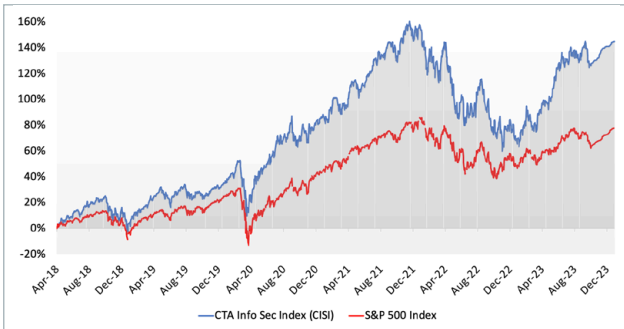


# Information Security



Cherry Tree & Associates (CTA) has advised entrepreneurs, CEOs, investors, and Boards of Directors for more than 40 years. Each quarter we highlight Information Security (Info Sec) industry performance, trends, transactions and valuations. We use the CTA Info Sec Index (CISI) to represent the industry. The CISI is comprised of over 100 global, public, Info Sec companies. The graphs below use the CISI companies. Companies without guidance and extreme outliers were excluded when appropriate.

### CISI vs. S&P 500



### QUARTERLY HIGHLIGHTS:

- The Info Sec industry strongly outperformed the broader market.
- M&A and funding transactions both rebounded slightly.
- 129 funding transactions with 8 Up Rounds and 4 Down Rounds.
- Continued downward pressure on funding.
- 2023 was a record setting year for data breaches.

CISI Medians	
Revenue Growth	10.4%
FCF Margin	14.3%
EV/Rev	4.0x

The CISI has grown 144% over the past five years and outpaced the S&P 500 by 66%. Over the past year the CISI has seen very strong growth. It set recent highs in September before pulling back a little and then matching those highs at the end of the year.

By all accounts the Info Sec industry is booming! So it may come as no surprise that 2023 was a record setting year for data breaches. According to Harvard Business Review there was a 20% increase in the number of breaches and a doubling of the number of victims over 2022. The non-profit Identity Theft Resource Center tracked 3,205 compromises of data and 353 million total victims in 2023. In Q4 alone there were 1,935 incidents with over 3.6 billion records breached.

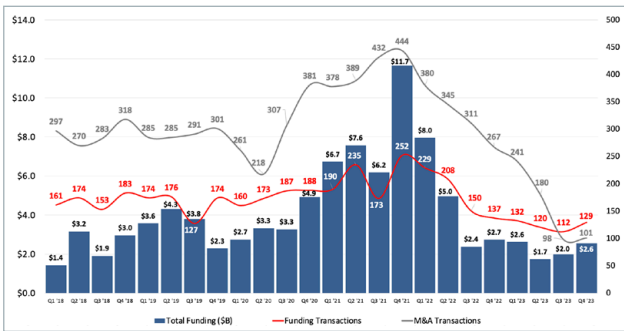
After a dramatic decline in M&A and funding transactions over the past two years, Q4 saw a slight up-tick in volume. With the aforementioned breaches, Q3 may be the bottom for activity as companies scramble to address the demand.

Some of the notable M&A transactions include Palo Alto Networks' (NASDAQGS: PANW) acquisitions of Talon Cyber Security and Dig Security Solutions for \$550M and \$295M, respectively; SentinelOne's (NYSE:S) acquisition of Krebs Stamos Group for \$14M and launching it as PinnacleOne strategic advisory services under the leadership of Chris Krebs and Alex Stamos; Lumifi Cyber's acquisition of Castra Managed Services in a transaction valued at \$14M; and SonicWall's acquisition of Banyan Security for an undisclosed sum.

Companies looking for funding continued to face challenges. Funding values were up slightly but Up Rounds were only 66% of those in Q3 and Down Rounds doubled over Q3.

