

WINDSOR DRAKE

Cybersecurity Valuations: Q2 2026

MAY 2026

Windsor Drake · Market Intelligence

Cybersecurity's Software Premium

The sector's median public multiple has settled near **6.0x to 6.5x NTM Revenue**, roughly **25%** above broader software (S&P Global; PitchBook).

- Premium reflects secular demand, not cyclical exuberance: cyber is a board-level mandate.
- Capital concentrates on platforms with cloud, identity and AI native-stacks.
- Quarter-to-quarter multiple volatility has compressed sharply versus 2022 to 2024.
- Buyer and seller expectations have re-aligned, unlocking record transaction value.

Demand Fundamentals

Spending growth re-accelerated even as broader IT budgets normalised.

- Global information-security end-user spend reaches **\$244B in 2026**, up **13.3%** (Gartner).
- **AI security** doubles from **\$25.9B to \$51.3B** year-on-year (Gartner).
- **Cloud security** is the fastest-growing subsegment at **28.8%** in 2026 (Gartner).
- Managed-security revenue rises **14.4%** to **\$106B**, anchoring a deep services tier.

The Platform Divergence

Headline averages mask a profound split between platforms and point tools.

- **Cloud security and SASE leaders** clear **14x to 22x NTM revenue** (PitchBook).
- **Network security and legacy stacks** sit at **5x to 8x** as capability is absorbed.
- **AI-native private rounds** clear **20x to 30x**, the new ceiling of the cycle.
- Capital concentrates at the top of the quality curve as middle-market exits surge.

Macroeconomic Backdrop

Monetary policy is a cautious but constructive tailwind for high-growth software.

- Fed funds range holds at **3.50% to 3.75%** after the March 2026 FOMC (Federal Reserve).
- The March 2026 dot plot signals one further 2026 cut, easing the cost of capital.
- Lower discount rates disproportionately lift long-duration, high-growth valuations.
- Regulatory cybersecurity mandates broaden a structurally defensive demand base.

Mega-Deal Cycle

Scale and platform consolidation defined the past four quarters and set the Q2 2026 backdrop.

- **Google / Wiz** (\$32B) closed in **March 2026**, the largest pure-play cyber deal on record.
- **Palo Alto Networks / CyberArk** (\$25B) closed in **February 2026**.
- **Cisco / Splunk** (\$28B) closed in 2024, anchoring the prior wave of platform consolidation.
- Eight cybersecurity megadeals (>\$1B) were announced in 2025 (Herbert Smith Freehills).

AI Premium

AI integration has become a measurable, primary driver of cybersecurity valuation.

- Private **AI-native** security platforms command roughly **20x to 30x** revenue.
- Capability M&A in **identity, browser and SaaS posture** is accelerating.
- Incumbents are decisively buying, rather than building, AI defence layers.
- Defensive AI for SOCs and identity reads as core infrastructure, not an experiment.

Strategic Buyers Dominate

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

- **\$47B** of deal value transacted in Q1 2026 alone (sector aggregators).
- **~426** cybersecurity transactions announced in 2025 (SecurityWeek aggregation).
- Median disclosed transaction size cleared **\$300M** in Q1 2026.
- Hyperscalers and platform incumbents now define the upper bound of pricing.

IPO Window & Private Capital

The public listing window has reopened selectively, and PE capital remains abundant.

- **Netskope** listed on Nasdaq in **September 2025**, raising **~\$908M** (SEC filings).
- **Snyk** and **Cohesity** are positioned for 2026 listings on stronger fundamentals.
- Global PE dry powder of about **\$1.1T** keeps pressure on platform asset prices.
- Cyber VC funding reached **\$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 multiple, and the market is pricing it harder each quarter (McKinsey; Bain).

- Public software clearing the rule posts a median **10.7x EV/Revenue** (Bain).
- AI infrastructure cost is pressuring the rule; track score monthly at board level.

2. Net Revenue Retention

Land-and-expand economics are scrutinised more heavily than topline growth; durable retention beats raw acquisition.

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

3. AI Integration Strategy

AI is no longer optional; it is a primary driver of deal size, buyer interest and multiple expansion.

- AI-native security platforms command roughly **20x to 30x** in private rounds.
- Show measurable SOC analyst productivity gains, not pilots.

4. Platform Coherence

Point tools are being absorbed; platforms that span identity, cloud and endpoint are the winners.

- Platform leaders clear **12x to 22x NTM revenue**; point tools sit far lower.
- Codify how the asset slots into a CISO consolidation roadmap.

5. Public Market Discipline

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

- Public cyber median sits near **6.0x to 6.5x NTM revenue** (PitchBook).
- Justify any private premium with growth, retention and AI-native posture.

6. Buyer-Readiness Discipline

With about **\$1.1T** 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

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

Q1 Which valuation metric applies to my business?

Use **EV/Revenue** for high-growth cloud, identity and AI-native platforms, **EV/EBITDA** for mature managed-security and network-security operators, and a recurring-revenue lens (NRR, NDR, ARR growth) for any SaaS-delivered cyber asset. Always reference the correct subsector cohort, never the broad cyber average.

Q3 Why is the Rule of 40 so critical?

It is the single best predictor of a premium multiple in software. Public software clearing the rule earns a median **10.7x EV/Revenue** versus far less below the line (Bain). For cybersecurity specifically, scaled clearers like CrowdStrike trade at **~22x NTM revenue** on durable rule-of-40 performance.

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 a position of strength, rather than necessity, is what captures the scarcity premium in a strategic-buyer-dominated market.

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

It has reopened but remains selective. **Netskope's** September 2025 IPO and **Rubrik's** April 2024 listing reset expectations; **Snyk** and **Cohesity** are positioned for 2026. The window favours scaled, profitable assets above roughly **\$300M ARR** with a credible AI-native narrative.

Q2 What are the key subsector ranges right now?

Cloud security and SASE platforms lead at **14x to 22x NTM revenue**; identity and access platforms at **12x to 16x**; endpoint and XDR at **10x to 15x**; application security and DevSecOps at **9x to 14x**; managed security at **3x to 5x revenue** or **12x to 18x EBITDA**; network security at **5x to 8x**.

Q4 How do public and private valuations compare?

Public cyber multiples have re-anchored near **6.0x to 6.5x NTM revenue**. Premium private rounds in cloud and identity still print **15x to 30x** (Wiz, Snyk, AI-native security), but generic late-stage private deals now reference public marks. Public comparables increasingly cap late-stage private round pricing.

Q6 Who are the most active buyers today?

Hyperscalers (Google, Microsoft, Amazon) and **platform incumbents** (Palo Alto Networks, Cisco, CrowdStrike) drove the largest deals of 2025 to 2026. **PE platforms** with ~\$1.1T of dry powder execute managed-security and mid-market roll-ups; **MSSP consolidators** anchor the services tier.

