

# Cloud Security (CSPM/CWPP) Valuations: Q2 2026

JUNE 2026

## Cloud Security Leads Cyber

Cloud security is the fastest-growing cyber subsegment, expanding **28.8%** in 2026 against a sector growing 13.3% (Gartner).

- Scaled cloud platforms anchor a Windsor Drake working benchmark near **14x NTM revenue**.
- The premium reflects secular cloud migration, not cyclical exuberance.
- CNAPP has absorbed standalone CSPM and CWPP into single buying decisions.
- Buyer and seller expectations have re-aligned, unlocking record deal value.

## Demand Fundamentals

Cloud security spending is re-accelerating as workloads migrate off premise.

- **CSPM** is the fastest-growing security category, near **33%** growth in 2026 (Gartner).
- Gartner sizes CSPM at **\$4.7B in 2025**, reaching **\$16.2B by 2030**.
- The combined cloud security market reaches **\$32.4B by 2029**, a 25% CAGR (Gartner).
- AI adoption multiplies cloud attack surface, widening a structurally defensive base.

## The Architecture Divergence

Headline ranges mask a profound split between AI-native platforms and legacy point tools.

- **AI-native CNAPP leaders** clear **20x to 32x revenue** in private rounds.
- **Broad CNAPP platforms** sit at **14x to 22x** on platform breadth.
- **Legacy point cloud tools** compress to **6x to 10x** as capability is absorbed.
- Capital concentrates at the top of the quality curve as point tools consolidate.

## Macroeconomic Backdrop

Monetary policy is a cautious tailwind, tempered by a recent inflation uptick.

- Fed funds range holds at **3.50% to 3.75%** after the April 2026 FOMC (Federal Reserve).
- The March 2026 dot plot signals one further 2026 cut, though the committee is divided.
- April 2026 CPI rose **3.8%** year on year, the highest since 2023, on energy costs (BLS).
- Lower discount rates still favour long-duration, high-growth cloud software.

## The Defining Cloud Deal

Cloud security recorded the highest deal value of any cyber category in 2025, led by one transaction.

- **Google / Wiz** (\$32B) closed in **March 2026**, the largest cloud security deal on record.
- Total cybersecurity M&A value reached about **\$102B in 2025**, roughly 3x 2024.
- Eight cyber megadeals above \$1B were announced in 2025; the median Q1 2026 deal cleared **\$300M**.
- Hyperscalers now define the upper bound of cloud security pricing.

## The AI-Native Premium

AI-native architecture has become the primary driver of cloud security valuation.

- Private **AI-native CNAPP** platforms command roughly **20x to 32x** revenue.
- Runtime-first cloud security is repricing on measurable detection gains.
- Hyperscalers buy, rather than build, agentless and identity-aware detection.
- Proven AI defence reads as core cloud infrastructure, not an experiment.

## Strategic Buyers Dominate

Strategic acquirers deployed an estimated **92%** of cybersecurity M&A capital in 2025.

- Hyperscalers backfill cloud-native gaps; Google / Wiz is the template.
- Platform incumbents acquire cloud-native code to defend share.
- Capability bolt-ons under \$1B dominate by deal count.
- Orca Security's purchase of Opus (May 2025) typifies the AI capability roll-up.

## IPO Window & Private Capital

The public window reopened selectively, and private capital remains abundant.

- **Netskope** listed on Nasdaq in **September 2025**, raising about **\$908M** (SEC filings).
- **Upwind** raised a **\$250M** Series B at a **\$1.5B** valuation in January 2026.
- Global PE dry powder of about **\$1.3T** keeps pressure on platform prices (Bain).
- Cyber VC funding reached about **\$18B in 2025**, up **~26%** (Crunchbase; CB Insights).

## 1. Rule of 40 Achievement

Revenue Growth % plus EBITDA Margin % at or above 40% is the non-negotiable baseline for a premium cloud security multiple (McKinsey; Bain).

- Each 10-point gain in the score added about **1.1x EV/Revenue** in Q4 2025 (Bain).
- AI infrastructure cost is pressuring the rule; track the score monthly at board level.

## 2. Net Revenue Retention

Land-and-expand across CSPM, CWPP, CIEM and DSPM is scrutinised more heavily than topline growth.

- Top-tier cloud security platforms sustain **NRR above 115% to 120%**.
- Document the multi-module attach motion that drives that retention.

## 3. AI-Native Architecture

AI-native, agentless detection is no longer optional; it is the primary driver of deal size and multiple expansion.

- AI-native CNAPP platforms command roughly **20x to 32x** in private rounds.
- Show measurable analyst productivity and false-positive reduction, not pilots.

## 4. Platform Coherence (CNAPP)

Standalone CSPM and CWPP are being absorbed; the CNAPP platform that unifies posture, workload, identity and data is the winner.

- CNAPP platform leaders clear **14x to 22x revenue**; point tools sit far lower.
- Codify how the asset slots into a cloud-platform consolidation roadmap.

## 5. Public Market Discipline

Private marks are converging with public cloud-software benchmarks, so pricing discipline is required even for private rounds.

- Public cloud-security proxies trade near **11x to 19x NTM revenue** (PitchBook).
- Justify any private premium with growth, retention and AI-native posture.

## 6. Buyer-Readiness Discipline

With about **\$1.3T** of dry powder and strategics driving **92%** of cyber M&A capital, the prepared asset captures competitive tension.

- Clean financials, audited SOC 2 and FedRAMP posture, defensible data room.
- Map specific capability gaps for each of your top five strategic acquirers.

# Founder FAQs: Valuations, Timing & Strategy

WINDSOR DRAKE

The questions cloud security founders ask most, answered against the Q2 2026 market.

## Q1 Which valuation metric applies to my business?

Use **EV/Revenue** for high-growth CNAPP, CSPM, CWPP and CIEM platforms, an **ARR and NRR lens** for any SaaS-delivered cloud security asset, and **EV/EBITDA** only for mature, cash-generative or PE-owned operators. Always reference the correct cloud security cohort, never the broad cyber average.

## Q3 Why is the Rule of 40 so critical?

It is the single best predictor of a premium software multiple. Bain finds each 10-point improvement in the score added about **1.1x EV/Revenue** in Q4 2025, up from 0.8x a year earlier. AI infrastructure cost is pressuring margins, leading Bain to discuss a 'Rule of 30' alternative for AI-native players.

## Q5 When is the optimal time to run a process?

After demonstrating **4 to 6 quarters** of predictable performance, while still holding 12 to 18 months of runway. Negotiating from strength, rather than necessity, is what captures the scarcity premium in a strategic-buyer-dominated cloud security market.

## Q7 Is the IPO window a viable alternative to M&A?

It has reopened but remains selective. **Netskope's** September 2025 IPO reset expectations for SASE and cloud security, but **Wiz** chose a \$32B sale over a listing. The window favours scaled, profitable assets above roughly **\$300M ARR** with a credible AI-native cloud narrative.

## Q2 What are the key subsector ranges right now?

AI-native CNAPP leads at **20x to 32x revenue**; broad CNAPP platforms at **14x to 22x**; CSPM at **12x to 18x**; DSPM and cloud data security at **10x to 16x**; CIEM and CWPP at **10x to 15x**; container and Kubernetes security at **9x to 14x**; legacy cloud tools at **6x to 10x**.

## Q4 How do public and private valuations compare?

Public cloud-security proxies trade near **11x to 19x NTM revenue**. AI-native private CNAPP rounds still print **20x to 32x**, a premium that has persisted where most other private categories have converged. Generic late-stage private cloud tools now reference public marks and are repricing down.

## Q6 Who are the most active buyers today?

**Hyperscalers** (Google, Microsoft, Amazon) and **platform incumbents** (Palo Alto Networks, CrowdStrike, Zscaler) drove the largest deals of 2025 to 2026. **PE platforms** with about \$1.3T of dry powder pursue mid-market cloud security software and take-privates.