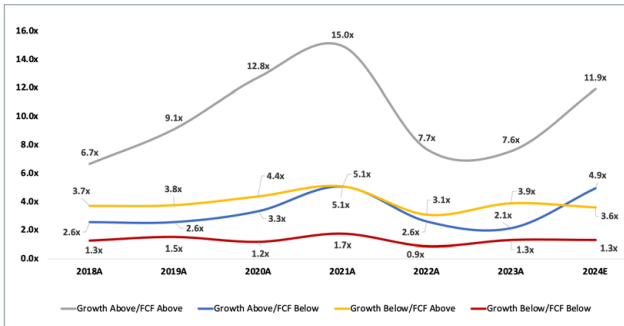
While valuations jumped for fast growing and well run companies, multiples for the other Rule of 40 categories remained relatively consistent. The median EV/Rev multiple also remained consistent at 4.0x. Fear in the market seems to be subsiding with high growth companies increasing in median valuation over high profit companies from 0.8x to 1.3x. We expect to see continued growth and activity in the industry while companies open up their checkbooks to address unprecedented risks.

### Info Sec M&A and Funding Transactions



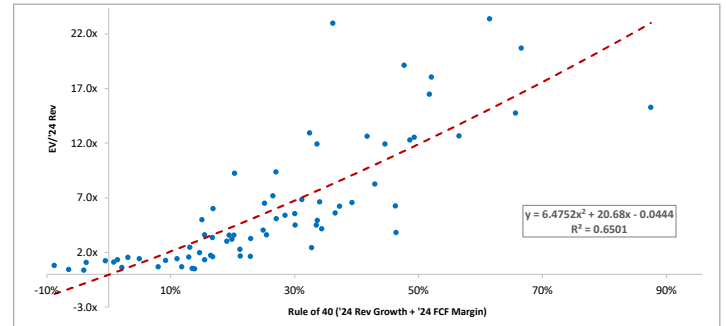
M&A transactions are public and private deals. Funding transactions are private, equity transactions. Both are from global developed countries. Funding values are announced transaction values.

### Rule of 40 Median Performance EV/Rev Multiple Trends



EV/Rev multiple trends are the median multiples for the companies grouped together based on their performance against median CISI revenue growth and FCF margins.

### Rule of 40 Forward-Looking EV/Rev Multiples



Forward-looking guidance for revenue growth and Free Cash Flow (FCF) margins are added to calculate a company's Rule of 40 (R40) number.



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## NOTABLE INFO SEC M&amp;A TRANSACTIONS