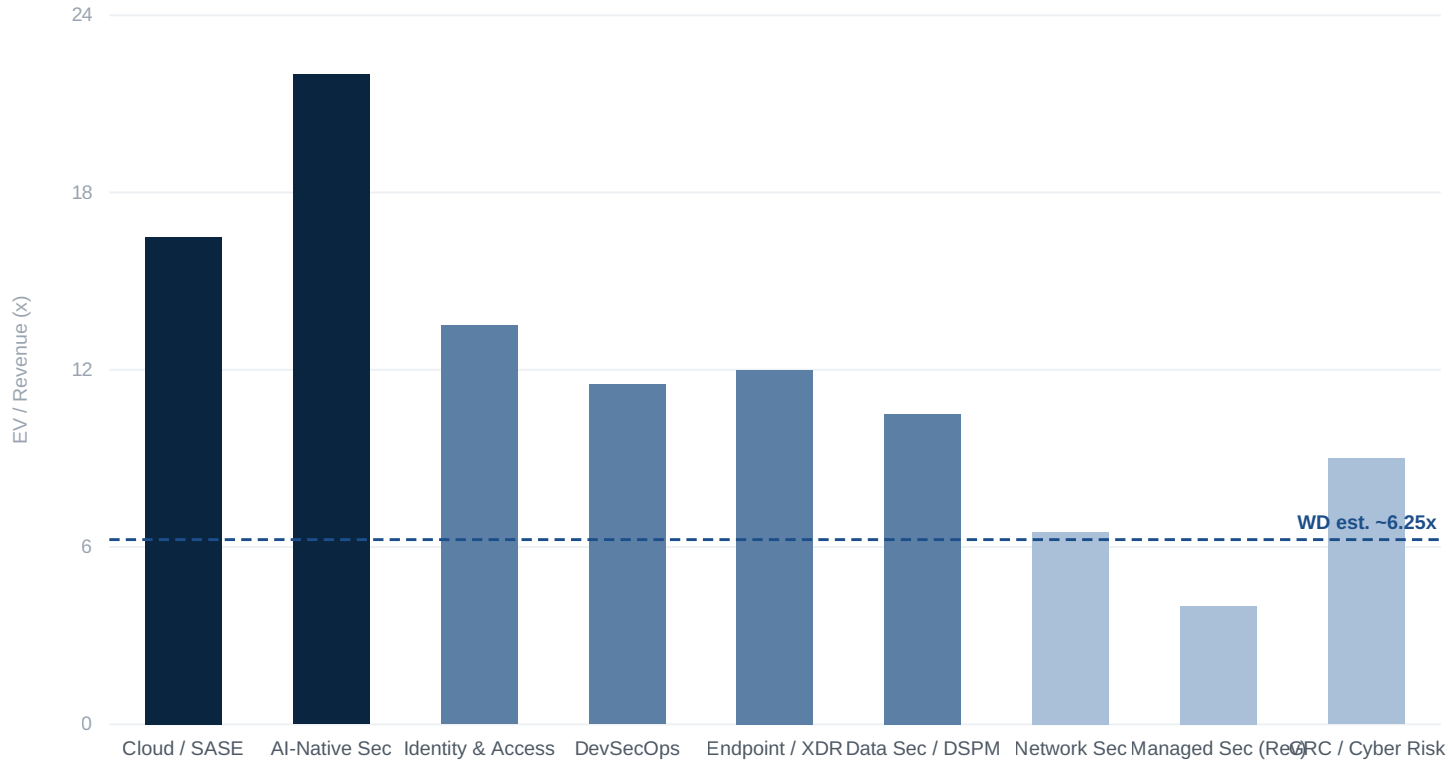
Q8 How do we maximise our multiple, and expect earn-outs?

Clear the **Rule of 40**, sustain **NRR >115%**, hold premier certifications (SOC 2, FedRAMP High, ISO 27001) and codify AI defence 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 cloud and identity platforms; legacy network operators stay compressed.

Median EV / Revenue Multiple by Subsector (x)



SECTOR MEDIAN BENCHMARK

~6.25x

Public cyber median EV/Revenue, roughly 25% above the broader software median (PitchBook; S&P Global).

AI-NATIVE PREMIUM

~20x to 30x

Private AI-native security platforms command the cycle's highest revenue multiples.

SPENDING GROWTH, 2026

+13.3%

Gartner end-user information-security spend forecast for 2026, an acceleration on 2025.

Key Driver

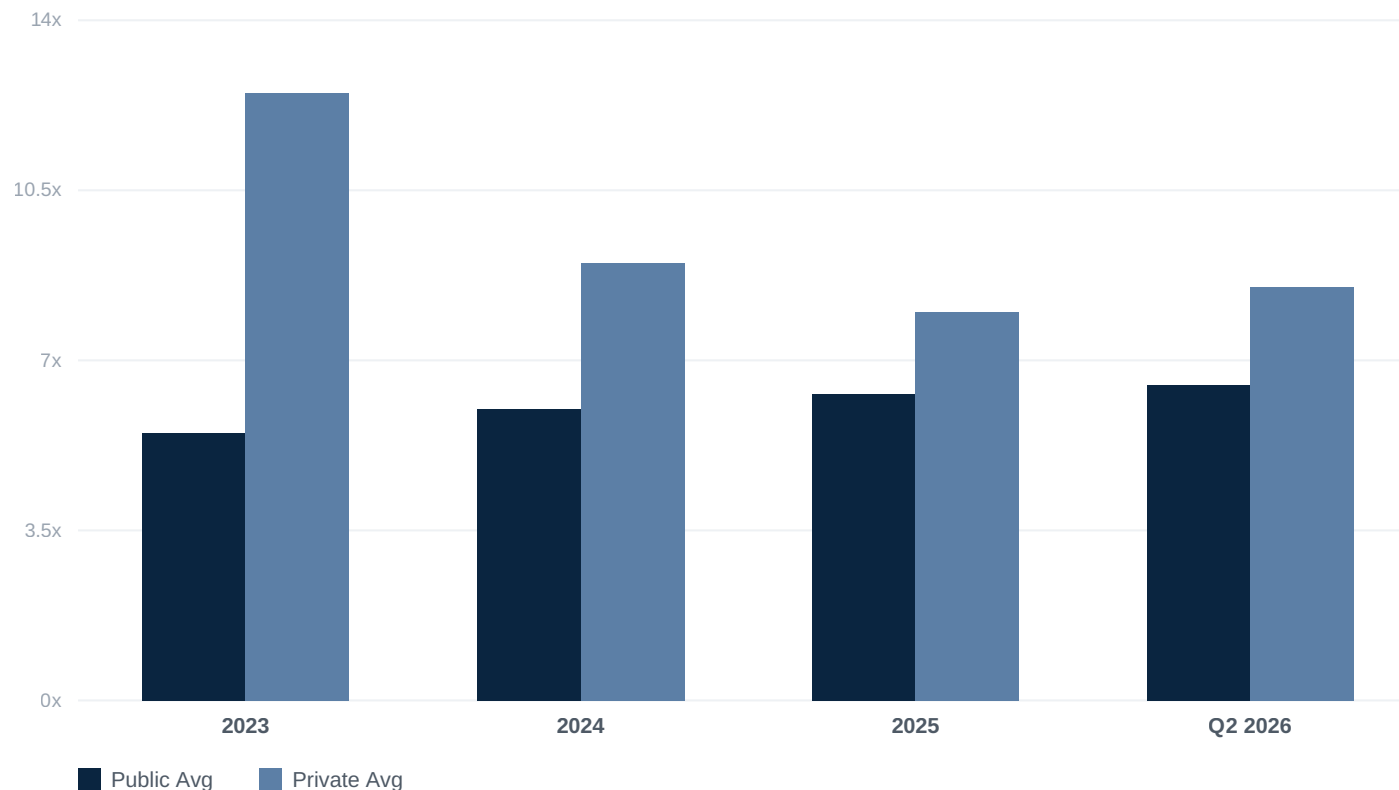
Disciplined exuberance has replaced 2021 enthusiasm: acquirers reward AI-native architecture, platform breadth and recurring revenue quality, not topline growth alone.