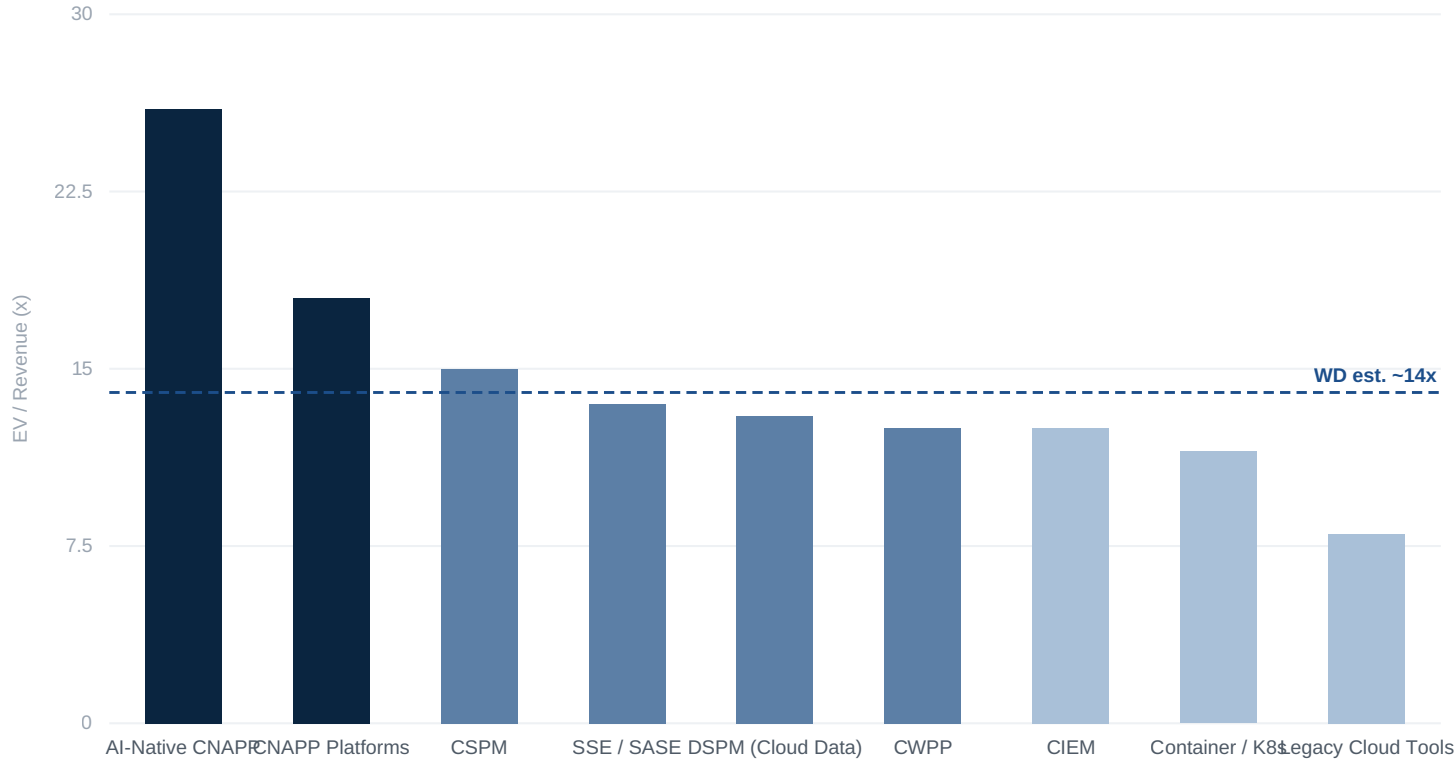
## Q8 How do we maximise our multiple, and expect earn-outs?

Clear the **Rule of 40**, sustain **NRR >115%**, hold premier certifications (SOC 2, FedRAMP High, ISO 27001) and codify AI-native cloud detection value. Expect **earn-outs** to bridge AI-capability or scale gaps; structures typically pay over 12 to 24 months on revenue and integration milestones.

# Q2 2026 Valuation Landscape Overview

Premium multiples cluster in AI-native CNAPP and CSPM; legacy point tools stay compressed.

Median EV / Revenue Multiple by Cloud Security Niche (x)



**Architecture bifurcation:** the gap between AI-native CNAPP (20x to 32x) and legacy point tools (6x to 10x) is the defining feature of the niche, driven by agentless, identity-aware design and platform attach.

## SCALED CLOUD BENCHMARK

**~14x**

Windsor Drake working EV/Revenue benchmark for scaled cloud security platforms (PitchBook; S&P Global).

## AI-NATIVE CNAPP PREMIUM

**~20x to 32x**

Private AI-native CNAPP platforms command the niche's highest revenue multiples.

## CLOUD SECURITY GROWTH, 2026

**+28.8%**

Gartner forecast for the cloud security subsegment, the fastest-growing in cyber.

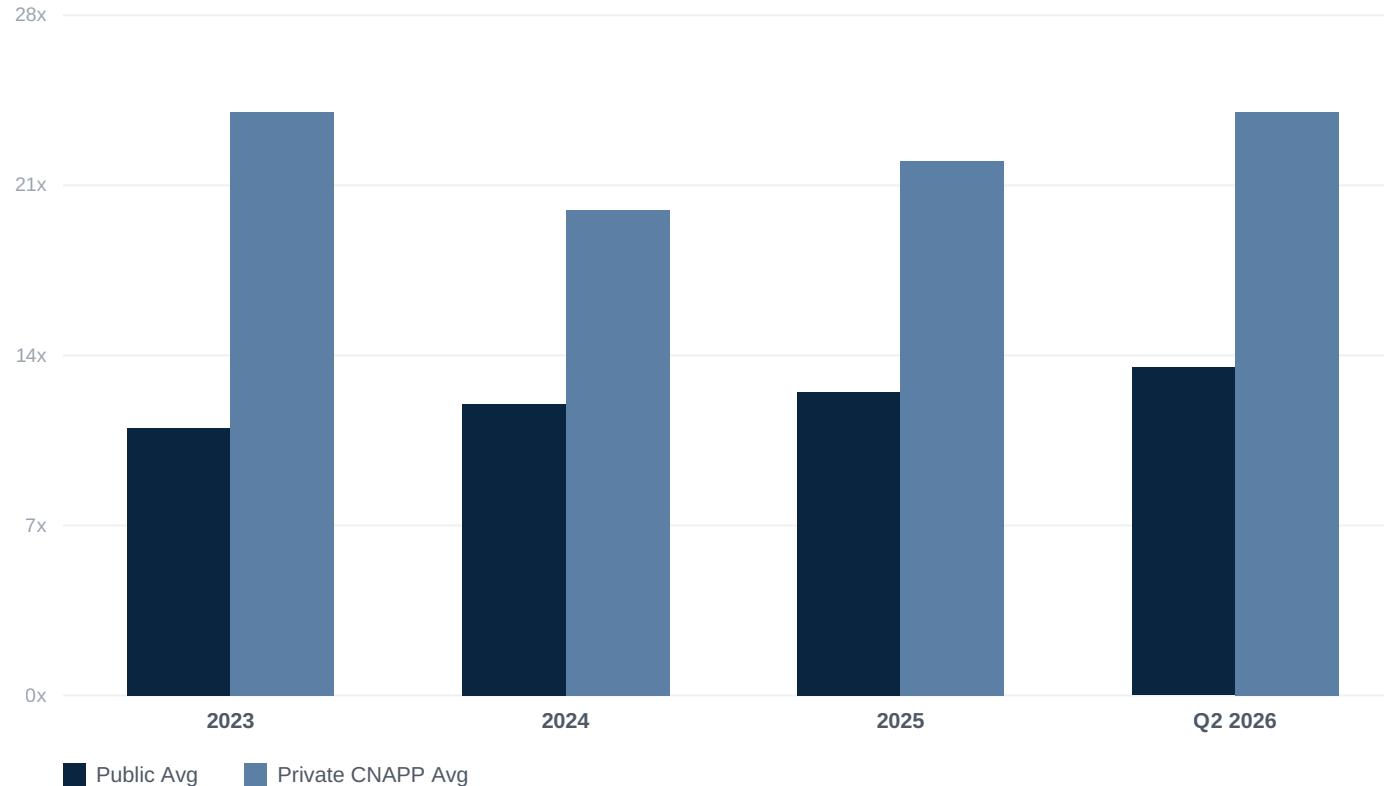
## Key Driver

Disciplined exuberance has replaced 2021 enthusiasm: acquirers reward AI-native architecture, platform breadth and recurring revenue quality, not topline growth alone.

# Public vs Private Market Convergence

Generic private cloud tools have converged on public marks, while AI-native CNAPP retains a wide premium.

Average EV / Revenue Multiple, Public vs Private (x)



## PUBLIC / PRIVATE SPREAD

**~10x**

The gap persists at the top of the private cohort, unlike most cyber categories (PitchBook; CB Insights).

## QUALITY PRIVATE TAIL

**20x to 32x**

AI-native CNAPP and runtime cloud security rounds clear public marks decisively.

## PUBLIC BENCHMARK ANCHOR

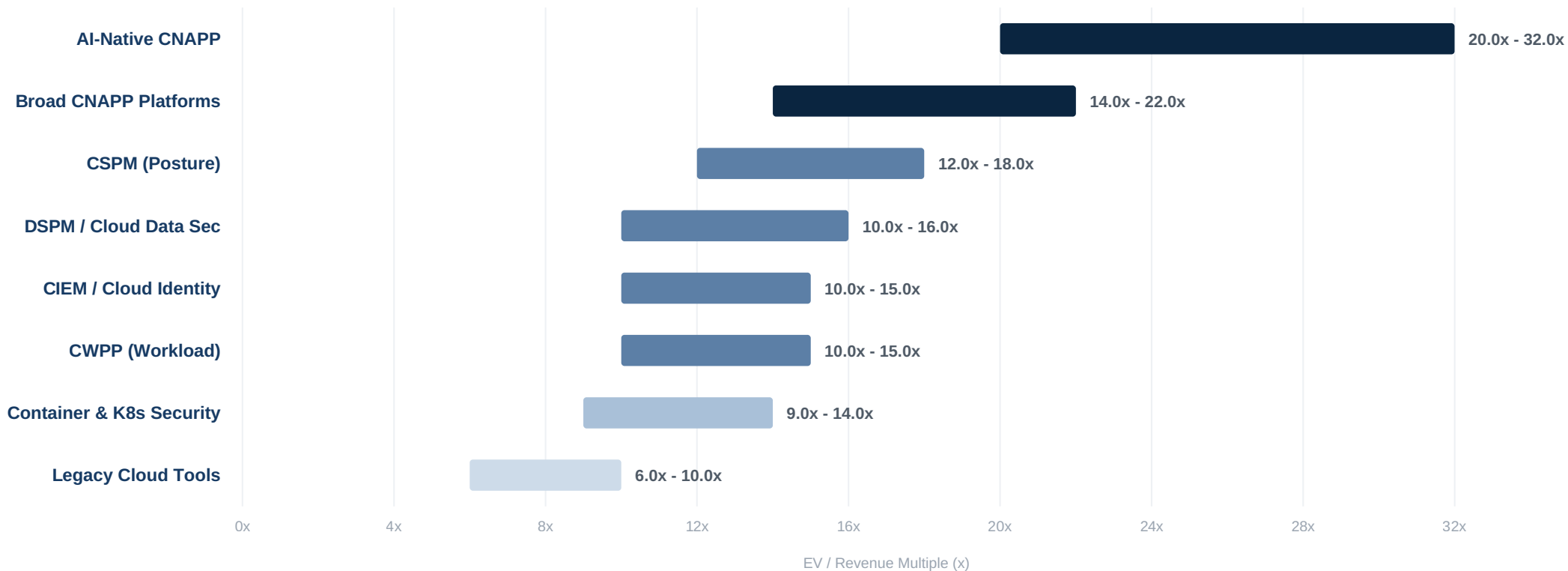
**~11x to 19x**

Public cloud-software proxies cap late-stage private pricing for non-AI-native assets.

