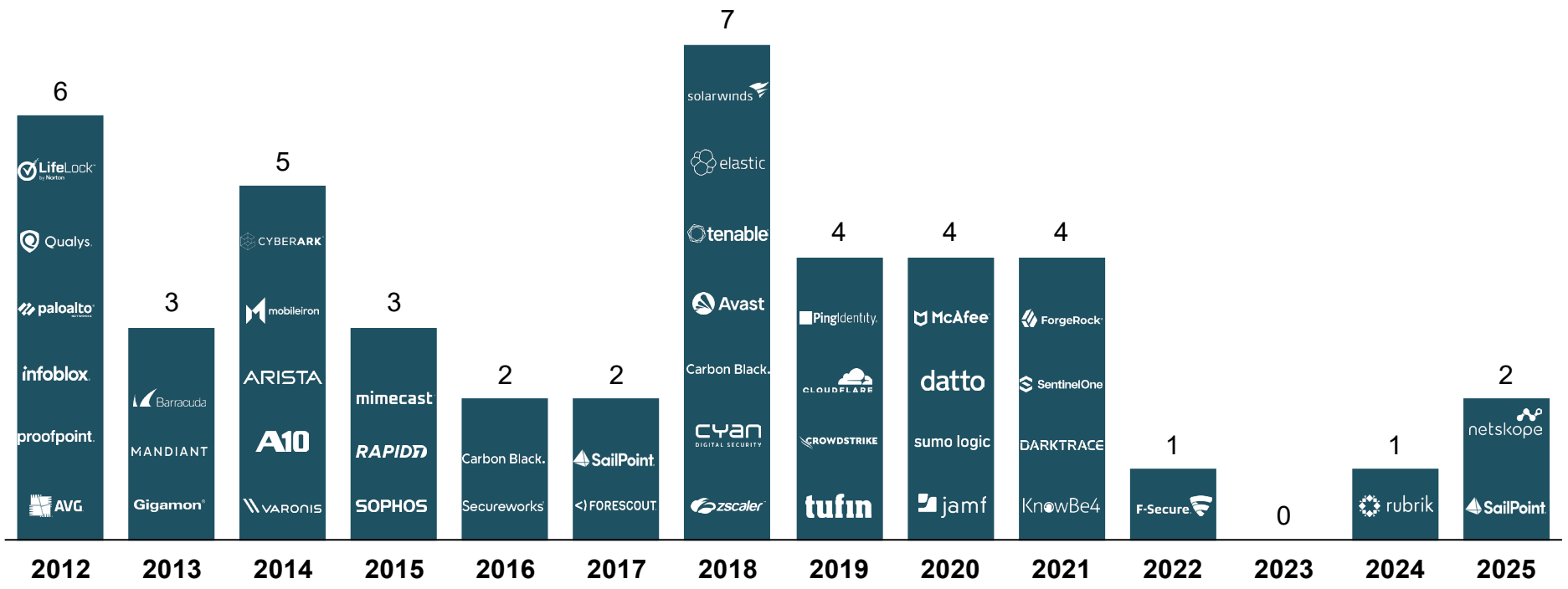


Increasing demand for DPI will be a forcing function for sponsors to bring assets to market or utilize continuation vehicles

Source: PitchBook as of 10/29/2025

We Need More Security IPOs…

Security IPOs Since 2012



The return of high growth, small cap IPOs is required to sustain current investment pace

Note: Includes all cybersecurity IPOs in North America, Europe, and Israel with post-valuation TEV >$100M
Source: PitchBook as of 10/29/2025

…And Smaller IPOs

Technology IPOs by Vintage Band

	2015	2018	2021	2024
Revenue ($M)	$132	$200	$262	$499
Growth %	38%	40%	37%	28%
FCF Margin %	(1%)	(8%)	1%	17%
Rule of 40 [(1)]	33%	33%	42%	43%
Sales Efficiency [(2)]	0.5x	0.6x	0.8x	0.6x
N =	16	48	67	12

Public investors want high growth IPOs, including small cap, with path to breakeven

1) Rule of 40 = Growth Rate + uFCF Margin
2) Sales Efficiency = (Current Year Revenue – Last Year Revenue) / Total S&M Spend
Note: Vintage consists of IPOs during the listed year along with IPOs during Y-1 and Y+1
Source: Capital IQ and PitchBook as of 10/29/2025

Smaller Tech Companies Perform Well in IPOs

We analyzed U.S. technology IPOs since 2011 among companies with <$200M revenue at IPO (N=79) and >$200M revenue at IPO (N=75) each year from IPO to IPO +4