Platform bifurcation: the gap between cloud and AI-native infrastructure (14x to 22x+) and legacy network and managed-security operators (4x to 7x) is the defining feature of the market, driven by AI-native architecture and platform attach.

Public vs Private Market Convergence

The private premium compressed sharply through 2023 to 2025, and recovered selectively for AI-native and cloud assets.

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



PUBLIC / PRIVATE SPREAD

~2.0x

Down from about 7x in 2023, with most of the gap closed by 2025 (PitchBook; CB Insights).

QUALITY PRIVATE TAIL

20x to 30x

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

PUBLIC BENCHMARK ANCHOR

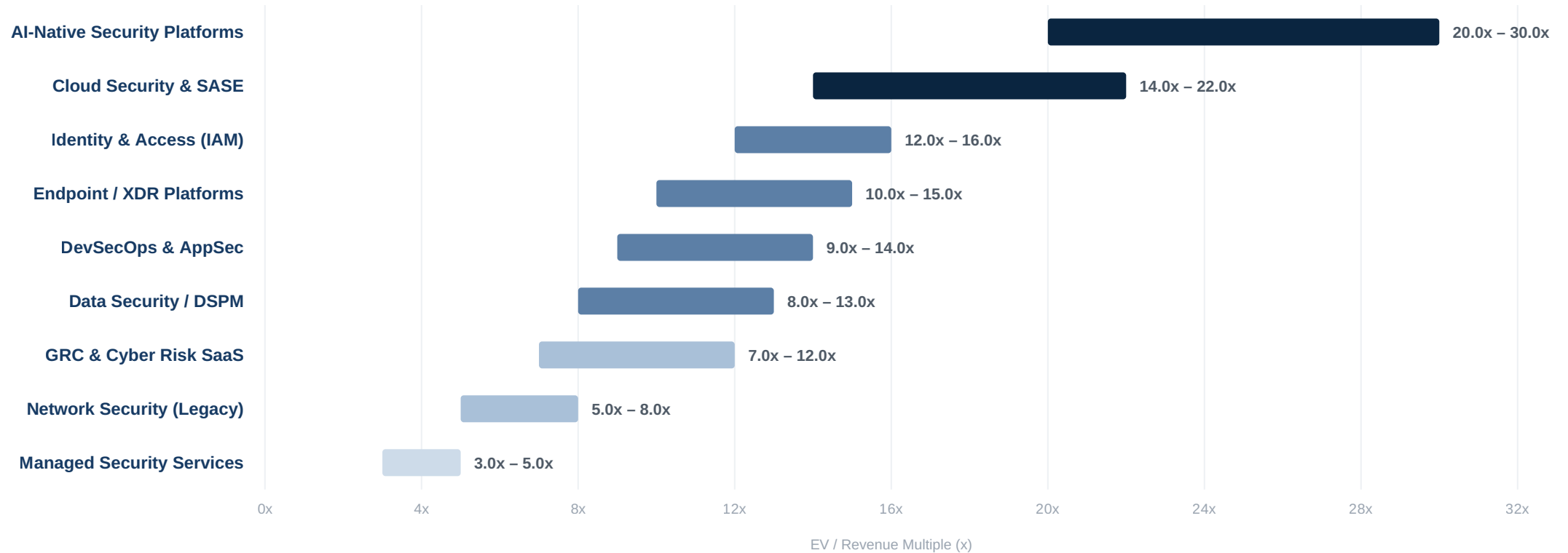
~6.5x

Public comparables now cap late-stage private round pricing for non-AI-native assets.

Selective convergence: the public-to-private spread narrowed from about 7x in 2023 to about 2x in 2026, but AI-native and cloud-native private deals still print far above the mean, repricing the very top of the private cohort.

Exit Valuation Multiples by Subsector

A sharp bifurcation persists between AI-native and cloud platforms (14x to 22x) and capacity-bound services and legacy stacks (3x to 8x).



KEY OBSERVATION

The market is paying for AI-native architecture and platform breadth, not for category labels. The 3x-plus revenue-multiple gap between cloud-native platforms and legacy network security reflects the structural shift from box-shipping to software-delivered, identity-aware defence.

Valuation Multiple Drivers: Expansion vs. Compression

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Net expansion to roughly 6.25x is driven by AI integration, platform consolidation and rate normalisation, partly offset by commoditisation and AI margin drag.



NET EXPANSION OF +0.75X

AI integration, platform breadth and easing rates outweigh a combined 0.9x drag from AI infrastructure costs, network commoditisation and geopolitical headwinds. The bridge reflects Windsor Drake analysis of the cited institutional data.

Capital Markets: IPO Window & Listing Benchmarks

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The 2024 to 2025 listing class reopened the window selectively; scale and AI posture now gate access.

Netskope (Nasdaq)

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

- Sold 47.8 million shares; popped roughly **18%** on day one (Reuters).
- First high-profile cyber IPO of the post-2022 cycle, reopening the window.
- Confirmed that SASE and cloud security command public-market appetite.
- Set the bar for scaled, AI-positioned cyber platforms targeting listings.

Snyk & Cohesity

Both are positioned for 2026 listings with stronger fundamentals than the 2022 to 2023 cohort.

- Snyk crossed **\$300M ARR** in late 2024 and signalled a 2026 listing intent.
- Cohesity advanced 2026 IPO planning after pausing its Veritas merger.
- Both target the post-Wiz, post-CyberArk listing window for cyber.
- Public investors are pricing AI-native architecture into IPO valuations.

Rubrik (NYSE)

Debuted April 2024 with a roughly **16%** day-one pop on data-security demand (Reuters).

- Established cyber-resilience and data security as a public-market category.
- Lightspeed-backed listing helped re-open the broader cyber IPO pipeline.
- Confirmed enterprise appetite for ransomware-recovery infrastructure.
- Provided a fresh public comp for cyber-adjacent data platforms.

Wiz & SentinelOne (Public Marks)