Date	Target	Buyer	Status	Value (\$M)	Sector
10/01/23	Proack Security Inc.	Cycura Data Protection Corp.	Completed	NA	Consulting
10/02/23	TrustWave Holdings, Inc.	The Chertoff Group, LLC	Completed	\$205.00	MSSP
10/02/23	SafeNet Consulting, Inc.	Eliassen Group, LLC	Completed	NA	Consulting
10/03/23	IMagosoft	KPMG LLP (Canada)	Completed	NA	IAM
10/04/23	Castra Managed Services LLC	Lumifi Cyber, Inc	Completed	\$14.00	MSP
10/04/23	Advanced Network Systems, Inc.	Magna5 LLC	Completed	NA	MSP
10/06/23	Data Solutions Ltd	Climb Global Solutions, Inc. (NASDAQM:CLMB)	Completed	NA	VAR
10/10/23	WithUno Inc.	Okta, Inc. (NASDAQGS:OKTA)	Completed	NA	Password Management
10/12/23	Keane Technologies, LLC	SingleWave LLC	Completed	NA	MSP
10/13/23	Trusty Ox Systems Ltd	ECI Partners LLP; Rocksure Systems Ltd	Completed	NA	Monitoring
10/13/23	DataStealth Inc.	Michael and Richard Hyatt	Completed	NA	Data Security
10/20/23	nextAuth NV	Belgian Mobile ID	Completed	NA	Authentication
10/24/23	Manta Software, Inc.	International Business Machines Corporation (NYSE:IBM)	Completed	NA	Data Governance
10/30/23	Tessian Limited	Proofpoint, Inc.	Completed	NA	Email Security
10/31/23	Dig Security Solutions Ltd.	Palo Alto Networks, Inc. (NASDAQGS:PANW)	Completed	\$295.00	DDR
11/01/23	Performance Enhancements, Inc.	Dataprise, Inc.	Completed	NA	MSP
11/01/23	Divebell Inc	Exterro, Inc.	Completed	NA	Data Management
11/02/23	InnoTec System S.L.	Accenture plc (NYSE:ACN)	Completed	NA	Purple Team
11/03/23	Increase Your Skills GmbH	Metacompliance Limited	Completed	NA	Awareness Training
11/06/23	Talon Cyber Security Ltd.	Palo Alto Networks, Inc. (NASDAQGS:PANW)	Completed	\$550.00	Enterprise Browser
11/06/23	Revacomm, Inc.	IntelliBridge, Inc.	Completed	NA	Consulting
11/06/23	PRE, LLC	Fortress Investment Group; BigBear.ai Holdings (NYSE:BBAI)	Completed	\$152.64	Authentication
11/07/23	Spade Technology, Inc.	IT Solutions Consulting, Inc.	Completed	NA	MSP
11/07/23	Trustmatic	Certn Holdings, Inc.	Completed	NA	Fraud Detection
11/08/23	Krebs Stamos Group LLC	SentinelOne, Inc. (NYSE:S)	Completed	\$14.00	Consulting
11/09/23	Falanx Cyber Defence/Falanx Cyber	Thetis Bidco Limited	Completed	\$5.27	MSSP
11/09/23	Decisive Group Inc.	Calian Group Ltd. (TSX:CGY)	Completed	\$55.04	Consulting
11/13/23	scanmeter GmbH	Boltonshield AG	Completed	NA	MSSP
11/14/23	Ingalls Information Security, LLC	C3 Integrated Solutions Inc.	Completed	NA	MSSP
11/14/23	Go Concepts, Inc.	VC3 Inc.	Completed	NA	MSP
11/15/23	IKSTN S.r.l.	Cy4gate S.p.A. (BIT:CY4)	Announced	\$10.53	Fraud Prevention
11/15/23	Fujitsu Services GmbH	AEQUITA SE & Co KGaA	Announced	NA	Consulting



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## NOTABLE INFO SEC M&amp;A TRANSACTIONS—Continued