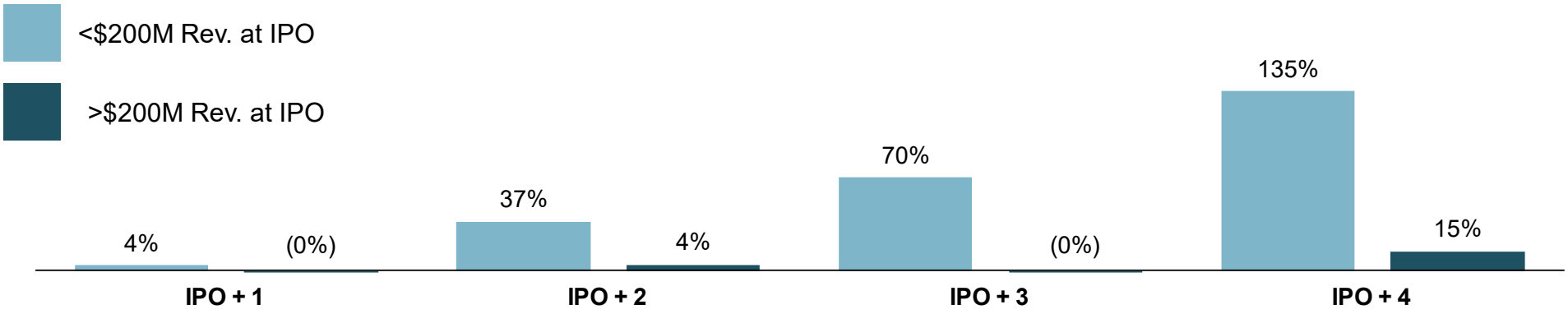
The smaller cohort significantly outperformed each year…

They sustain much **higher median revenue growth** and greater upside potential than larger companies

They show a **bigger overall improvement in EBITDA margin expansion**, underscoring their ability to drive higher operating efficiencies over time

Although smaller companies miss earnings more often than larger companies, they **beat by larger amounts on average**

Revenue at IPO vs. Share Price Return



Smaller IPOs typically give public investors more opportunity to participate in the company's upside, while larger IPOs typically come to market with greater optimization / less room for improvement, and thus lower upside for public investors

Source: Capital IQ as of 10/29/2025

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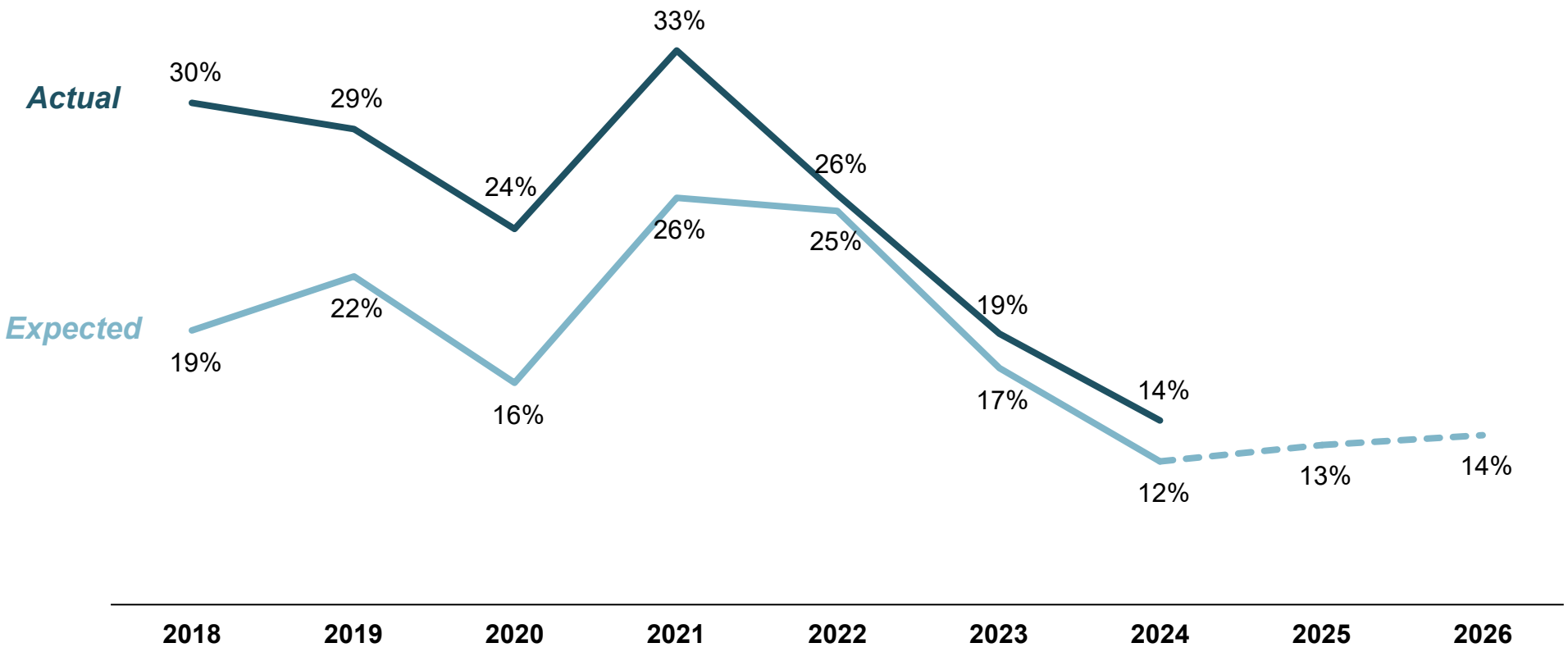
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Security Isn’t Immune to the Slow Down in Growth

YoY Security Revenue Growth



Lower growth outlook ushers in a new era of security that demands elite retention, TAM expansion, and platformization

N = 13 for Security median
Source: Capital IQ as of 10/29/2025

$50M – $250M Security Businesses Face Challenges

What Strategics Demand

- Large adjacent TAM and scaled offering ensuring ample cross-sell opportunities
- Best-of-breed feature exemplified through rapid growth and leading retention
- Highly disruptive nature posing a threat to incumbents' leadership