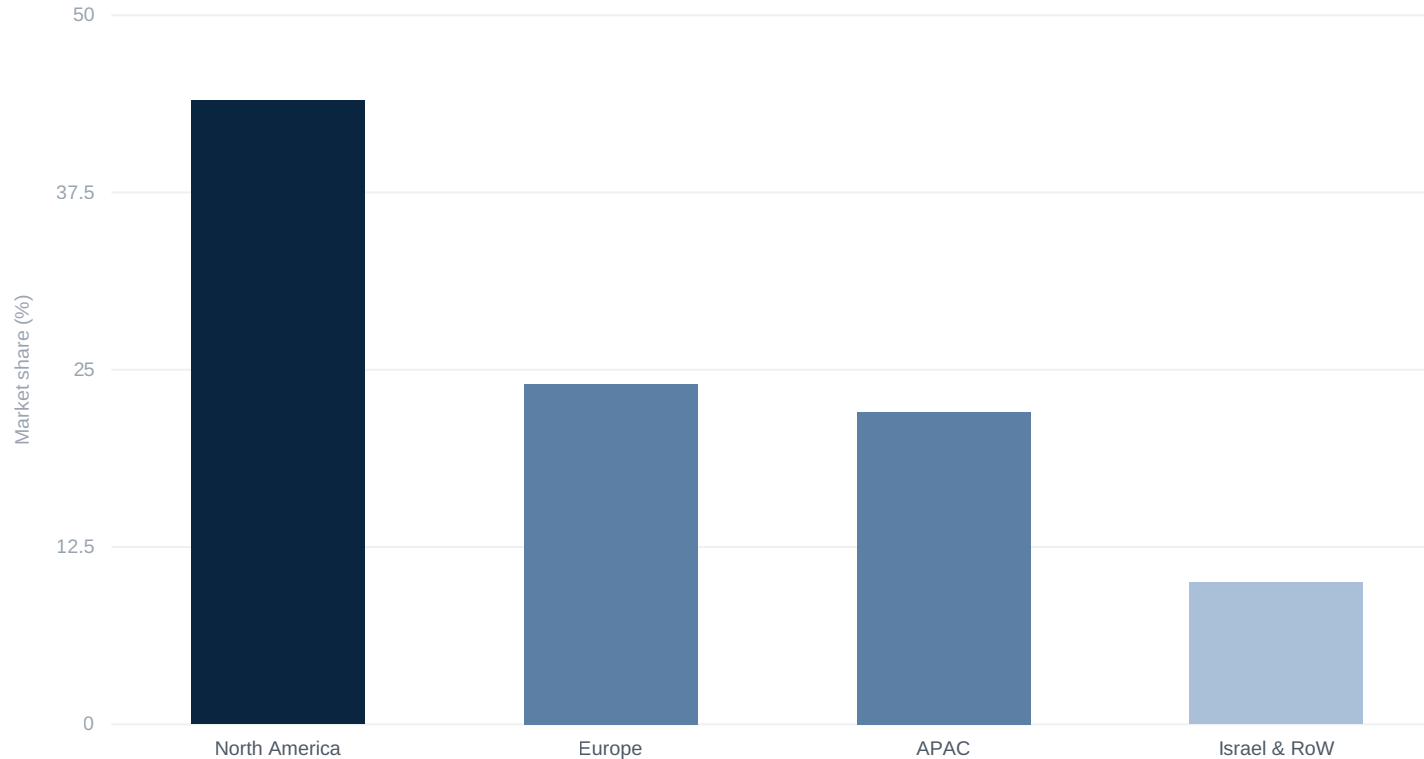
The strongest assets are setting fresh marks via M&A and public trading.

- Google's **\$32B** Wiz acquisition closed in March 2026, the cycle's price ceiling.
- **SentinelOne** delivered **\$948M ARR (+24%)** in Q1 FY26 with 20% FCF margin.
- Tender, secondary and strategic offers compete with the IPO route.
- The choice is now between listing for liquidity and selling for a strategic premium.

Geographic Valuation Variations

North America commands a cybersecurity premium; Europe and Israel offer value arbitrage on regulatory and innovation strength.

Share of Global Cybersecurity Market by Region (%)



NORTH AMERICA

Premium

About 44% of the global cybersecurity market, deepest exit liquidity, hyperscaler-driven pricing.

EUROPE

Discount

About 24% share; regulatory moats from NIS2 and DORA, offset by market fragmentation.

ISRAEL & APAC

Growth

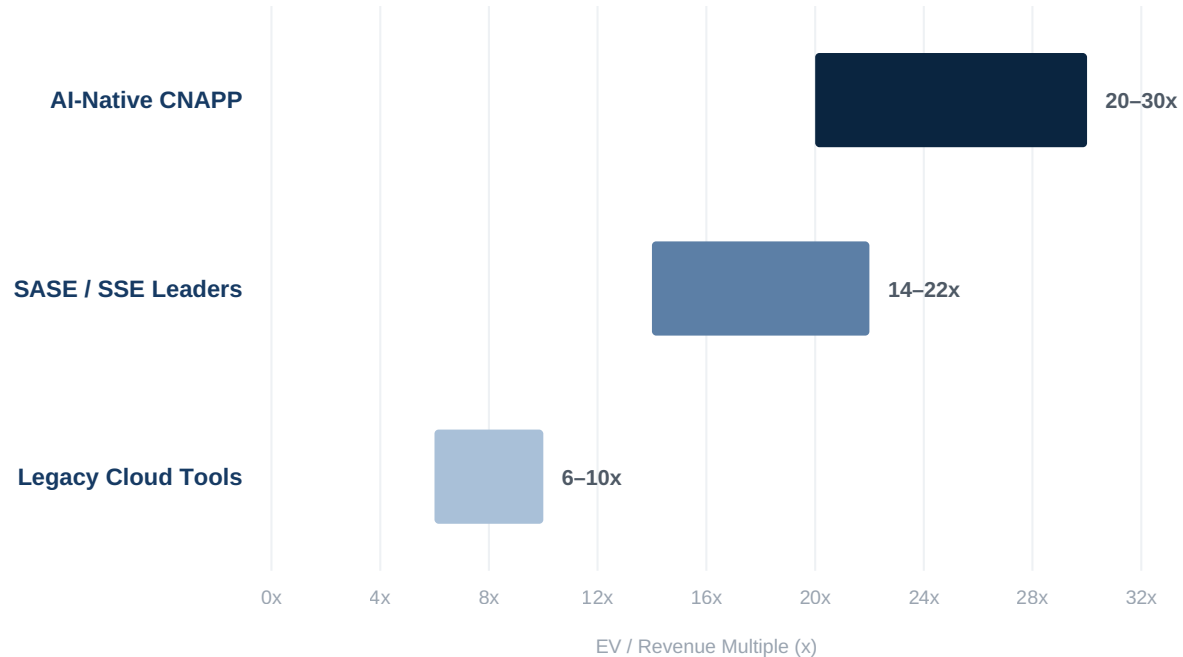
Israel and APAC together drive about 32% of share; Israel remains the dominant venture pipeline.

Valuation gap: North America continues to command a premium, anchored by hyperscaler M&A activity. Israel remains the global cyber innovation hub on technical talent density and a deep startup pipeline. Europe trades at a regulatory-moat discount that US acquirers are increasingly arbitraging.

Cloud Security & SASE: The Premium Cohort

Cloud-native architecture, identity-aware policy and AI-driven detection underwrite the cycle's highest multiples.

EV / Revenue Multiple Range (x)



Valuation Drivers

Architecture Premium

Cloud-native, agentless and identity-aware platforms displace legacy agents at lower cost. Wiz's \$32B exit at roughly 32x ARR confirmed the ceiling for category-defining cloud-native assets.

Workload Consolidation

CNAPP, SSPM and code-to-cloud security are converging into single buying decisions, rewarding integrated platforms with breadth, not point tools chasing niche workloads.