**Selective convergence:** public cloud-security proxies have re-rated toward the mid-teens, while AI-native private CNAPP rounds reprice upward on hypergrowth, sustaining a premium of roughly 10x for the very best assets.

# Exit Valuation Multiples by Cloud Security Niche

A sharp bifurcation persists between AI-native CNAPP (20x to 32x) and legacy point tools (6x to 10x).



## KEY OBSERVATION

The market is paying for AI-native architecture and CNAPP breadth, not for category labels. The wide revenue-multiple gap between integrated platforms and standalone tools reflects the structural consolidation of CSPM, CWPP, CIEM and DSPM into single buying decisions.

# Valuation Multiple Drivers: Expansion vs. Compression

Net expansion to roughly 14x is driven by AI-native demand, hyperscaler M&A and CNAPP consolidation, partly offset by AI margin cost and point-tool compression.



## NET EXPANSION OF +2.0X

AI-native demand, hyperscaler M&A and platform consolidation outweigh a combined 1.0x drag from AI infrastructure cost, point-tool compression and macro risk. The bridge reflects Windsor Drake analysis of the cited institutional data.

# Capital Markets: IPO Window & Listing Benchmarks

WINDSOR DRAKE

The 2025 listing class reopened the window selectively; scale and AI-native posture now gate access.

## Netskope (Nasdaq)

Listed September 2025 at **\$19 per share**, raising about **\$908M** in proceeds (SEC filings).

- Valued near **\$7.3B** at listing, rising to about \$8.6B after an 18% day-one pop.
- Crossed **\$800M+ ARR** growing about 30% into the listing.
- Confirmed that SASE, SSE and cloud security command public-market appetite.
- Set the bar for scaled, AI-positioned cloud platforms targeting listings.

## Wiz (Chose the Sale)

Wiz turned down a listing path to accept Google's **\$32B** acquisition, closed March 2026.

- Reached about **\$750M ARR in 2025**, approaching \$1B run-rate at close (Sacra).
- Implied roughly **32x forward to 43x trailing ARR**, the niche price ceiling.
- Demonstrated that strategic premia can exceed any near-term IPO mark.
- The largest venture-backed startup acquisition on record.

## Upwind & Sysdig (Private Marks)

Private cloud security leaders are setting fresh marks without listing.

- **Upwind** raised **\$250M** at a **\$1.5B** valuation in January 2026 on 900% growth.
- **Sysdig** reached about **\$283M ARR** at a **\$2.5B** valuation (container and cloud).
- Tender and secondary markets offer liquidity without a public listing.
- Runtime-first cloud security is the most actively funded private theme.

## Public Proxies (Trading Marks)

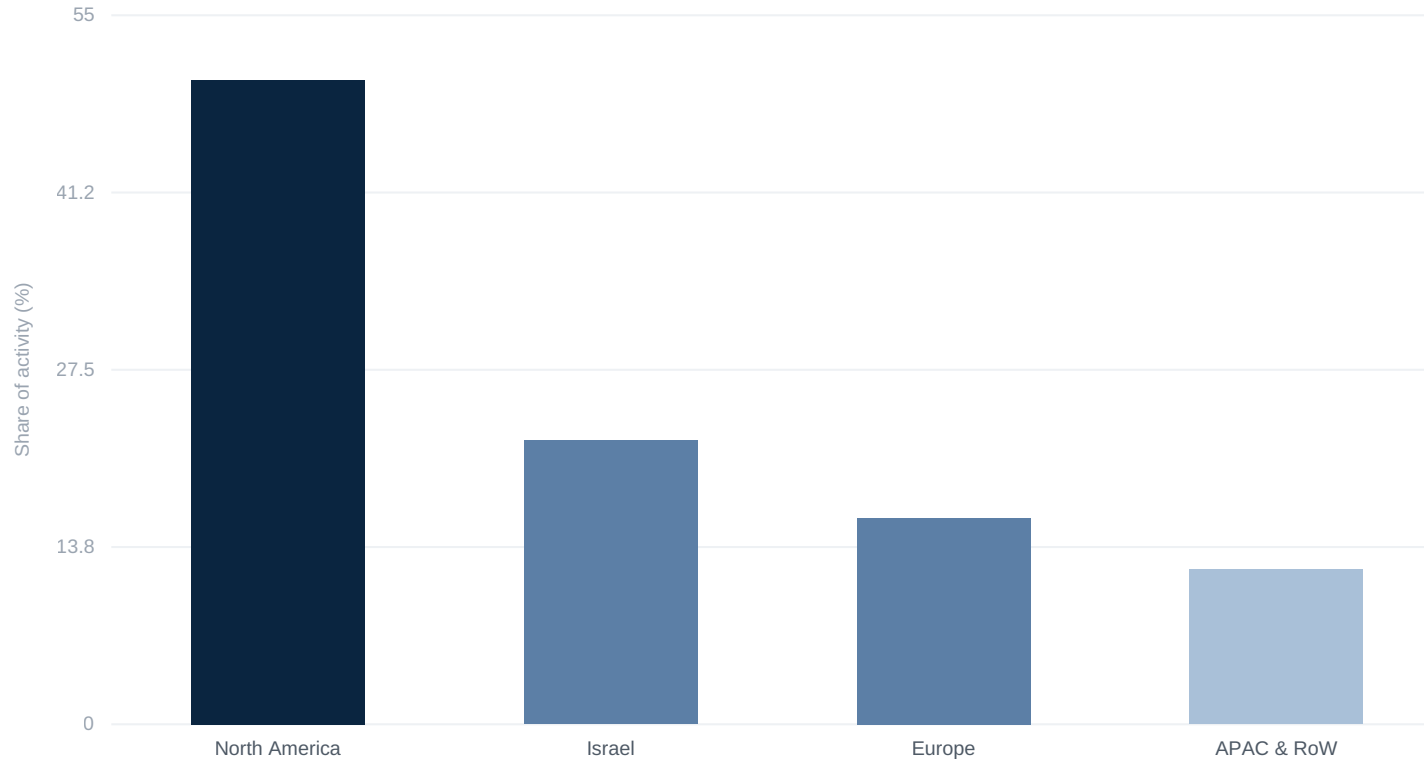
Listed cloud-relevant platforms set the public benchmark for the niche.

- **Zscaler** grew Q3 FY26 revenue **25% to \$850.5M**, with RPO up 31% (SEC filings).
- **CrowdStrike** posted FY26 revenue of **\$4.81B (+21.7%)** with record net-new ARR.
- **Palo Alto Networks** NGS ARR reached **\$6.33B (+33%)**, anchoring Prisma Cloud.
- Public cloud proxies trade near **11x to 19x NTM revenue**.

# Geographic Valuation Variations

North America commands the cloud security premium; Israel is the dominant innovation and exit engine.

Share of Cloud Security Venture & Exit Activity by Region (%)



## NORTH AMERICA

### Premium

Deepest exit liquidity and the highest cloud security purchase multiples, set by hyperscaler buyers.

## ISRAEL

### Innovation

Outsized share of the CNAPP and runtime cloud security pipeline; Israeli IP commands premium US exits.