What Sponsors Demand

- Rock solid retention profile, gross margins, and efficiency highlighting optimal ICP
- Robust TAM with clear pathway toward high, sustained, standalone growth
- Strong competitive moat against large incumbents

What Public Markets Demand



- Rule of 40 – scale and margin in-line with public peers
- Market leadership, right-to-own attractive market segments vs. security platforms and Microsoft
- Expansive vision for building the next security / infra platform

Absent strong growth, companies at this scale need to be self aware and reposition themselves to create optionality

Investor Perspectives on Key Metrics Have Evolved

Evolution of Key Metrics

Gross Retention	88%	90%	GRR >90% is a bright line for many investors, as it is the key indicator for product market fit and the foundation for enduring growth and profitability
Gross Margin	75%	80%	Emphasis on automation and FCF conversion now means 80% gross margins are important
ARR Growth	50%	30%	Growth at scale ($30M+) is hard to come by; 30%+ growers are commanding strong prices
Net Retention	120%	115%	Seat expansions halted so NRR expectations have lowered, often driven by cross-sell
Burn Multiple[1]	1.5x	<1.0x	Unless growth is >50%, high burn is hard to justify

1) Burn Multiple = uFCF / Change in ARR

Key Metrics Reiterate That Growth and Retention Are King

Median 2025 Metrics

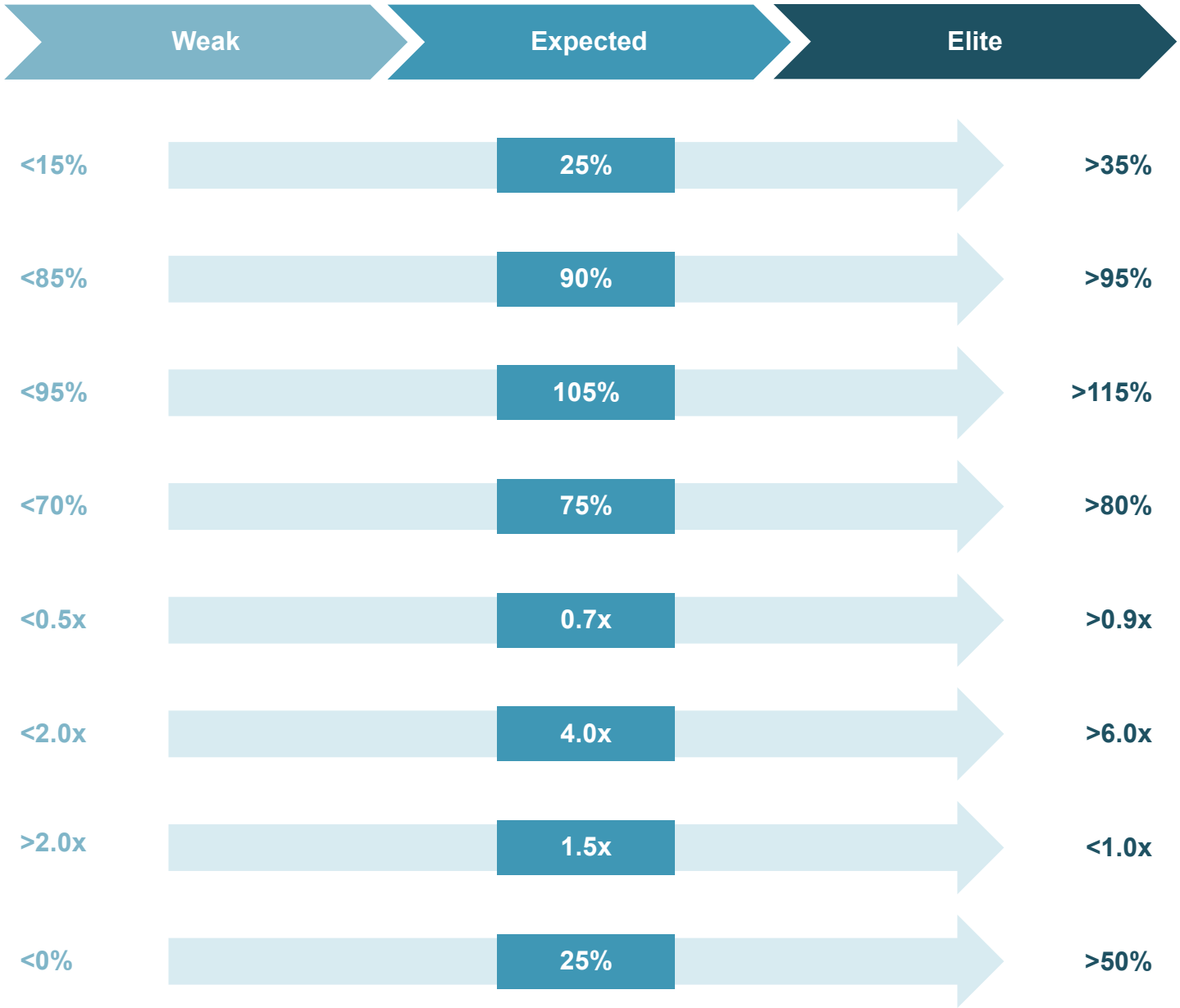
	>10x 2025 Rev Multiple	<10x 2025 Rev Multiple
	FORTINET, CLOUDFLARE, zscaler, CROWDSTRIKE, SailPoint, CYBERARK, paloalto	Qualys, okta, CHECK POINT, VARONIS, RAPID7, SentinelOne, tenable
Revenue Multiple	16.7x	5.0x
Multiple-To-Growth	1.02x	0.46x
Revenue Growth	21%	9%
Gross Margin	78%	82%
Sales Efficiency[1]	0.45x	0.26x
Net Retention	114%	106%
uFCF Margin	24%	25%
Rule of 40[2]	44%	36%