Buyer Priorities

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

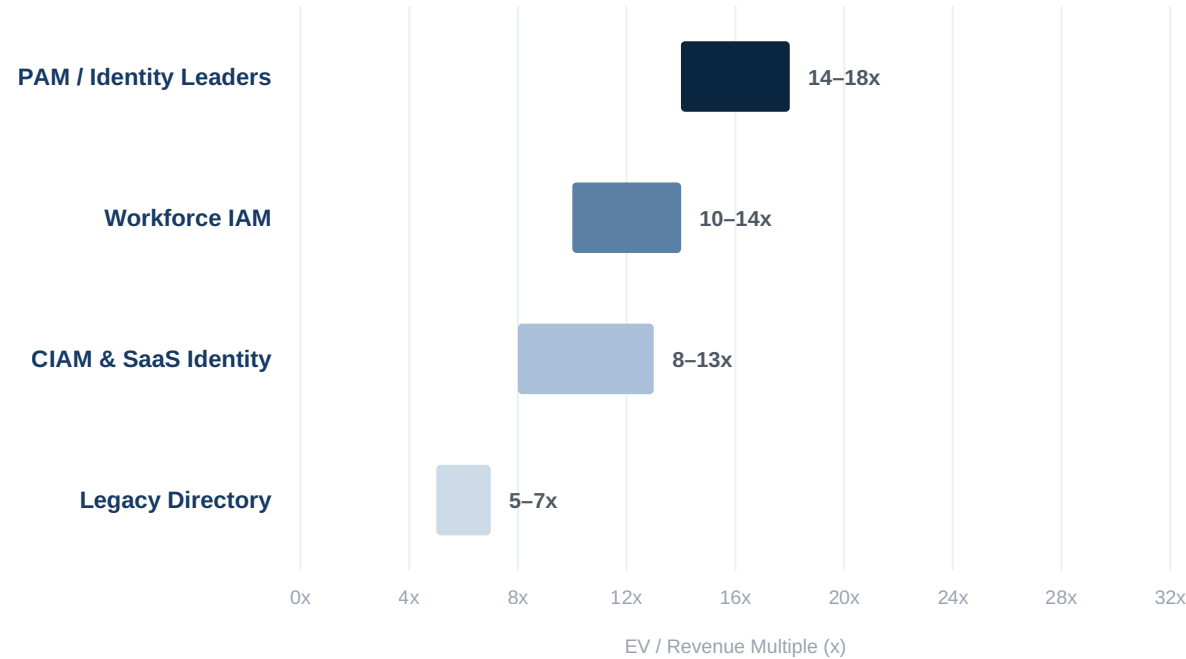
KEY OBSERVATION

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

Identity & Access (IAM): The Strategic Pillar

Identity has become the new perimeter, and Palo Alto Networks' \$25B acquisition of CyberArk underwrites the strategic premium.

EV / Revenue Multiple Range (x)



Valuation Drivers

Platform Pull

Identity has emerged as the connective tissue between SaaS, cloud and AI agents. Strategic acquirers pay for identity to anchor a broader platform thesis, not for standalone tools.

Zero-Trust Adoption

Enterprise budgets are migrating toward zero-trust architectures where identity sits at the centre, justifying premium multiples for category leaders and verticalised winners.

AI Agent Identity

Managing non-human and AI agent identity is the fastest-growing identity subcategory, with venture and strategic capital actively building category leaders.

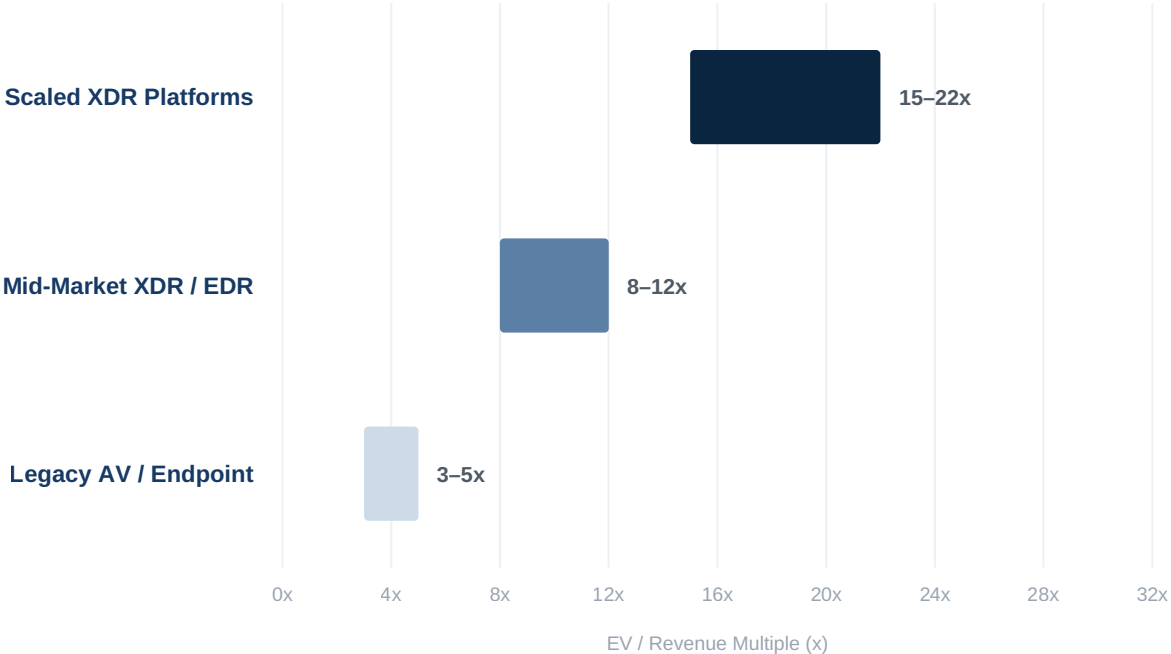
KEY OBSERVATION

The PANW / CyberArk transaction at \$25B confirmed identity as a platform pillar, repricing every comparable identity asset upward.

Endpoint / XDR & Detection Platforms

Platform consolidation around the SOC has compressed multiples for legacy endpoint while lifting AI-driven platforms.

EV / Revenue Multiple Range (x)



Valuation Drivers

Scale Defensibility

CrowdStrike crossed **\$5.25B ARR (+24%)** in FY26 and trades near **22x NTM revenue** on platform reach and rule-of-40 performance, anchoring the top of the cohort.

Data-Lake Economics

XDR platforms are increasingly valued as security data lakes that anchor adjacent SIEM, identity and AI workloads, expanding the addressable wallet per customer.

Buyer Priorities

Platform incumbents acquire AI-driven detection (browser security, SaaS posture, agent identity) to compound their data and policy advantages and lift NRR.