## EUROPE & APAC

### Value / Growth

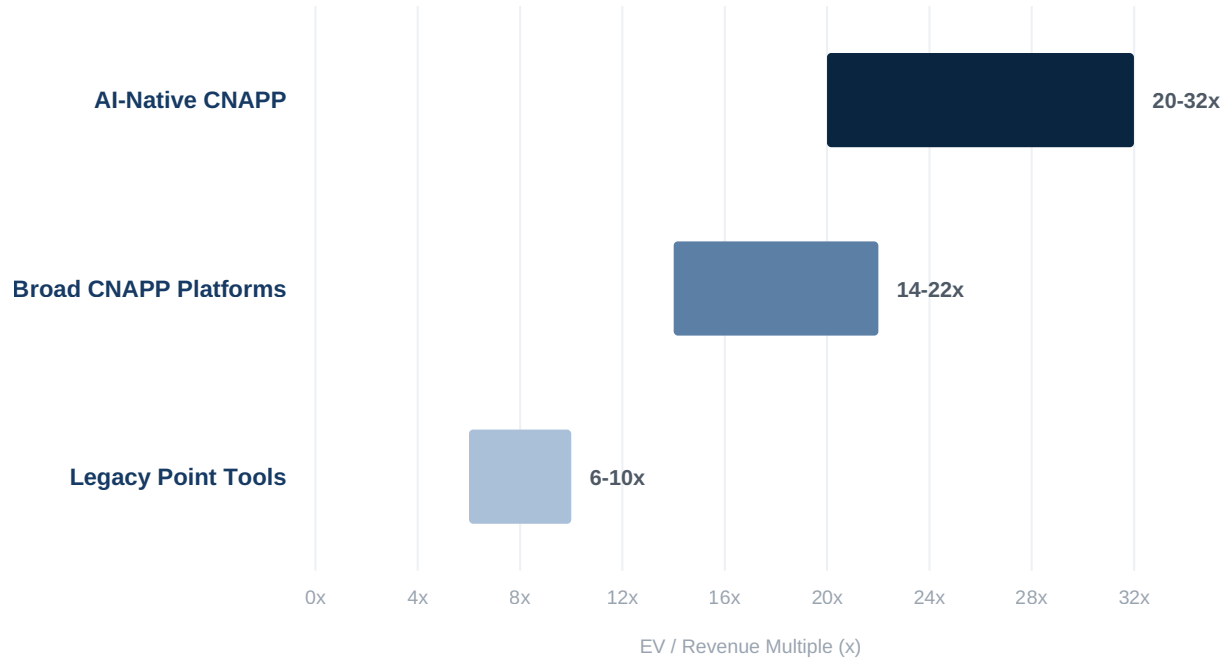
Regulatory moats (NIS2, DORA) in Europe; expanding enterprise cloud budgets across APAC.

**Valuation gap:** North America commands a premium, anchored by hyperscaler M&A. Israel is the global cloud security innovation hub: Wiz, Orca, Aqua, Upwind and Sysdig all carry Israeli roots, and the Wiz exit is the largest Israeli tech exit on record.

# CNAPP: The Consolidation Core

Cloud-native, agentless and identity-aware platforms underwrite the niche's highest multiples as point tools converge.

EV / Revenue Multiple Range (x)



## Valuation Drivers

### Architecture Premium

Agentless, identity-aware design displaces legacy agents at lower cost. Google's \$32B Wiz exit at roughly 32x to 43x ARR confirmed the ceiling for category-defining cloud-native assets.

### Workload Consolidation

CSPM, CWPP, CIEM and DSPM are converging into single CNAPP buying decisions, rewarding integrated platforms with breadth over point tools chasing narrow workloads.

### Buyer Priorities

Hyperscalers and platform incumbents pay up for cloud-native code, identity primitives and AI-driven detection that bolt directly onto existing customer footprints.

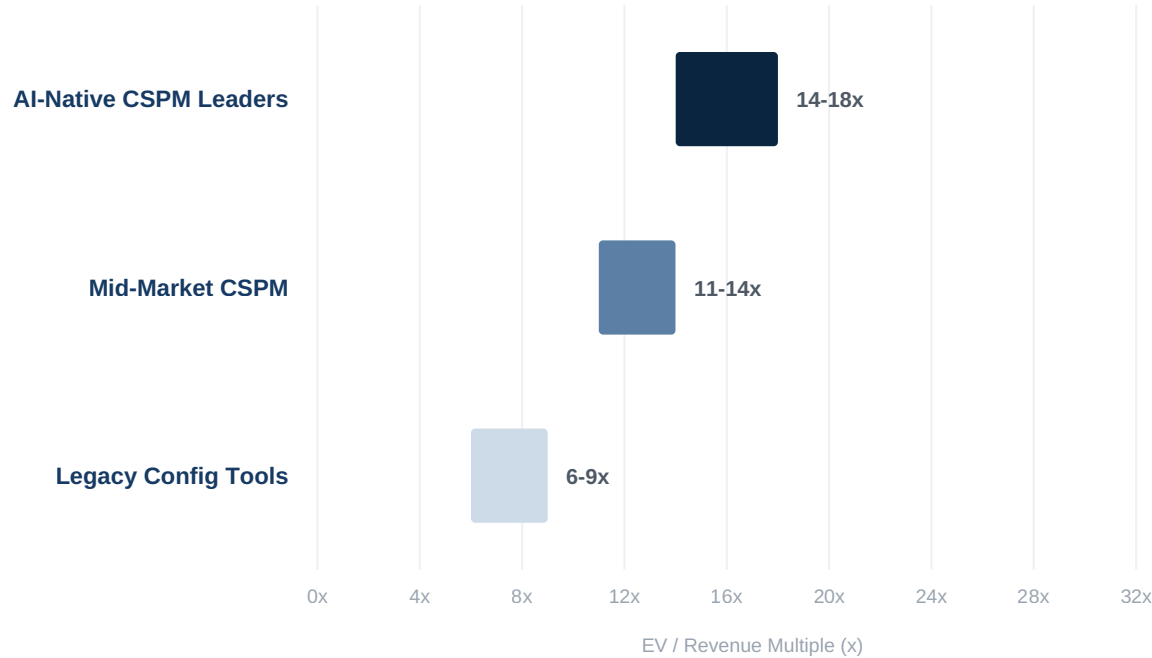
#### KEY OBSERVATION

Cloud security grows an estimated **28.8% in 2026 (Gartner)**, the fastest in cyber, and the CNAPP multiple structure reflects that durable growth.

# CSPM: The Fastest-Growing Category

Posture management is the entry wedge into CNAPP, and the fastest-growing security category in Gartner's forecast.

EV / Revenue Multiple Range (x)



## Valuation Drivers

### Posture as Foundation

CSPM is the most common first cloud security purchase and the wedge into a broader CNAPP attach motion, giving leaders durable land-and-expand economics.

### Multi-Cloud Sprawl

Configuration drift across AWS, Azure and Google Cloud is expanding faster than manual review can cover, driving continuous, automated posture management demand.

### Regulatory Mandates

Cloud compliance frameworks and audit evidence requirements widen the buying centre, supporting premium multiples for automated, AI-assisted CSPM.

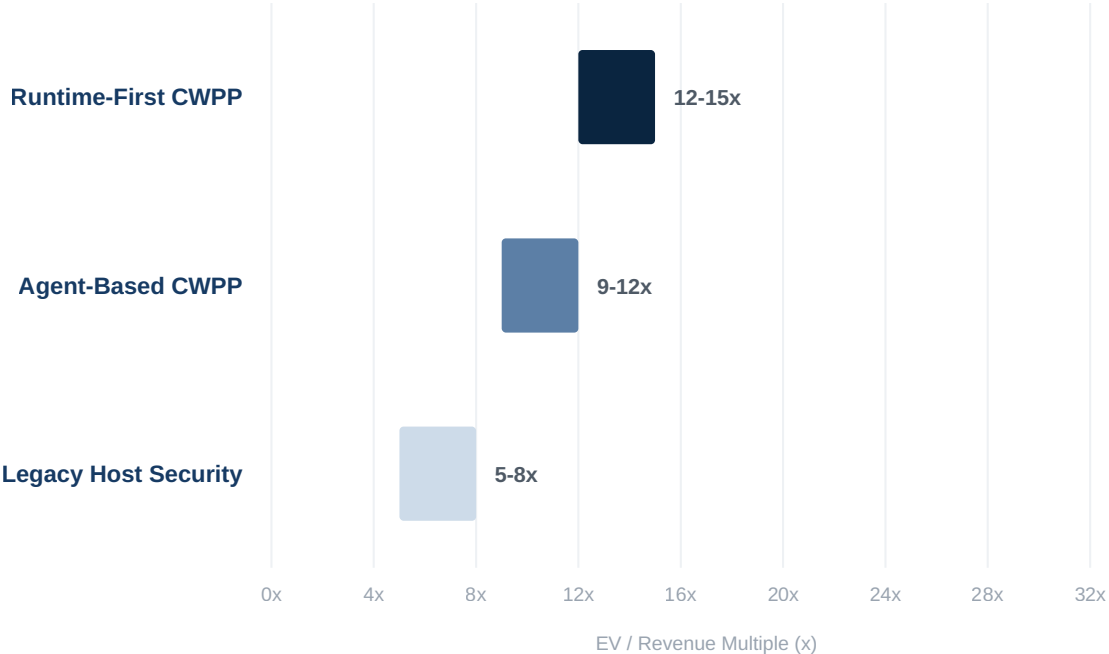
#### KEY OBSERVATION

Gartner sizes CSPM at **\$4.7B in 2025**, reaching **\$16.2B by 2030** and growing near **33% in 2026**, the fastest-growing category in cyber.

# CWPP: Cloud Workload Protection

Runtime-first workload protection is repricing on measurable detection gains as agentless approaches mature.

EV / Revenue Multiple Range (x)



## Valuation Drivers

### Runtime Shift

Runtime-powered workload protection is the most actively funded cloud security theme. Upwind's 900% revenue growth and \$1.5B valuation in January 2026 illustrate investor appetite.

### Agentless vs Agent

The market is migrating toward agentless and eBPF-based sensing that reduces deployment friction, rewarding architectures that pair low overhead with deep runtime visibility.

### Buyer Priorities

Hyperscalers and CNAPP platforms acquire workload protection to complete code-to-cloud coverage and lift net revenue retention across the customer base.