1) Sales Efficiency = (Current Year Revenue – Last Year Revenue) / Total S&M Spend; 2024 metric
2) Rule of 40 = Growth Rate + uFCF Margin
Note: NRR disclosed by NET, ZS, CRWD, SAIL, QLYS, OKTA, VRNS, S, TENB
Source: Capital IQ as of 10/29/2025

Maximizing Your Chance of a Great Outcome

1. Maniacal focus on your ICP
2. Obsession with great metrics
3. Develop a deep moat within your category and stay agile as the category evolves
4. Firm grasp of your ecosystem and competitive landscape
5. Take a perspective on your potential acquiror and how you fit – are you a highly scalable TAM expander or are you a plug-and-play feature to drive NRR producer?

Metrics That Matter



1) Sales Efficiency = Net New ARR (New Logo + Upsell) / Total S&M
2) LTV / CAC = Net New ARR * Gross Margin / Gross Churn / Total S&M
3) Burn Multiple = uFCF / Change in ARR
4) Rule of 40 = Revenue Growth Rate + uFCF Margin

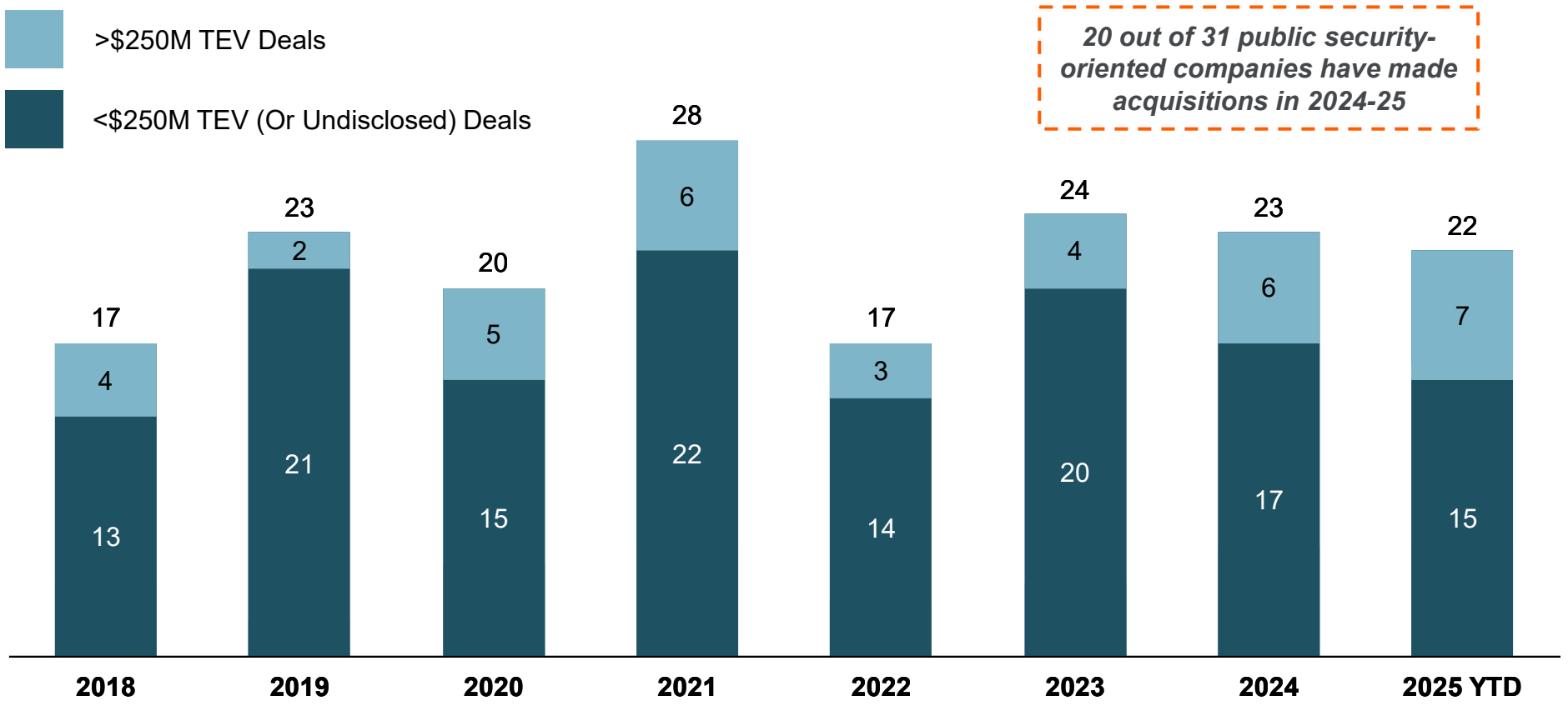
Source: Piper Sandler & Co.