KEY OBSERVATION

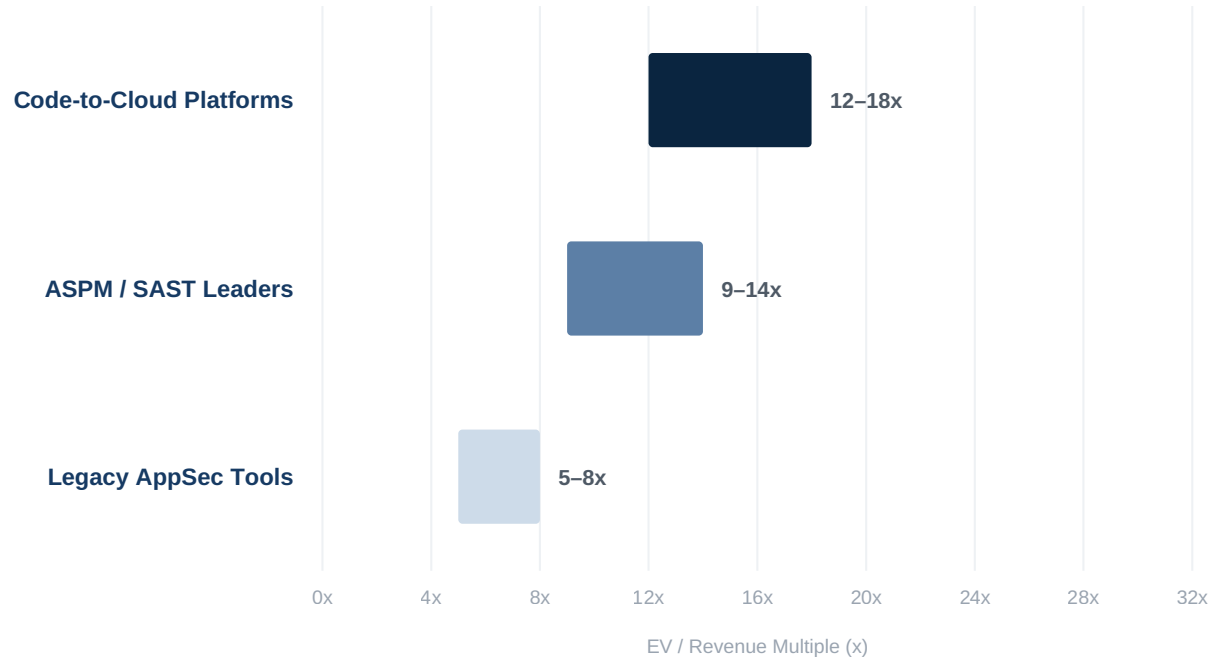
CrowdStrike's Q1 2026 acquisitions of Adaptive Shield, SGNL and Seraphic illustrate the capability-roll-up pattern.

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

Application Security & DevSecOps

AI-generated code and shift-left adoption have re-rated the category, with code-to-cloud platforms at premium multiples.

EV / Revenue Multiple Range (x)



Valuation Drivers

AI Code Surface

Enterprises deploying Copilot-class tools generate code at unprecedented volume, expanding the AppSec attack surface and forcing buy-side modernisation across the SDLC.

Shift-Left to Shift-Everywhere

Developers, AppSec and platform engineers now share security tooling, expanding the buying centre and supporting durable expansion at premium multiples.

Buyer Priorities

Snyk's anticipated 2026 listing, GitLab's security expansion and incumbent moves into ASPM signal a category in active strategic and public-market rotation.

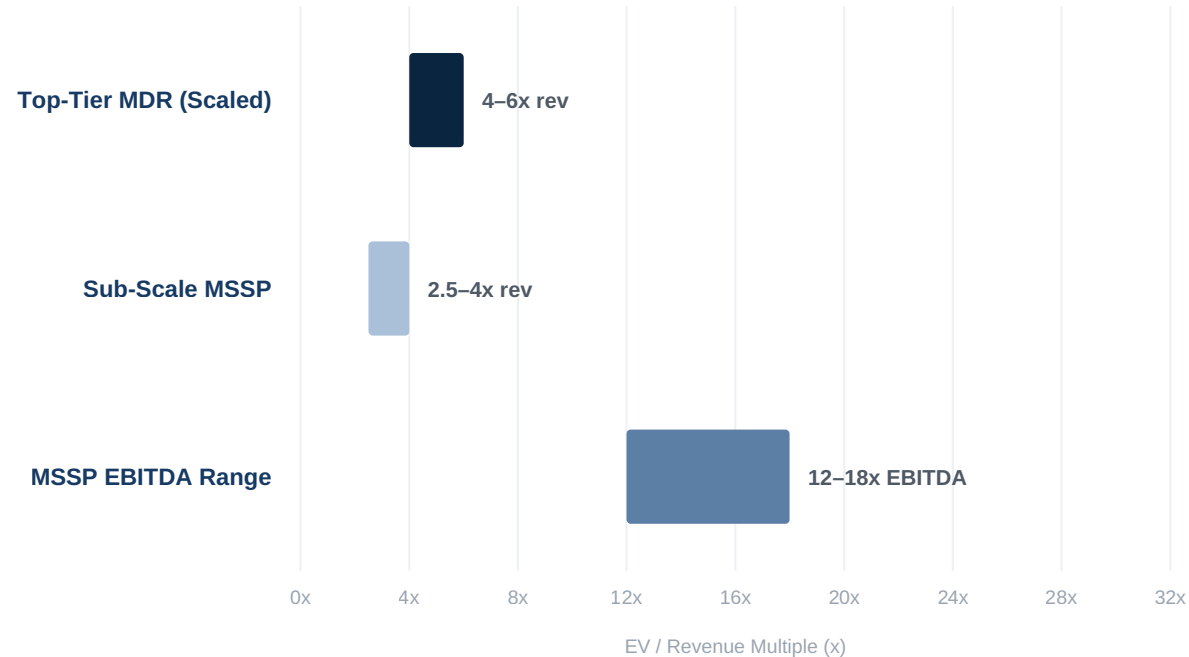
KEY OBSERVATION

DevSecOps is one of the few subsegments where both venture, public and strategic capital are simultaneously deployed; pricing reflects that convergence.

Managed Security Services (MSSP / MDR)

Managed security revenue grows 14.4% to \$106B in 2026 (Gartner), but pure-services multiples remain compressed versus software peers.

EV / Revenue Multiple Range (x)



Valuation Drivers

Scale Economics

LevelBlue's acquisitions of Cybereason (Nov 2025) and Alert Logic (Jan 2026) underline the scale playbook: MSSP consolidation drives delivery margin and recurring-revenue density.

Software Attach

MSSPs that own underlying technology trade at meaningful premia to pure resellers; embedded XDR, MDR and identity tooling lifts gross margin and contract stickiness.

PE Roll-Up Engine

PE platforms with \$1.1T of dry powder treat MSSP and MDR as buy-and-build categories, pricing on EBITDA with multiple-arbitrage upside as scale compounds.

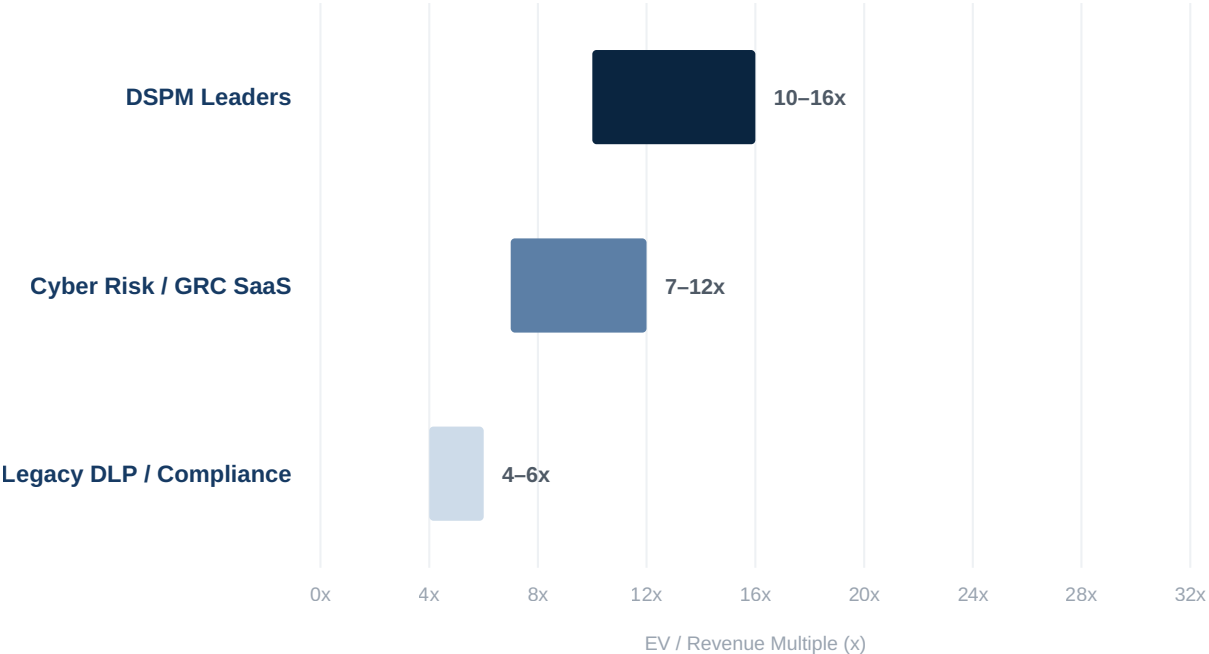
KEY OBSERVATION

Software-attached MDR earns up to a 2x revenue-multiple premium versus pure-services MSSP, the clearest expression of the category's bifurcation.