Date	Target	Buyer	Status	Value (\$M)	Sector
11/15/23	SIXGEN Incorporated	Washington Harbour Partners LP	Completed	NA	Consulting
11/16/23	Solutions Granted, Inc.	SonicWall Inc.	Completed	NA	MSSP
11/21/23	DRACoon GmbH	Kiteworks USA, LLC	Announced	NA	File Sharing
11/22/23	Maytech Communications Ltd	Kiteworks USA, LLC	Announced	NA	File Sharing
11/23/23	Damstra Holdings Limited	Ideagen Limited	Announced	\$53.84	Access Control
11/27/23	Bouwpas	Oribi Software B.V.	Completed	NA	Access Control
11/28/23	Ocelot Consulting LLC	Accenture plc (NYSE:ACN)	Completed	NA	Consulting
11/28/23	Keep Secure	Jot Digital, Inc.	Completed	NA	Consulting
11/28/23	Agility Recovery Solutions, Inc.	AFIMAC Global Inc.	Completed	NA	Business Continuity
11/29/23	Conquest Cyber	BlueVoyant LLC	Completed	NA	GRC
12/01/23	SADA Systems, Inc.	Insight Enterprises, Inc. (NASDAQ:INSI)	Completed	\$916.05	Consulting
12/04/23	Alder Technology, Inc.	Acclaim Technical Services, Inc.	Completed	NA	MSP
12/05/23	WireWheel, Inc.	Osano, Inc., a Public Benefit Corporation	Completed	NA	Data Privacy
12/06/23	Newtech Systems, Inc.	ADT Commercial LLC	Completed	NA	Physical
12/07/23	Copp Systems Incorporated	CertaSite	Completed	NA	Physical
12/08/23	GreyCastle Security, LLC	DEEP SEAS, LLC	Completed	NA	MSSP
12/11/23	The Network Pro, Inc.	IT Solutions Consulting, Inc.	Completed	NA	MSP
12/12/23	Quantivate, LLC	Ncontracts, LLC	Completed	NA	GRC
12/14/23	Grabowsky B.V.	Xalient Limited	Completed	NA	IAM
12/15/23	IPVideo Corporation	Motorola Solutions, Inc. (NYSE:MSI)	Completed	\$170.00	Physical
12/18/23	Aberdeen Inc.	VC3 Inc.	Completed	NA	MSP
12/18/23	WebMethods Germany GmbH/StreamSets, Inc.	International Business Machines Corporation (NYSE:IBM)	Announced	\$2,324.57	iPaaS
12/18/23	Consigas Limited	Exclusive Networks SA (ENXTPA:EXN)	Completed	NA	Consulting
12/19/23	Spera Cybersecurity Ltd.	Okta, Inc. (NASDAQ:OKTA)	Completed	NA	IAM
12/19/23	Atom Security	Mend.io	Completed	NA	AppSec
12/20/23	Middleground Technologies LLC	Ntiva, Inc.	Completed	NA	MSP
12/21/23	Isovalent, Inc.	Cisco Systems, Inc. (NASDAQ:CSCO)	Announced	NA	Networking
12/21/23	DetACT	DataExpert BV	Completed	\$9.75	Fraud Detection
12/22/23	International Softmachine Systems	Prottime NV	Completed	NA	Access Control
12/26/23	Banyan Security, Inc.	SonicWall Inc.	Completed	NA	SASE
12/31/23	Slauth.io	Ark Infotech LLC	Completed	NA	IAM



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## NOTABLE INFO SEC FUNDING

Date	Company	Value (\$M)	Stage	Round Direction
10/01/23	Prins AI Technology, Ltd	100.00	Series B	N/A
10/05/23	ADACEN, Inc.	335.00	Venture	N/A
10/09/23	HarfangLab SAS	26.36	Series A	N/A
10/10/23	Gutsy.io Inc	51.00	Seed	N/A
10/10/23	Orus SAS	11.66	Series A	N/A
10/11/23	Conveyor Inc.	12.50	Series A	N/A
10/17/23	FingerprintJS, Inc	32.50	Series C	Up Round
10/17/23	Prove Identity, Inc.	43.91	Series I	Up Round
10/17/23	SwiftConnect Inc.	10.00	Series A	N/A
10/17/23	Yardstik, Inc.	12.00	Series A	Up Round
10/17/23	Anonybit, Inc.	3.00	Seed	Down Round
10/18/23	SecureW2, Inc.	80.00	Mature	N/A
10/18/23	SpecTrust, Inc.	15.00	Series A	Up Round
10/24/23	Aleph Labs, Inc.	16.71	Series A	N/A
10/29/23	Quad Miners Co., Ltd.	11.10	Series B	N/A
10/30/23	Ambient AI, Inc.	20.00	Mature	N/A
10/31/23	Ostra Cybersecurity, Inc.	2.50	Series A	Down Round
11/01/23	Inversoft, Inc.	65.00	Mature	N/A
11/02/23	Xage Security, Inc.	25.00	Series B	Up Round
11/06/23	Aleph Alpha GmbH	500.00	Series B	N/A
11/14/23	Radiant Security, Inc.	15.00	Series A	Up Round
11/15/23	ALTR Solutions, Inc.	25.00	Series C	Down Round