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Cyber Strategics Have Been Consistent in M&A

M&A Deal Counts by 31 Public Security-Oriented Companies

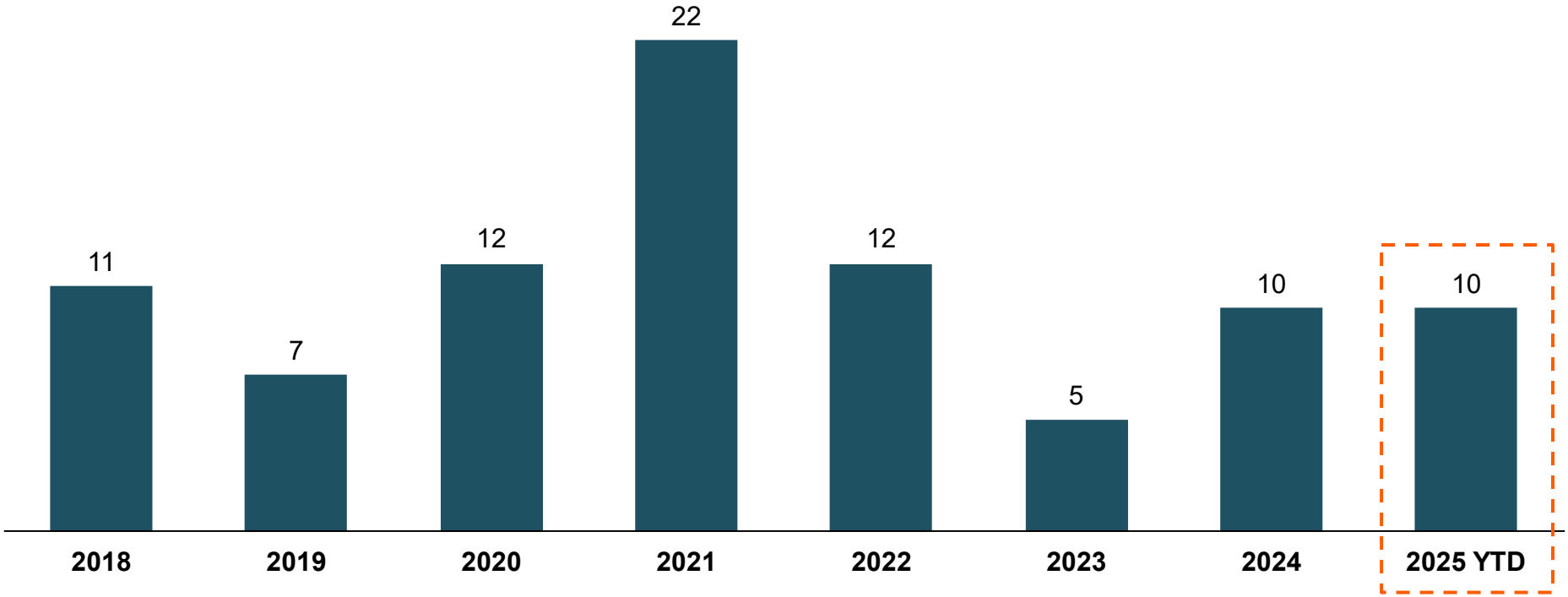


With public cyber strategics consistent in 2024-2025, institutional capital and public markets will remain critical in supporting ongoing M&A activity

Public Security-Oriented Companies includes ATEN, AKAM, AMZN, CHKP, CSCO, NET, CRWD, CYBR, ESTC, FSLY, FSECURE, FTNT, GEN, GOOGL, IBM, NABL, MSFT, OKTA, OSPN, PANW, QLYS, RDWR, RPD, RSKD, RBRK, SAIL, S, TENB, TMICY, VRNS, ZS
Source: 451 Research as of 10/29/2025

Large Cyber Deals Also Remain Consistent

M&A Deal Counts above $500M



Google
WIZ
Ridgeview Partners
RADIANT LOGIC
paloalto NETWORKS
PROTECT AI
proofpoint.
HORNETSECURITY
zscaler
red canary
paloalto NETWORKS
CYBERARK
accenture
CyberCX
MITSUBISHI ELECTRIC
NOZOMI NETWORKS
veeam
securiti
FRANCISCO PARTNERS
jamf

Source: 451 Research as of 10/29/2025

Notable Cybersecurity Platform Expansion Activity

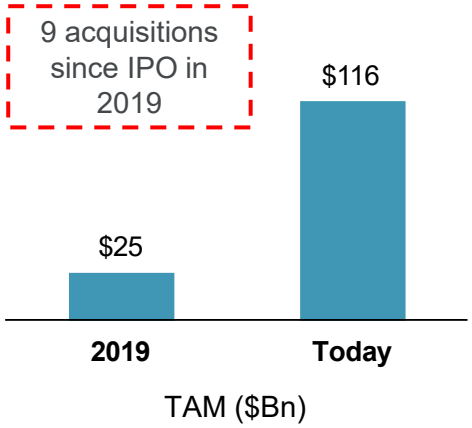
Leading public security vendors continue to broaden platform scope through strategic acquisitions across identity, cloud, and data protection

TAM Expansion Through Product Diversification

CrowdStrike broadens TAM through new modules and acquisitions

CROWDSTRIKE

- ✓ NTM Rev. Multiple: 27.8x
- ✓ Rule of 40: 51%
- ✓ 15+ different modules offered



Expanding Into Identity Security

Palo Alto Networks announced an agreement to acquire CyberArk…

paloalto NETWORKS / CYBERARK

$25B | July 2025

…to expand into the rapidly growing identity management market

- ✓ Establish identity security as a core pillar of its security platform strategy through privileged access management capabilities (PAM)
- ✓ Integrate PAM tools with AI-powered security operations, addressing identity challenges associated with autonomous AI agents and machine identities