Data Security & GRC SaaS

Data security (DSPM) and GRC SaaS are re-rating on AI governance and regulatory mandates, narrowing the gap to cloud security.

EV / Revenue Multiple Range (x)



Valuation Drivers

AI Governance Surface

Enterprises adopting LLMs need data classification, lineage and access governance, expanding the DSPM TAM. Strategic buyers price DSPM as a cloud-security adjacency.

Regulatory Tailwinds

SEC cyber disclosure rules, NIS2, DORA and state privacy regimes have widened the GRC SaaS buying centre and raised the value of automated compliance evidence.

Buyer Priorities

Platform incumbents and cloud hyperscalers are acquiring DSPM and AI governance capability to make their existing cloud security stacks 'AI ready' for enterprise buyers.

VALUATION DRIVER

DSPM and AI-governance assets compound the cloud-security 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

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A rigorous quality-of-revenue filter rather than broad cyber sector labels.

1. Select Peer Set

Identify genuinely comparable assets by architecture (cloud-native vs agent-based), buyer (SOC vs developer vs identity team), revenue model (consumption vs subscription) and AI-native posture, not by broad cyber labels.

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 / FDI overhang) that pull headline valuation away from underlying economic value.

50

WD INDEX TRANSACTIONS

2019–26

INDEX COVERAGE

Proprietary Transaction Index

Calibration draws on Windsor Drake's proprietary index of **50 verified and reported transactions (2019 to 2026)**, refreshed each quarter and supplemented by current-quarter cybersecurity research for sector-specific comps.

Quality-of-Revenue Filter

Peer selection prioritises recurring vs. re-occurring revenue, gross margin profile (above 75% vs below 60% for services), and concentration risk across enterprise vs SMB 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 cyber processes, where platform and capability synergies can be concretely underwritten.

Strategic Acquirer Mapping by Sector

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

Subsector	Hyperscalers / Strategics	Platform Incumbents	Private Equity
Cloud / SASE	HIGH Hyperscalers backfill cloud-native gaps; Google / Wiz is the template.	HIGH Platforms acquire cloud-native code to defend share against cloud-native entrants.	MODERATE PE plays come via take-privates of mid-market SASE assets.
Identity & Access	HIGH Identity sits at the centre of every platform thesis; CyberArk anchored the pricing.	HIGH Platform incumbents bolt identity onto existing stacks; PANW / CyberArk template.	MODERATE PE pursues workforce IAM and verticalised CIAM assets.
Endpoint / XDR	MODERATE Hyperscalers prefer to partner; selective endpoint M&A only.	HIGH XDR leaders acquire capability (browser, SaaS posture, agent identity).	MODERATE PE consolidates mid-market EDR vendors into managed-service platforms.
AppSec / DevSecOps	HIGH Hyperscalers chase code-to-cloud and AI-native AppSec assets.	MODERATE Cyber platforms add AppSec selectively; bolt-ons in ASPM and SAST.	HIGH PE consolidates AppSec point tools into broader DevOps platforms.
Managed Security	LOW Hyperscalers partner; rarely acquire pure services.	MODERATE Platforms acquire MDR to bundle managed services with software.	HIGH PE primary buyer; roll-up engine for MSSP and MDR scale.
Data Sec / GRC	HIGH Hyperscalers acquire DSPM and AI governance to ready cloud platforms.	HIGH Cyber platforms add DSPM and GRC SaaS adjacencies to platform stacks.	MODERATE PE buys compliance and risk SaaS for buy-and-build theses.

Hyperscalers & Platform Incumbents as Buyers

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

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 modernisation rather than expansion.

Acquisition Patterns

Mega-deals (Google / Wiz \$32B, PANW / CyberArk \$25B, Cisco / Splunk \$28B) sit at the top; capability bolt-ons under \$1B dominate by volume, often preceded by partnership or technology-integration de-risking.

\$32B

GOOGLE / WIZ, CLOSED MAR 2026

\$25B

PANW / CYBERARK, CLOSED FEB 2026

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.

Priority: Cloud-Native Defence

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

Priority: Identity & AI Agents

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

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

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

Deployment Pressure

With roughly **\$1.1T** of global dry powder to deploy, sponsors face acute pressure to transact. Cyber VC and PE investment reached about **\$18B in 2025**, up **~26%**, even as deal count fell, as capital concentrates in larger platform acquisitions (Crunchbase; CB Insights).

Public-to-Private Thesis

Mid-cap cyber stocks trading at depressed multiples remain prime targets; Thoma Bravo's portfolio (Sophos, Proofpoint, Imprivata) and Vista's portfolio illustrate the playbook at multi-billion-dollar scale.

~\$1.1T

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 managed services, and buy-and-build consolidation of MSSP, MDR and verticalised software.

Aging-Portfolio Catalyst

Roughly half of PE software holdings now exceed a five-year hold; Thoma Bravo's targeted **~\$7B Imprivata** exit illustrates the coming wave of secondary buyouts and strategic exits.

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

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Cyber valuations above 12x revenue are reserved for companies that can demonstrate structural defensibility.

Data & Telemetry Moats

ASSET VALUE: HIGH

Proprietary telemetry training detection models

- Creates a virtuous cycle of detection improvement that rivals cannot easily replicate.
- Powers unique threat-intelligence, identity and behavioural analytics capability.
- Compounds in value as the install base, sensor count and event history grow.
- **Action:** deepen first-party telemetry capture across every customer touchpoint.

AI-Native Architecture

SCALE VALUE: HIGHEST

Detection and response decoupled from analyst headcount

- LLM-driven triage and automated response cut the marginal cost to defend.
- 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 detection, response 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 critical-infrastructure theses.
- **Action:** invest early in certifications that gate the most defensible verticals.