Date	Company	Value (\$M)	Stage	Round Direction
11/15/23	Virdee, Inc.	12.35	Series A	Up Round
11/15/23	Volt Inc.	12.00	Series A	N/A
11/16/23	LYNX Financial Crime Tech S.A.U.	18.47	Series A	N/A
11/16/23	SGNL.ai, Inc.	10.00	Venture	N/A
11/20/23	BioCatch Ltd.	70.00	Mature	N/A
11/21/23	Dream Security	35.00	Series A	N/A
11/21/23	Horkos, Inc.	18.00	Series A	N/A
11/28/23	Cloudsmith Ltd.	11.16	Series A	N/A
11/28/23	DataBank Holdings, Ltd.	188.00	Debt	N/A
11/29/23	BlueVoyant LLC	140.00	Series E	N/A
11/30/23	CryptoNext	12.00	Series A	N/A
12/04/23	ArmorCode, Inc.	40.00	Series B	N/A
12/06/23	VAST Data, Inc.	118.00	Series E	N/A
12/13/23	Andalusia Labs Ltd	48.00	Series A	N/A
12/13/23	Dynamic Labs, Inc.	22.30	Series A	N/A
12/13/23	Guardz Cyber LTD	18.00	Series A	N/A
12/18/23	Halcyon Tech, Inc.	40.00	Series B	Up Round
12/20/23	Pelion Group Pty Limited	27.43	Mature	N/A
12/20/23	Phosphorus Cybersecurity, Inc.	27.00	Series A	Down Round
12/22/23	Link11 GmbH	29.18	Debt	N/A