Strengthening SecOps Platform

Zscaler announced an acquisition of Red Canary

zscaler™ / red canary

$675M | May 2025

> *Investors focused on Zscaler's recent acquisition of Red Canary and aspirations to **target a substantial SecOps market opportunity** with its platform. Red Canary enables the company to build on its recent acquisition of Avalor, which Zscaler leveraged to develop a data fabric across its platform.*
>
> J.P.Morgan

Expanding Cloud Security Capabilities

Wiz reached a definitive agreement to be acquired by Google…

Google / WIZ

$32B | July 2025

…to strengthen its position in cloud and AI-driven cybersecurity

- ✓ Expand Google Cloud's security platform with Wiz's leading CNAPP across AWS, Azure, and GCP
- ✓ Enhance visibility and threat detection across multicloud and AI environments through unified data and AI-powered security analytics

Sources: Company Website

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AI Adoption Is High, But Its Benefits Are Yet to Be Fully Realized

80%

Of companies have implemented Gen AI in their workflows in some form [1]

… Yet very few companies have reported material earnings impacts so far as most AI implementation has focused on horizontal, lower-impact use cases

We are just beginning to see early signs of ROI for companies that have successfully leveraged agentic AI for domain specific, vertical applications

> *"I've reduced [company headcount] from 9,000 heads to about 5,000, because I need less heads ... Because of the benefits and efficiencies of Agentforce, we've seen the number of support cases we handle decline and **we no longer need to actively backfill support engineer roles**"*

– Marc Benioff, CEO of Salesforce

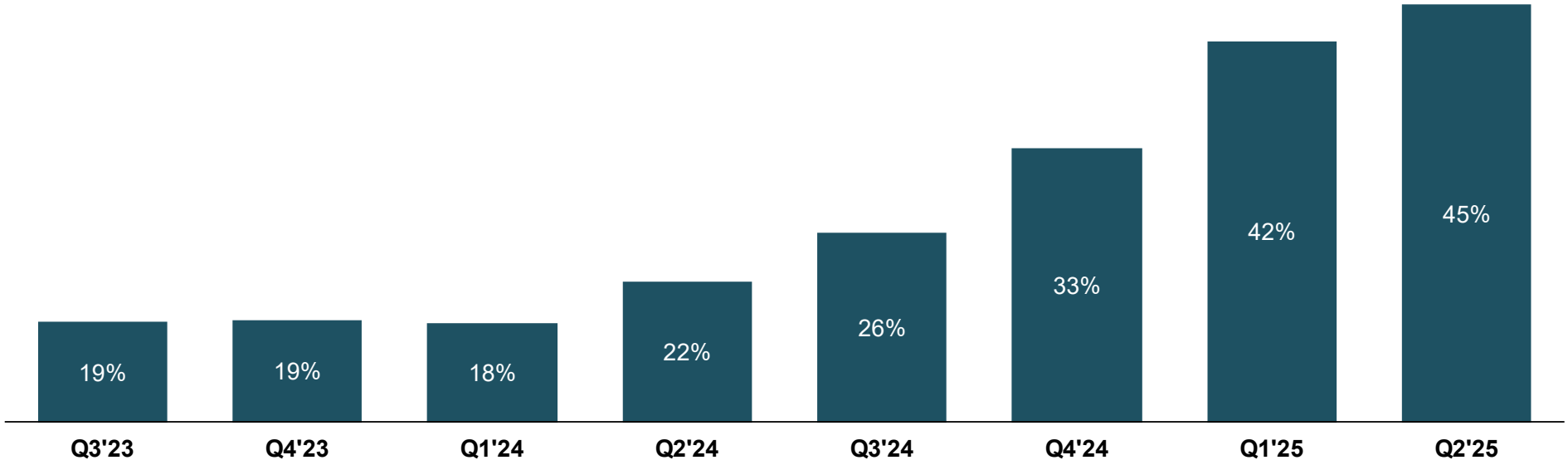
> ***We will need fewer people doing some of the jobs that are being done today, and more people doing other types of jobs**. It's hard to know exactly where this nets out over time, but in the next few years, we expect that this will reduce our total corporate workforce as we get efficiency gains from using AI extensively across the company"*

– Andy Jassy, CEO of Amazon

1) McKinsey, Seizing the Agentic AI Advantage (Jun-25)

It’s All About AI

LTM Global Venture Capital Deployment into AI (%) [1]