#### KEY OBSERVATION

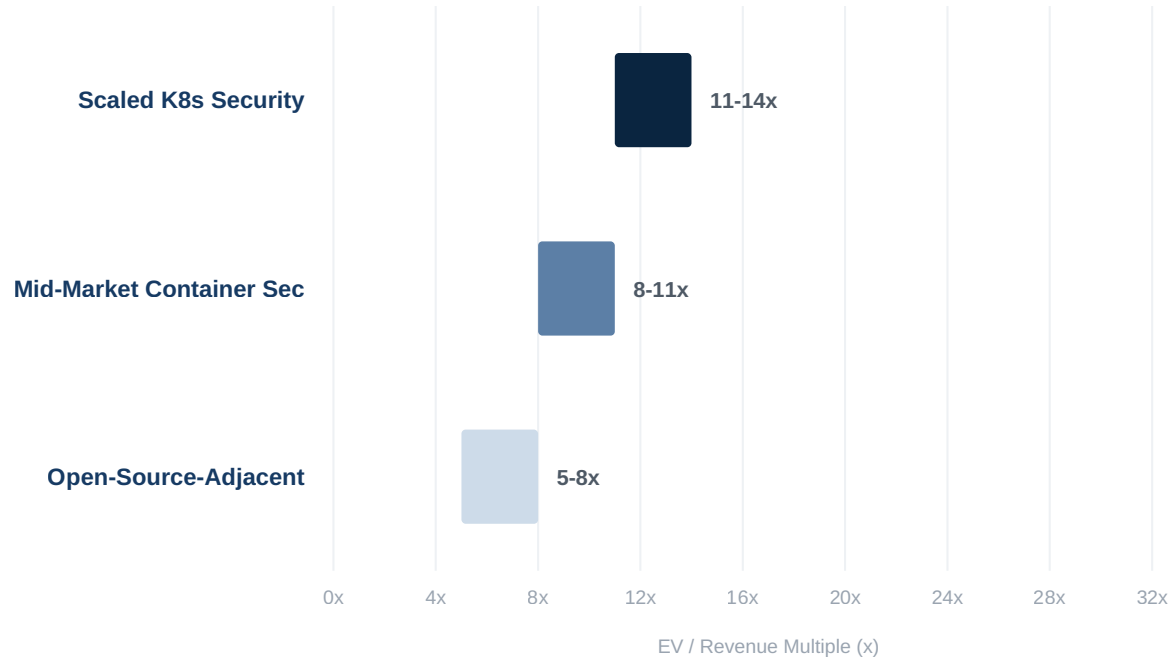
Upwind's \$250M Series B at a \$1.5B valuation (January 2026) confirmed the runtime-first thesis as the leading edge of CWPP.

Sources: PitchBook; CB Insights; S&P Global Market Intelligence; Windsor Drake analysis. See appendix.

# Container & Kubernetes Security

Cloud-native adoption and software-supply-chain risk sustain premium multiples, with consolidation into CNAPP underway.

EV / Revenue Multiple Range (x)



## Valuation Drivers

### Cloud-Native Adoption

Kubernetes is now the default runtime for new workloads, and securing it spans build, registry and runtime, a deep and durable buying centre for specialist platforms.

### Supply-Chain Security

Software composition, image scanning and admission control are converging with posture and workload protection, expanding the addressable wallet per customer.

### Consolidation Path

Container specialists are being absorbed into CNAPP. Sysdig reached about \$283M ARR (up from \$147M) at a \$2.5B valuation; Aqua Security trades above a \$1B mark.

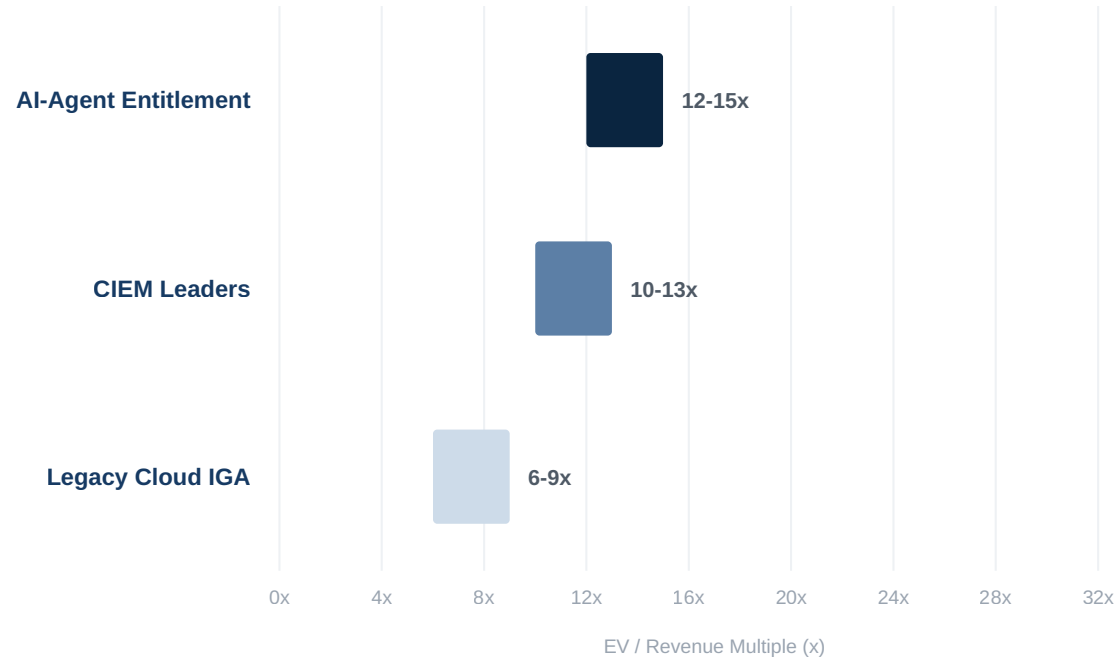
## KEY OBSERVATION

Container security increasingly prices as a CNAPP module rather than a standalone category, compounding the platform multiple structure.

# CIEM: Cloud Identity & Entitlements

Identity has become the cloud perimeter, and machine and AI-agent entitlement is the fastest-growing identity subcategory.

EV / Revenue Multiple Range (x)



## Valuation Drivers

### Identity as the Perimeter

Least-privilege across cloud accounts is now central to every cloud security thesis. Palo Alto Networks' \$25B acquisition of CyberArk repriced cloud identity upward.

### Machine & Agent Identity

Non-human identities now outnumber human ones by an order of magnitude, and securing AI agent entitlements is the fastest-emerging CIEM subcategory.

### Least-Privilege Automation

Continuous entitlement right-sizing is moving from periodic audit to automated enforcement, supporting premium multiples for category leaders.

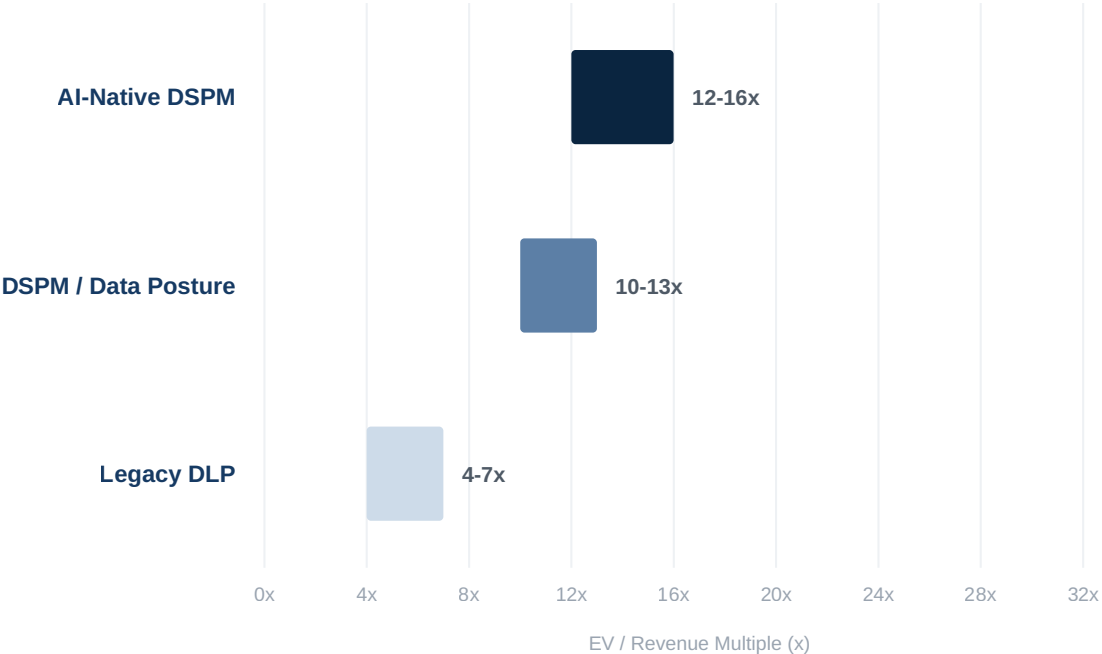
#### KEY OBSERVATION

The **PANW / CyberArk** transaction at \$25B confirmed cloud identity as a platform pillar, repricing comparable entitlement assets upward.

# DSPM & Cloud Data Security

Data security posture management is re-rating on AI governance and regulatory mandates, narrowing the gap to CNAPP.

EV / Revenue Multiple Range (x)



## Valuation Drivers

### AI Governance Surface

Enterprises adopting LLMs need data discovery, classification and lineage across cloud stores, expanding the DSPM addressable market as a cloud security adjacency.

### Regulatory Tailwinds

Cloud data residency, privacy regimes and AI governance evidence requirements widen the DSPM buying centre and raise the value of automated controls.

### Hyperscaler Adjacency

Platform incumbents and hyperscalers acquire DSPM to make existing cloud security stacks AI-ready for enterprise buyers, pricing it as a CNAPP adjacency.