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## CISI INDEX COMPANIES

Company	EV (\$M)	Company	EV (\$M)	Company	EV (\$M)
Accenture plc (NYSE:ACN)	\$216,761	Datadog, Inc. (NasdaqGS:DDOG)	\$38,426	Nubeva Technologies Ltd. (TSXV:NBVA)	\$18
Acmos Inc. (TSE:6888)	\$23	Dell Technologies Inc. (NYSE:DELL)	\$73,701	Okta, Inc. (NasdaqGS:OKTA)	\$14,260
ADT Inc. (NYSE:ADT)	\$15,653	Digital Arts Inc. (TSE:2326)	\$388	OneSpan Inc. (NasdaqCM:OSPN)	\$364
Akamai Technologies, Inc. (NasdaqGS:AKAM)	\$20,205	DXC Technology Company (NYSE:DXC)	\$8,666	Open Text Corporation (NasdaqGS:OTEX)	\$19,344
Alarm.com Holdings, Inc. (NASDAQGS:ALRM)	\$3,109	Dynatrace, Inc. (NYSE:DT)	\$15,475	Oracle Corporation (NYSE:ORCL)	\$370,430
Allegion plc (NYSE:ALLE)	\$12,917	E-Guardian Inc. (TSE:6050)	\$91	Palo Alto Networks, Inc. (NasdaqGS:PANW)	\$91,304
Allot Ltd. (NASDAQGS:ALLT)	\$44	Elastic N.V. (NYSE:ESTC)	\$10,854	Plurilock Security Inc. (TSXV:PLUR)	\$7
Alphabet Inc. (NasdaqGS:GOOGL)	\$1,665,970	Eltes Co., Ltd. (TSE:3967)	\$44	Pure Storage, Inc. (NYSE:PSTG)	\$10,189
Amazon.com, Inc. (NasdaqGS:AMZN)	\$1,672,049	Exclusive Networks SA (ENXTPA:EXN)	\$2,210	Qualys, Inc. (NasdaqGS:QLYS)	\$6,791
Arista Networks, Inc. (NYSE:ANET)	\$68,860	Extreme Networks, Inc. (NasdaqGS:EXTR)	\$2,308	Rackspace Technology, Inc. (NASDAQGS:RXT)	\$3,783
Atos SE (ENXTPA:ATO)	\$4,605	F5, Inc. (NasdaqGS:FFIV)	\$10,164	Radware Ltd. (NasdaqGS:RDWR)	\$389
authID Inc. (NasdaqCM:AUID)	\$86	Fastly, Inc. (NYSE:FSLY)	\$2,433	Rapid7, Inc. (NasdaqGM:RPD)	\$4,209
AvePoint, Inc. (NasdaqGS:AVPT)	\$1,328	FDM Group (Holdings) plc (LSE:FDM)	\$602	Route1 Inc. (TSXV:ROI)	\$5
Aware, Inc. (NASDAQGM:AWRE)	\$12	Fortinet, Inc. (NasdaqGS:FTNT)	\$42,833	RTX Corporation (NYSE:RTX)	\$153,691
BAE Systems plc (LSE:BA.)	\$47,394	F-Secure Oyj (HLSF:FSECURE)	\$605	Science Applications International Corp. (NYSE:SAIC)	\$8,556
BIO-key International, Inc. (NasdaqCM:BKYI)	\$8	Fuva Brain Limited (TSE:3927)	\$13	SecureWorks Corp. (NasdaqGS:SCWX)	\$588
Black Box Limited (BSE:500463)	\$644	Gen Digital Inc. (NasdaqGS:GEN)	\$23,550	Securitas AB (publ) (OM:SECU B)	\$10,026
BlackBerry Limited (TSX:BB)	\$2,098	Global Security Experts Inc. (TSE:4417)	\$253	SentinelOne, Inc. (NYSE:S)	\$7,421
Booz Allen Hamilton Holding Corporation (NYSE:BAH)	\$19,763	HashiCorp, Inc. (NasdaqGS:HCP)	\$3,388	ServiceNow, Inc. (NYSE:NOW)	\$139,770
BroadBand Security, Inc. (TSE:4398)	\$35	HP Inc. (NYSE:HPQ)	\$37,381	Snowflake Inc. (NYSE:SNOW)	\$61,332
Broadcom Inc. (NasdaqGS:AVGO)	\$548,021	Infosys Limited (NSEI:INFY)	\$74,996	SolarWinds Corporation (NYSE:SWI)	\$3,107
CACI International Inc (NYSE:CACI)	\$9,209	Insight Enterprises, Inc. (NasdaqGS:NSIT)	\$6,470	Splunk Inc. (NasdaqGS:SPLK)	\$27,249
Check Point Software Technologies Ltd. (NasdaqGS:CHKP)	\$14,887	Intern'l Business Machines Corp. (NYSE:IBM)	\$196,963	T Stamp Inc. (NASDAQCM:IDAI)	\$9
Cigniti Technologies Limited (BSE:534758)	\$324	Intrusion Inc. (NasdaqCM:INTZ)	\$21	Telos Corporation (NasdaqGM:TLS)	\$166
Cisco Systems, Inc. (NasdaqGS:CSCO)	\$190,114	Jamf Holding Corp. (NasdaqGS:JAMF)	\$2,434	Tenable Holdings, Inc. (NasdaqGS:TENB)	\$5,111
CISO Global Inc. (NasdaqCM:CISO)	\$31	Juniper Networks, Inc. (NYSE:JNPR)	\$9,804	Thales S.A. (ENXTPA:HO)	\$31,970
Cloudflare, Inc. (NYSE:NET)	\$27,801	Kudelski SA (SWX:KUD)	\$378	Trend Micro Incorporated (TSE:4704)	\$5,285
Cognyte Software Ltd. (NASDAQGS:CGNT)	\$407	Kyndryl Holdings, Inc. (NYSE:KD)	\$7,638	Varonis Systems, Inc. (NasdaqGS:VRNS)	\$4,513
Commvault Systems, Inc. (NASDAQGS:CVLT)	\$3,228	Leidos Holdings, Inc. (NYSE:LDOS)	\$19,403	VeriSign, Inc. (NasdaqGS:VRSN)	\$21,883
CrowdStrike Holdings, Inc. (NASDAQGS:CRWD)	\$58,974	Microsoft Corporation (NasdaqGS:MSFT)	\$2,756,564	WidePoint Corporation (NYSEAM:WYY)	\$17
Cyber Security Cloud, Inc. (TSE:4493)	\$136	N-able, Inc. (NYSE:NABL)	\$2,669	Wipro Limited (BSE:507685)	\$27,669
CyberArk Software Ltd. (NasdaqGS:CYBR)	\$8,331	NCC Group plc (LSE:NCC)	\$614	ZeroFox Holdings, Inc. (NasdaqGM:ZFOX)	\$277
Cybertrust Japan Co., Ltd. (TSE:4498)	\$91	NetScout Systems, Inc. (NasdaqGS:NTCT)	\$1,381	Zscaler, Inc. (NASDAQGS:ZS)	\$31,765
Darktrace plc (LSE: DARK)	\$2,705	NSFOCUS Tech. Group Co., Ltd. (SZSE:300369)	\$999		