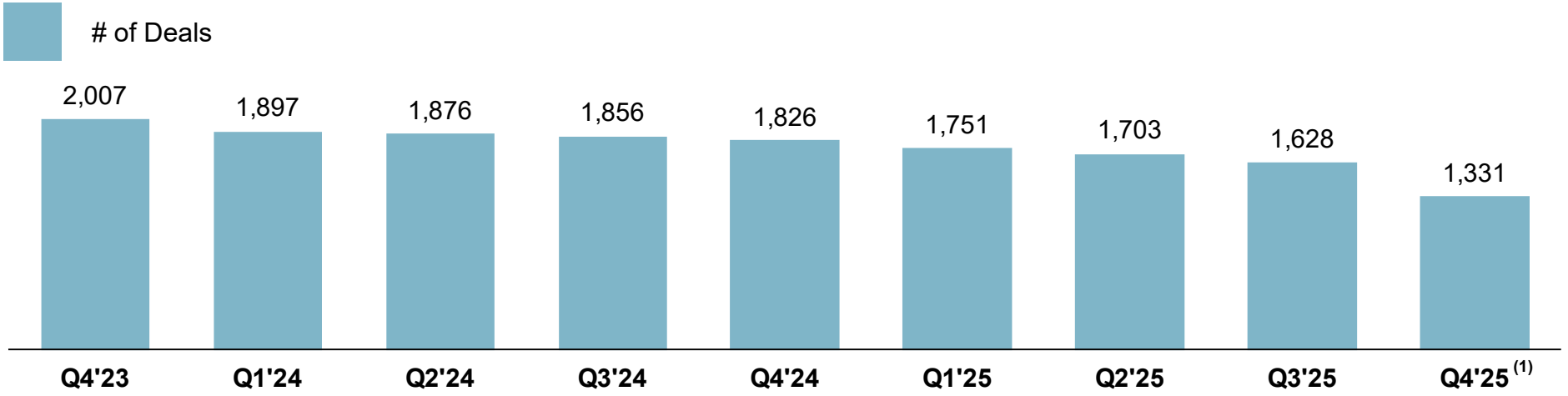


AI has rapidly grown into a core focus of VC investment, with momentum carrying into the rest of 2025

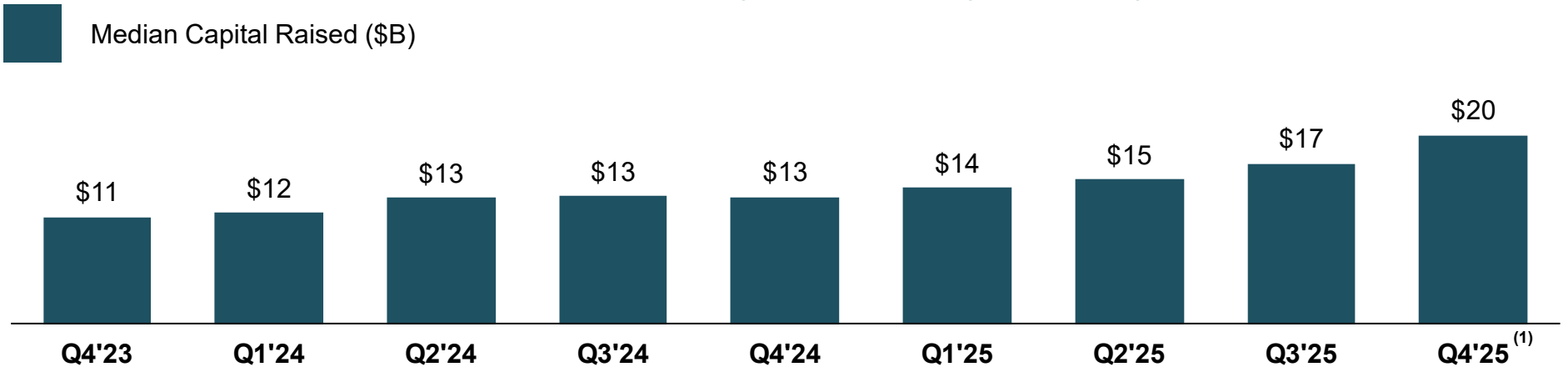
1) Crunchbase, “Q2 Global Venture Funding Climbs In A Blockbuster Quarter For AI And As Capital Concentrates In Larger Companies” (Jul-25)

Although Volume Is Down, Investors Continue to Deploy Capital

LTM VC Deal Volume in Cybersecurity



LTM VC Capital Deployment ($B) in Cybersecurity

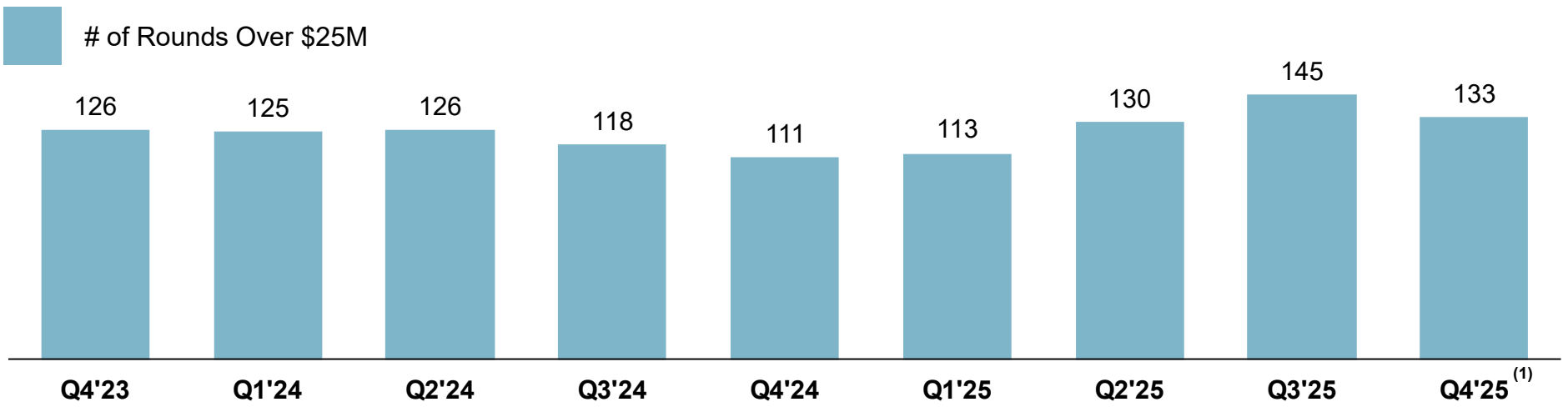


While deal volume is declining, median capital deployments are increasing, implying that deal sizes are getting larger and investors are putting more money into the winners