### VALUATION DRIVER

DSPM and AI-governance assets compound the CNAPP multiple structure as adjacencies, not as standalone categories.

Sources: PitchBook; CB Insights; S&P Global Market Intelligence; Windsor Drake analysis. See appendix.

# Comparable Transaction Analysis Framework

WINDSOR DRAKE

A rigorous quality-of-revenue filter rather than broad cloud security labels.

## 1. Select Peer Set

Identify genuinely comparable assets by architecture (agentless vs agent-based), buyer (cloud, platform or security team), revenue model (consumption vs subscription) and AI-native posture, not by broad CNAPP labels alone.

## 2. Normalise Metrics

Adjust KPIs to a pro-forma basis: normalise ARR for M&A, standardise NRR and GRR definitions, separate platform from services revenue, and reconcile reported and verified deal metrics.

## 3. Adjust for Structure

Account for deal-specific terms (earn-outs, stock-versus-cash mix, control premiums, and CFIUS or FDI overhang on Israeli-built IP) that pull headline valuation away from underlying economic value.

212

WD INDEX TRANSACTIONS

2020-26

INDEX COVERAGE

## Proprietary Transaction Index

Calibration draws on Windsor Drake's proprietary index of **212 verified and reported transactions (2020 to 2026)**, refreshed each quarter and supplemented by current-quarter cloud security research for niche-specific comps.

## Quality-of-Revenue Filter

Peer selection prioritises recurring vs. re-occurring revenue, gross margin profile (above 75% software vs below 60% services), and concentration risk across enterprise vs mid-market cohorts.

## Rule of 40 Premium Adjustment

A specific premium layer is applied for top-decile efficiency performers; offsetting discounts are applied where AI infrastructure cost is depressing margin.

## Control Premium Calibration

Indications include a control-premium layer, typically **25% to 30%** in strategic cloud security processes, where platform and capability synergies can be concretely underwritten.

# Strategic Acquirer Mapping by Niche

Hyperscalers chase cloud-native rails; platform incumbents pursue capability roll-ups; PE concentrates on mid-market software.

Niche	Hyperscalers / Strategics	Platform Incumbents	Private Equity
CNAPP	<b>HIGH</b> Hyperscalers backfill cloud-native gaps; Google / Wiz is the template.	<b>HIGH</b> Platforms acquire cloud-native code to defend share against entrants.	<b>MODERATE</b> PE plays via take-privates of mid-market CNAPP assets.
CSPM	<b>HIGH</b> Posture is the wedge into cloud accounts; a priority capability buy.	<b>HIGH</b> Incumbents bolt CSPM onto broader CNAPP suites.	<b>MODERATE</b> PE pursues mid-market posture tools for buy-and-build.
CWPP	<b>HIGH</b> Runtime workload coverage completes hyperscaler cloud stacks.	<b>HIGH</b> CNAPP leaders acquire runtime sensing to lift retention.	<b>MODERATE</b> PE consolidates workload tools into managed platforms.
Container & K8s	<b>MODERATE</b> Hyperscalers prefer to partner; selective container M&A.	<b>HIGH</b> Platforms absorb container specialists into CNAPP.	<b>MODERATE</b> PE rolls up mid-market container and supply-chain tools.
CIEM	<b>HIGH</b> Identity is the cloud perimeter; CyberArk anchored the pricing.	<b>HIGH</b> Incumbents bolt entitlement management onto platform stacks.	<b>MODERATE</b> PE pursues cloud IGA and entitlement assets.
DSPM	<b>HIGH</b> Hyperscalers acquire DSPM and AI governance to ready cloud platforms.	<b>HIGH</b> Cyber platforms add DSPM adjacencies to CNAPP stacks.	<b>MODERATE</b> PE buys data-posture and compliance SaaS for roll-ups.

# Hyperscalers & Platform Incumbents as Buyers

Hyperscalers and platform incumbents are using M&A to convert cloud security into a defensive moat for cloud revenue.

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## Strategic Motives: Buy vs. Build

The internal build cycle for cloud-native, identity-aware AI defence is too slow to counter category-defining startups. That gap is compelling hyperscalers and incumbents to acquire modern stacks outright, treating M&A as defensive cloud modernisation rather than expansion.

## Acquisition Patterns

Mega-deals sit at the top (Google / Wiz \$32B, and the cloud-adjacent PANW / CyberArk \$25B); capability bolt-ons under \$1B dominate by volume, often preceded by partnership or technology-integration de-risking.

**\$32B**

GOOGLE / WIZ, CLOSED MAR 2026

**\$102B**

TOTAL CYBER M&A, 2025

## Semi-Autonomous Integration

A federated model preserves the target's product cadence and retains technical talent, while platform-grade compliance and identity controls are overlaid at the backend.

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## Priority: Cloud-Native Detection

Top focus is agentless, AI-driven detection and posture management deployable across the existing hyperscaler customer base.

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## Priority: Cloud Identity & AI Agents

Entitlement management is the new perimeter and the substrate for AI agent governance; assets like CyberArk are priced as platform pillars, not point tools.

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## Priority: Data Security & Governance

DSPM and AI-governance assets are increasingly priority targets to make existing cloud security stacks AI-ready for enterprise buyers.

# Private Equity Acquisition Patterns

WINDSOR DRAKE

Record dry powder is creating intense deployment pressure on efficient, cash-generative cloud security assets.

## Deployment Pressure

With roughly **\$1.3T** of global dry powder to deploy, much of it from aging 2022 to 2023 vintages, sponsors face acute pressure to transact (Bain). Cyber VC and PE investment reached about **\$18B in 2025**, up **~26%**, as capital concentrates in larger platform acquisitions (Crunchbase; CB Insights).

## Public-to-Private Thesis

Mid-cap cloud and cyber names trading at depressed multiples remain prime targets; established sponsor portfolios in security illustrate the take-private and buy-and-build playbook at multi-billion-dollar scale.

**~\$1.3T**

GLOBAL PE DRY POWDER

**+26%**

CYBER VC FUNDING, 2025

## Ideal Target Profile

Sponsors prioritise **Rule of 40** adherence, a recurring-revenue mix above 85%, and gross retention above 90%, the profile that supports leverage capacity.

## Value-Creation Playbook

Pricing optimisation, a mix-shift toward software-attached recurring revenue, and buy-and-build consolidation of mid-market cloud security and posture tools.

## Aging-Portfolio Catalyst

With dry powder skewed to 2022 to 2023 vintages, sponsors face mounting pressure to deploy and to exit, signalling a coming wave of secondary buyouts and strategic sales.

## Deal Structure Trends

A resurgence of all-cash transactions for deal certainty, with earn-outs bridging gaps on unproven AI capability.

# Competitive Moats Driving Premium Valuations

WINDSOR DRAKE

Cloud security valuations above 14x revenue are reserved for companies that can demonstrate structural defensibility.

## Cloud Telemetry Moats

ASSET VALUE: HIGH

### Proprietary cloud telemetry training detection models

- Creates a virtuous cycle of detection improvement that rivals cannot easily replicate.
- Powers unique posture, workload and entitlement analytics across clouds.
- Compounds in value as the install base and cloud-account coverage grow.
- **Action:** deepen first-party telemetry capture across every cloud connector.

## AI-Native Architecture

SCALE VALUE: HIGHEST

### Detection and remediation decoupled from analyst headcount

- Agentless and LLM-driven triage cut the marginal cost to secure a cloud estate.
- Demonstrates non-linear margin expansion as the customer base scales.
- Directly lifts the Rule of 40 score that gates premium multiples.
- **Action:** integrate AI into core posture, workload and identity workflows.

## Certifications & Compliance

BARRIER VALUE: MED-HIGH

### Hard-to-acquire certifications and regulated access

- FedRAMP High, IL5 and ISO 27001 are difficult, expensive and slow to obtain.
- Function as compliance-by-design, a structural barrier to mid-market entrants.
- Are increasingly central to government and regulated-cloud theses.
- **Action:** invest early in certifications that gate the most defensible verticals.