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You have decided to explore a sale of your company.

**Sell-Side:** We use a methodical approach to identify potential strategic and financial acquirers with the intent of creating competitive tension, allowing you to select the best choice from potentially several options and avoid the "bird-in-the-hand" scenario.

You want to "take some chips off the table" and step back from the day-to-day operations.

**Majority Recapitalization:** We find new investors to buy a majority (>50%) stake in the company from the current owners.

You have been approached by a large strategic buyer about being acquired.

**Market Check:** We analyze the market dynamics, confidentially "test the waters" with other potential buyers, and provide an appropriate valuation range.

You want to sell a slower growing non-core subsidiary and double down on growing your core business.

**Divestiture:** Our approach is similar to our sell-side process but we only sell part of your business. This allows you to add cash to the Balance Sheet and increase investment in high growth areas.

You want to acquire other companies for inorganic growth opportunities.

**Buy-Side:** We use a methodical approach to identify the most appealing market segments for acquisitions, identify targets and acquire those companies with you.

Early investors want to exit but you want to continue to run the business.

**Minority Recapitalization:** We find new investors to buy a minority (<50%) stake in the company from your current investors. This could be part of an acquisition strategy or a way to infuse fresh capital into the balance sheet.

You are looking to raise capital to fund your company's growth.

**Capital Raise:** We collaborate with you to find growth equity investors who are aligned with your vision.

You are negotiating being acquired and your Board of Directors requires an independent financial expert to provide a written opinion on the appropriateness of the valuation.

**Fairness Opinion:** We analyze the offer and provide an expert opinion about whether the proposed offer is fair and reasonable.

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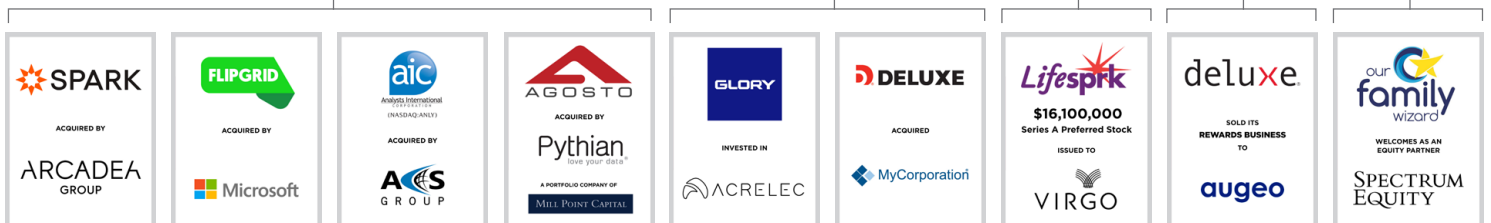
Sell-Side

Buy-Side

Capital Raise

Divestiture

Recapitalization



PROVEN TRANSACTION EXPERIENCE