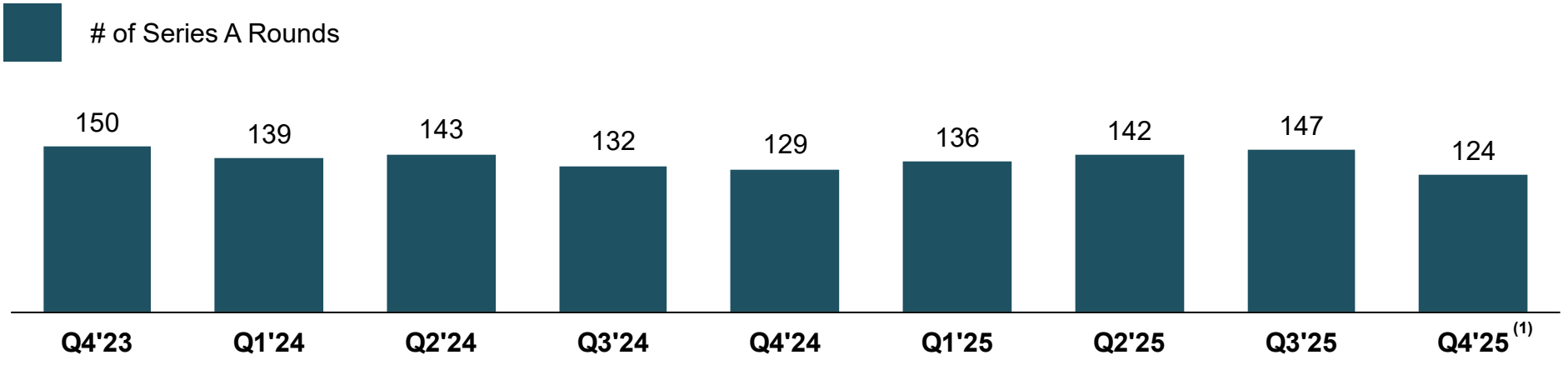
Source: PitchBook as of 10/29/2025
1) Q4 values represent Q4 actuals to date

Despite Lower Volume, Innovation Has Not Slowed

LTM $25M+ Fundraising Rounds in Cybersecurity



LTM Series A Fundraising Rounds in Cybersecurity



Innovation remains strong with a stable number of Series A fundraising rounds

Source: PitchBook as of 10/29/2025
1) Q4 values represent Q4 actuals to date

AI Takes Center Stage in Cybersecurity M&A

	Amount	Rationale
paloalto NETWORKS / PROTECT AI July 2025	$675M	▪ Protect AI specializes in securing AI systems across their full lifecycle, offering modular architecture, red teaming tools, runtime threat detection, and more ▪ PAN acquired Protect AI to embed their AI technology into their Prisma AIRS platform, enabling it to offer unified, end-to-end AI security
SentinelOne / observo.ai September 2025	$225M	▪ Observo AI develops an AI-native, real-time telemetry pipeline that enriches and routes data before it reaches a SIEM or data lake ▪ S1 acquired Observo AI to power its AI SIEM and enable cleaner, faster autonomous security operations
CROWDSTRIKE / pangea September 2025	$260M	▪ Pangea is a leader in AI security that develops a portfolio of security APIs aimed at providing security services for application builders ▪ Crowdstrike aims to extend their Falcon platform and deliver the industry's first complete AI Detection and Response (AIDR), securing the full AI lifecycle
CATO NETWORKS / aim security September 2025	~$350M	▪ Aim Security is a developer of a generative AI security platform designed to offer a guide to secure GenAI adoption ▪ Cato acquired Aim to expand the Cato SASE Cloud Platform, enabling secure enterprise adoption of AI agents and public and private AI applications
CHECK POINT / LAKERA September 2025	$300M	▪ Lakera provides AI-native runtime defenses, prompt-guarding, and red-teaming for agentic AI apps ▪ Check Point acquired Lakera to incorporate AI-centric protections into its Infinity architecture, enabling a full end-to-end AI security stack
f5 / CalypsoAI September 2025	$180M	▪ F5 acquired CalypsoAI to add AI-native security guardrails, including real-time protection against threats like prompt injection and data leakage ▪ The deal helps F5 enable safer, large-scale enterprise AI adoption by providing governance, compliance support, and model-level risk mitigation

Expectations for Cybersecurity

1. **Valuations will remain strong and cybersecurity will continue to garner a premium to broader software**

2. **We expect the IPO market to unlock and the return of smaller cap IPOs**

3. **Growth remains challenged, and executive teams must be nimble and disciplined on their ICP with an emphasis on sales efficiency and customer retention**

4. **Rationalization of vendor sprawl (e.g., platformization) should drive sustained M&A from strategics and private equity in an effort to drive higher cross sell / NRR**

5. **AI is having a big influence, and will have a bigger role in security going forward**

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