## CNAPP Platform Attach

GROWTH VALUE: HIGH

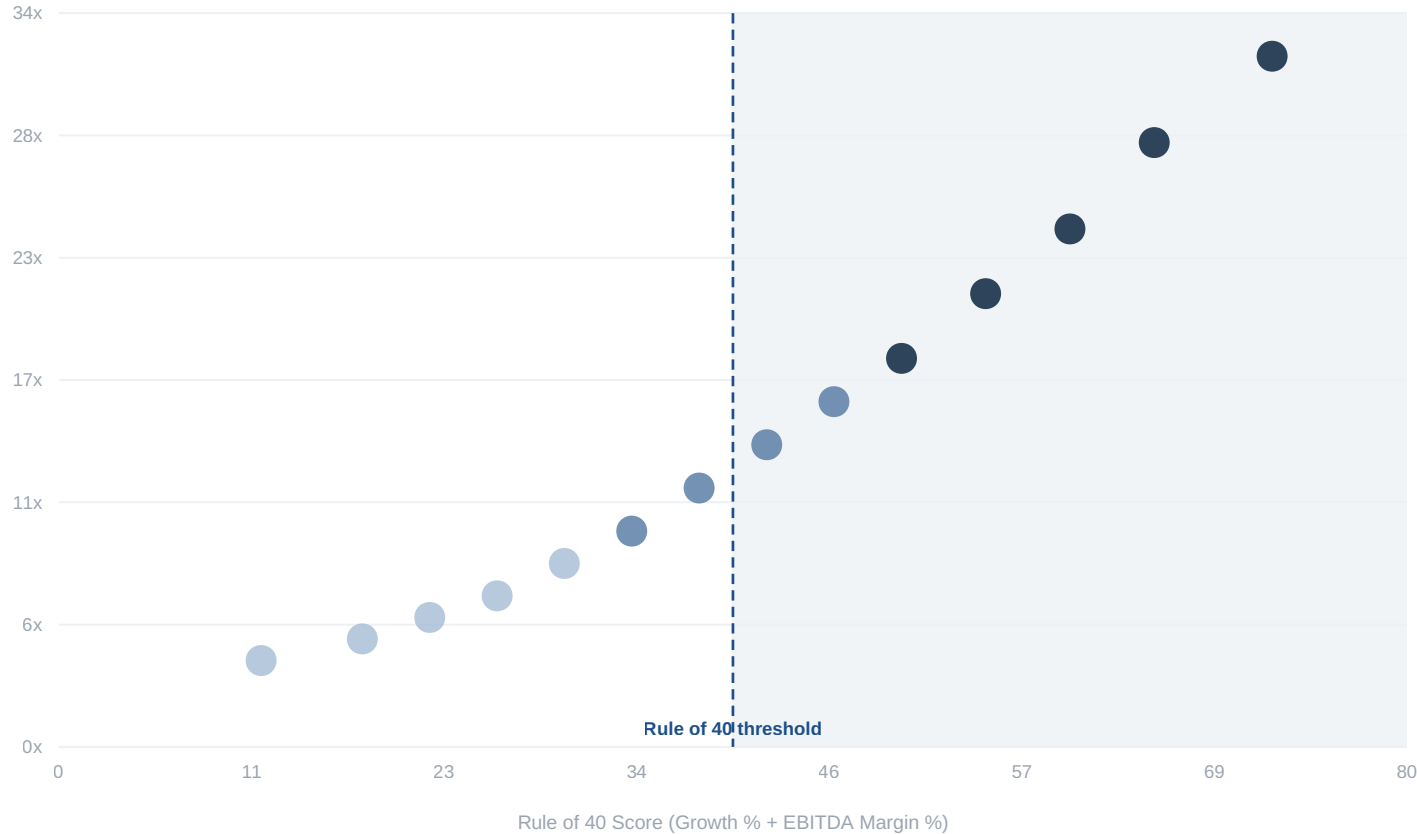
### Multi-module attach and identity-aware policy

- Each incremental module (CSPM, CWPP, CIEM, DSPM) raises NRR and switching costs.
- Drives structurally lower CAC and higher retention over time.
- Raises switching costs as posture, workload and identity converge in one stack.
- **Action:** prioritise the attach motion in the most strategic customer segments.

# Rule of 40 Performance Distribution

Clearing the Rule of 40 unlocks a 50% to 100% valuation premium; AI infrastructure cost is pressuring the rule across the cohort.

EV / Revenue Multiple vs Rule of 40 Score



TOP QUARTILE ( SCORE >50 )

**18x to 32x+**

Scaled AI-native winners; the primary targets for premium strategic M&A.

RULE OF 40 MET ( 40 TO 50 )

**12x to 18x**

A healthy growth and profit balance; credible IPO-ready candidates.

BELOW THRESHOLD ( <40 )

**4x to 10x**

Transition and value-trap zones; vulnerable to consolidation.

Bain finds each 10-point gain in the Rule of 40 added about 1.1x EV/Revenue in Q4 2025, up from 0.8x a year earlier. Cloud security leaders that clear the bar materially command the premium tier, while AI infrastructure cost is pressuring margins across the cohort.

# Cross-Border M&A Considerations

Jurisdictional divergence is the primary deal risk, and the primary arbitrage, in cloud security in 2026.

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## Regulatory Regimes

Heightened scrutiny of cloud and data infrastructure (CFIUS, FDI review), and divergence between EU AI Act compliance, NIS2, DORA and US frameworks, materially complicate tech-stack integration and lengthen approval timelines for cloud security assets.

## Currency & WACC Impact

US acquirers are leveraging a strong dollar and premium domestic multiples to buy discounted European and Israeli cloud security assets; managing divergent regional rate environments is central to any debt-financed deal.

**12-18mo**

CROSS-BORDER CYCLE

**+30-50%**

LONGER CLEARANCE

## Extended Timelines

Regulatory clearance for cross-border cloud security deals now runs 30% to 50% longer than domestic transactions; the Google / Wiz review took a full year across seven jurisdictions before closing.

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## Milestone-Tied Earn-Outs

Regulatory earn-outs unlock tranches of consideration on specific authorisation transfers or data-sovereignty approvals, rather than on revenue alone.

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## Tax & Structure Efficiency

Establish efficient holding structures early; optimise repatriation and IP transfer pricing well before LOI discussions begin, particularly for Israeli-based cloud security IP.

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## Dual-Track & Local Partners

Run IPO readiness alongside the M&A process for competitive tension, and retain local management to navigate post-close regulatory nuance.

# Exit Valuation Optimisation Strategies

WINDSOR DRAKE

Four levers that systematically de-risk the asset while amplifying its scarcity value.

## 1. Pricing Power & Margins

6 TO 12 MONTHS PRE-EXIT

### Demonstrate defensible unit economics

- Shift from seat-based to **consumption and outcome pricing** where possible.
- Implement CNAPP platform-tier upsell to capture customer expansion.
- Target a 15%-plus ARPU lift across the top customer cohorts.
- Evidence pricing elasticity with clean, auditable cohort data.

## 2. Revenue Quality

PREDICTABILITY

### Engineer resilience into the revenue model

- Increase the recurring revenue mix to **85%+** of total.
- Improve Net Revenue Retention to **>120%** via module attach.
- Reduce concentration so the top 10 accounts are under 25%.
- Lengthen contract duration to extend revenue visibility.

## 3. Rule of 40 Efficiency

PREMIUM TIER

### Prove scalable profitability

- Reallocate operating expense from low-ROI channels into R&D.
- Deploy AI to decouple analyst headcount from revenue growth.
- Achieve **above 40%** on growth plus EBITDA margin.
- Track the score monthly with board-level visibility.

## 4. Strategic Narrative

COMPETITIVE TENSION

### Frame the asset as a CNAPP platform enabler

- Position as cloud platform infrastructure, not a point tool.
- Present quantified synergy cases covering revenue and cost.
- Map specific capability gaps for the top five strategic acquirers.
- Run a structured process to manufacture competitive tension.

# Positioning for Strategic Acquisition

Strategic value is driven by capability fit, integration ease and synergy density.

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## Capability Fit

Demonstrate unique IP and proprietary cloud telemetry, identity or AI assets that fill a specific, declared buyer gap, making the buy-versus-build decision self-evident for the acquirer.

## Integration Ease

Acquirers pay clear premiums for plug-and-play cloud-native assets. Minimise critical dependencies, document APIs and event schemas thoroughly, and present clean, audited financials and security certifications.

## Synergy Density

Quantify the revenue lift from cross-selling into the acquirer's cloud customer base, and model the cost synergies from shared infrastructure, to support a higher multiple.

## Strategic Buyer Mapping

Run a structured gap analysis of potential acquirers and map your capabilities directly to each buyer's declared cloud security deficits.

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## Proof-of-Integration

Develop technical materials that demonstrate speed-to-value within the acquirer's cloud ecosystem, pre-empting the technical diligence phase.

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## Synergy Quantification

Explicitly model top-line and bottom-line impact in the management presentation to anchor the valuation conversation on hard numbers.

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## Comprehensive VDR Readiness

Build a defensive data room addressing regulatory, IP, customer-concentration and certification risk before the first buyer engagement.

# Timing the Exit: 12-18 Month Roadmap

WINDSOR DRAKE

A full process runs 12 to 18 months end to end. Founders who prepare in the current cycle meet the market while today's alignment of hyperscaler demand, AI-native premia and stable pricing still holds.



## Readiness & Hygiene

Q3 2026

- Audit completion to PCAOB standard
- AI governance and data-rights review
- Security certification refresh (SOC 2, FedRAMP)
- Clean up the cap table and option pool

KEY MILESTONE

**Clean IP and security audit**



## Strategic Positioning

Q4 2026

- Launch dual-track process preparation
- Build the strategic buyer-targeting list
- Draft the CIM and management presentation
- Lock key-employee retention packages

KEY MILESTONE

**Retention packages locked**



## Market Engagement

Q1 2027

- Fireside chats with priority strategics
- Solicit initial indications of interest
- Deliver management presentations
- Open the virtual data room

KEY MILESTONE

**Competitive bid tension**



## Execution & Closing

Q2 2027

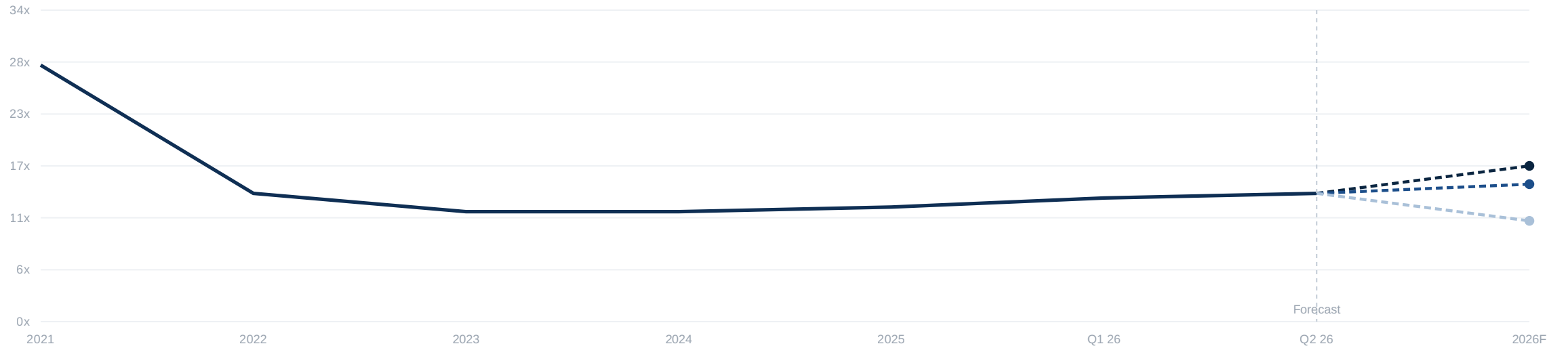
- Definitive agreement negotiation
- Regulatory filings (HSR, CFIUS, FDI)
- Confirmatory diligence support
- Closing and integration kickoff

KEY MILESTONE

**No-MAC event verification**

# 2026 Valuation Forecast Scenarios

With the scaled-platform benchmark near 14x, forward trajectories diverge sharply on rates, AI pricing dynamics and the durability of hyperscaler consolidation.



**BULL CASE** **17x**

**Key Drivers**

- Aggressive Fed cuts beyond 100bps
- AI-native cloud supercycle lifts multiples
- Cloud security IPO pipeline opens fully

**STRATEGY: ACCELERATE GROWTH**

**BASE CASE** **15x**

**Key Drivers**

- Steady rate normalisation, one cut
- Hyperscaler consolidation continues
- Selective IPOs from \$300M+ ARR cohort

**STRATEGY: BALANCE GROWTH & PROFIT**

**BEAR CASE** **11x**

**Key Drivers**

- Inflation resurgence or rate holds
- AI cost compression pressures Rule of 40
- A geopolitical shock freezes M&A

**STRATEGY: CASH PRESERVATION**

# Emerging Opportunities & Buyer Trends

WINDSOR DRAKE

Capital is flowing into the connective infrastructure of an AI-first cloud security stack.

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## AI Agent & Workload Identity

Securing non-human and AI-agent identity across cloud accounts is the fastest-emerging cloud security subcategory, with venture and strategic capital both actively building category leaders.

## Runtime-First Cloud Security

Runtime-powered workload protection is repricing the CWPP category; Upwind's \$250M round at a \$1.5B valuation on 900% growth underlines the strategic value of runtime context.

## DSPM & AI Governance

Explosive demand for data discovery, classification and AI-governance evidence; treated by hyperscalers as a cloud-security adjacency that compounds existing CNAPP multiples.

## Hyperscaler Capability Acquisitions

Hyperscalers prioritise cloud-native, identity and AI-governance capability over distribution, buying technology to make their cloud platforms AI-ready for enterprise security buyers.

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## PE Platform Roll-Ups

Sponsors are consolidating fragmented mid-market CSPM, CWPP and container security into platforms to build scale and drive multiple expansion.

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## Regional Champions Go Global

Israeli and European cloud security leaders are acquiring or listing in North America to capture premium valuations and access deeper capital markets.

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## Market Intelligence

Top-tier forecasts point to continued elevated cloud security M&A in 2026. Record dry powder and capability-driven demand are chasing a supply of quality assets that has not kept pace.

# M&A Case Study: Google & Wiz

WINDSOR DRAKE

The defining cloud security consolidation event of the cycle, and the playbook it sets for founders.

## The Platform Playbook

Google's acquisition of **Wiz**, valued at **\$32B** and closed in **March 2026**, is the defining cloud security consolidation event of the cycle. It confirms that hyperscaler buyers will pay record prices for category-defining, cloud-native CNAPP assets that anchor a broader multicloud platform thesis.

## Strategic Rationale

- **Cloud share defence:** acquiring the leading CNAPP to close the cloud security gap with AWS and Azure.
- **Agentless, identity-aware architecture:** Wiz slots into Google Cloud's broader security mesh across AWS, Azure and Oracle.
- **Talent and pace:** absorbing a category-defining engineering team and the fastest ARR ramp in software history in a single move.

## Implications for Founders

### Category-Definition Matters

In cloud security, **category-defining architecture** still commands record prices; Wiz cleared roughly 32x forward to 43x trailing ARR by owning the agentless CNAPP definition. The window for follow-on category-definers in runtime, AI-agent identity and DSPM is open, but narrowing as platforms consolidate.

### Quantify Cloud-Platform Pull Pre-LOI

Headline multiples on cloud security assets rest on **identifiable, underwritable cloud-platform synergies**. Vague strategic fit no longer moves valuation; rigorous synergy math, presented before the LOI, does.

### Platform vs. Point Solution

Assets framed as broad **CNAPP platforms** capable of absorbing bolt-ons trade at clear premiums to narrow point solutions. Integration readiness, clean APIs and identity-aware design is itself a valuation lever.

# Valuation Methodology: Choosing the Right Metric

The right metric depends on business model, profitability profile and revenue mix.

## EV / Revenue

12-32X+

### High-growth cloud-native

- Applied where profitability is suppressed by deliberate growth reinvestment.
- Software revenue (above 80% margin) is valued far above services revenue.
- The Rule of 40 score dictates where in the range an asset sits.
- Best suited to CNAPP, CSPM, CWPP, CIEM and DSPM platforms.

## EV / EBITDA

12-22X

### Mature & cash-generative

- Reserved for mature, PE-owned or services-heavy cloud security operators.
- Relevant where growth has moderated and cash flow is the value driver.
- Margin expansion and operating leverage are the key value drivers.
- Rare in cloud security, where most leaders are valued on revenue.

## ARR & NRR Lens

RECURRING FOCUS

### SaaS-delivered cloud security

- Focus on ARR growth, NRR and gross retention as primary value drivers.
- Premium for NRR above 120% and gross retention above 90%.
- Discount for concentration risk and short contract duration.
- Most relevant for SaaS-delivered CNAPP and posture platforms.

## Strategic Premium

+25-30%

### Platform & capability fit

- Applied on top of underlying revenue or EBITDA multiples.
- Premiums accrue to category-defining architecture and unique cloud telemetry.
- Cloud-platform integration potential can lift the premium materially.
- Synergy math should be modelled explicitly before LOI.

# Appendix: Sources & Methodology (Part 1)

WINDSOR DRAKE

Institution	Report / Source	Date
Gartner	<i>Forecast: Information Security End-User Spending Worldwide (2026)</i>	Mar 2026
Gartner	<i>Forecast Analysis: Cloud Security (CSPM, CWPP, CASB), Worldwide</i>	2026
Gartner	<i>Top Cybersecurity Trends 2026; Cloud Security Forecast</i>	Feb 2026
McKinsey & Company	<i>Global Private Markets Report 2026</i>	Mar 2026
Bain & Company	<i>AI Brings Headwinds and Tailwinds to the Rule of 40</i>	2025
Bain & Company	<i>Global Private Equity Report 2026</i>	Feb 2026
PwC	<i>Global M&amp;A Industry Trends: 2026 Outlook (TMT)</i>	Jan 2026
EY	<i>M&amp;A Activity Insights: 2026</i>	Apr 2026
S&P Global Market Intelligence	<i>Global M&amp;A by the Numbers: Q1 2026</i>	Apr 2026
PitchBook	<i>Q1 2026 Global M&amp;A Report; Cloud Security Comparable Data</i>	2026

# Appendix: Sources & Methodology (Part 2)

WINDSOR DRAKE

Institution	Report / Source	Date
CB Insights	<i>State of Cybersecurity Venture Funding 2025</i>	2026
Crunchbase	<i>Cybersecurity Startup Investment 2025</i>	Jan 2026
KPMG	<i>Venture Pulse Q4 2025</i>	Jan 2026
Federal Reserve	<i>FOMC Statement (Apr 2026); Summary of Economic Projections (Mar 2026)</i>	2026
U.S. Bureau of Labor Statistics	<i>Consumer Price Index Summary (Apr 2026)</i>	May 2026
Alphabet Inc.	<i>SEC Form 8-K, Wiz acquisition close</i>	Mar 2026
Netskope Inc.	<i>SEC Form S-1 / 424B; IPO pricing</i>	Sep 2025
World Economic Forum	<i>Global Cybersecurity Outlook 2026</i>	Jan 2026

## VALUATION METHODOLOGY NOTES

### Source Standard

Inputs are restricted to top-tier institutions: bulge-bracket banks, the major consultancies, elite data houses, and primary regulatory and filing sources. Boutique and market-report vendors are excluded.

### Structural Adjustments

Private-market valuations are adjusted for earn-outs, liquidation-preference overhang and lack-of-marketability discounts, typically in the 20% to 30% range.

### Peer Set & Normalisation

Peers are filtered on architecture (agentless vs agent-based), buyer (cloud, platform, security team), revenue quality (above 85% recurring) and Rule of 40 profile. Financials are adjusted to a pro-forma basis excluding one-time items and stock-based compensation.

### Synthesis & Attribution

Figures labelled as firm analysis or house estimate, including the roughly 14x scaled-platform benchmark, are the firm's own synthesis of the cited institutional data, presented as a house view rather than third-party consensus.