Platform Attach

GROWTH VALUE: HIGH

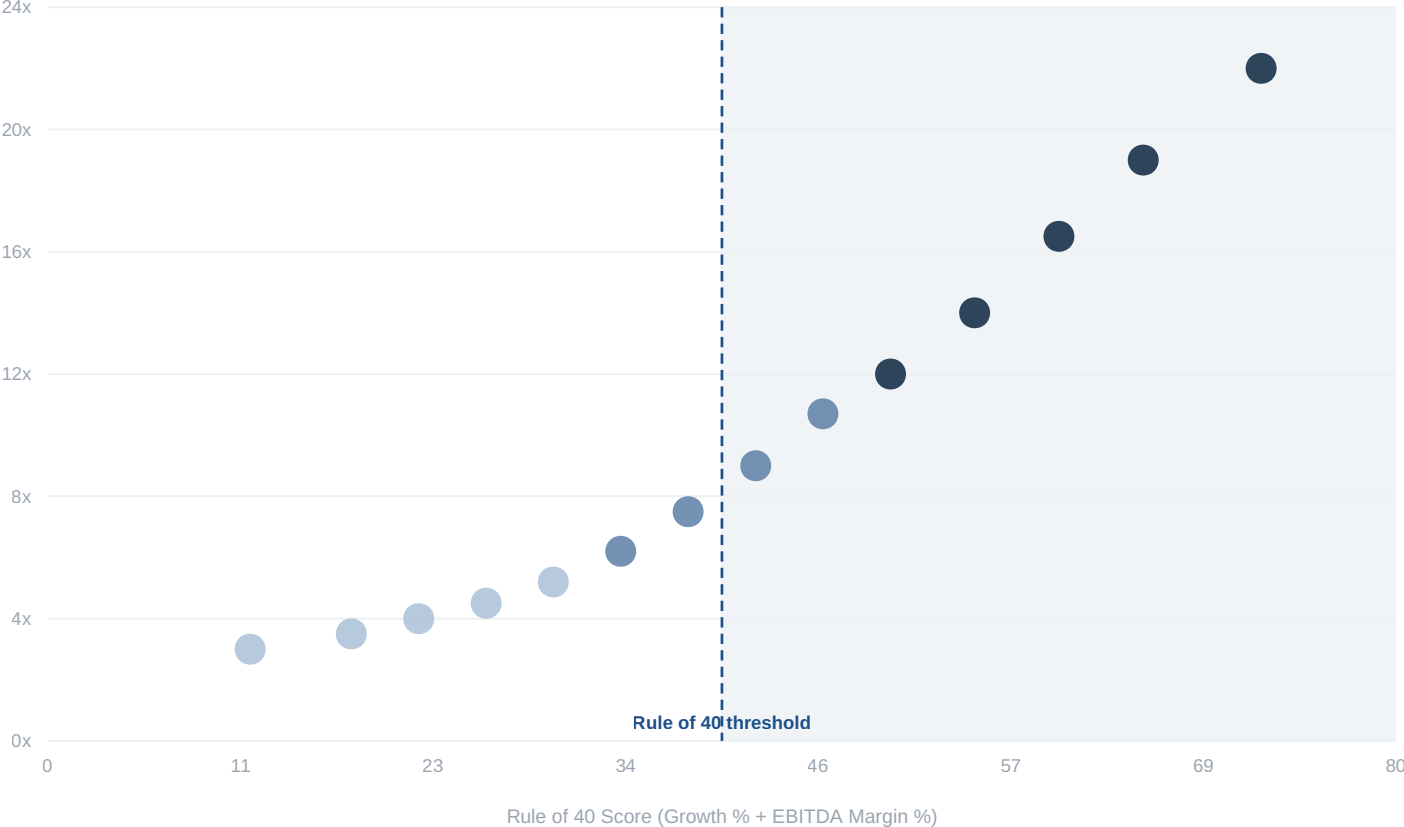
Multi-product attach and identity-aware policy

- Each incremental product raises NRR and the cost of customer churn.
- Drives structurally lower CAC and higher retention over time.
- Raises switching costs as identity, data and policy converge in one stack.
- **Action:** prioritise 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)

12x to 22x+

Scaled winners; the primary targets for premium strategic M&A and the public-market leaders.

RULE OF 40 MET (40 TO 50)

8x to 12x

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

BELOW THRESHOLD (<40)

3x to 7x

Transition and value-trap zones; vulnerable to consolidation.

Public software that clears the Rule of 40 posts a median 10.7x EV/Revenue (Bain), and cyber leaders such as CrowdStrike clear that bar materially, trading near 22x NTM revenue. AI infrastructure cost is pressuring the rule, leading some analysts to discuss a 'Rule of 30' alternative.

Sources: McKinsey & Company; Bain & Company; Windsor Drake analysis. See appendix.

Cross-Border M&A Considerations

WINDSOR DRAKE

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

Regulatory Regimes

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

Currency & WACC Impact

US acquirers are leveraging a strong dollar and premium domestic multiples to buy discounted European and Israeli 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 cyber deals now runs 30% to 50% longer than domestic transactions; ensure runway to withstand delay without losing leverage.

Milestone-Tied Earn-Outs

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

Tax & Structure Efficiency

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

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 **outcome and consumption pricing** where possible.
- Implement 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 platform 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 platform enabler

- Position as 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

WINDSOR DRAKE

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

Capability Fit

Demonstrate unique IP and proprietary 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 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 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 strategic deficits.

Proof-of-Integration

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

Synergy Quantification

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

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 strategic-buyer demand, AI capability 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

WINDSOR DRAKE

With the broad-market benchmark near 6.25x, forward trajectories diverge sharply on rates, AI pricing dynamics and the durability of platform consolidation.



BULL CASE

7.5x

Key Drivers

- Aggressive Fed cuts beyond 100bps
- AI defence supercycle lifts multiples
- Cyber IPO pipeline opens fully

STRATEGY: ACCELERATE GROWTH

BASE CASE

6.7x

Key Drivers

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

STRATEGY: BALANCE GROWTH & PROFIT

BEAR CASE

5.0x

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 security stack.

AI Agent Security

Identity, policy and runtime security for AI agents is the fastest-emerging cyber subcategory, with venture and strategic capital both actively building category leaders for an AI-first enterprise.

Browser & SaaS Security

The browser has become the new endpoint; CrowdStrike's Seraphic acquisition and SSPM consolidation (Adaptive Shield) underline the category's strategic value.

Data Security Posture (DSPM)

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

PE Platform Roll-Ups

Sponsors are consolidating fragmented MSSP, MDR and verticalised cyber software to build scale and drive multiple expansion.

Regional Champions Go Global

European and Israeli leaders are acquiring North American assets to capture premium valuations and access deeper capital markets.

Market Intelligence

Top-tier forecasts point to continued elevated cyber M&A volume 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 cybersecurity 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 cybersecurity consolidation event of the cycle. It confirms that hyperscaler buyers will pay record prices for category-defining cloud-native security assets that anchor a broader cloud platform thesis.

Strategic Rationale

- **Cloud share defence:** acquiring the leading CNAPP to close the cloud security gap with AWS and Azure.
- **Identity-aware architecture:** Wiz's agentless, identity-aware design slots into Google Cloud's broader security mesh.
- **Talent acquisition:** absorbing a category-defining engineering team in a single move.

Implications for Founders

Category-Definition Matters

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

Quantify Cloud-Platform Pull Pre-LOI

Headline multiples on cyber 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 **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

WINDSOR DRAKE

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

EV / Revenue

10–22X+

High-growth cloud & AI-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 cloud, identity, AI-native and DevSecOps platforms.

EV / EBITDA

12–22X

Mature & cash-generative

- Essential for mature MSSPs, scaled network-security operators and PE-owned cyber.
- Many firms valued on revenue in 2024 are now assessed on EBITDA.
- Margin expansion and operating leverage are the key value drivers.
- Captures the cash-flow reality of consolidating segments.

ARR & NRR Lens

RECURRING FOCUS

SaaS-delivered cyber assets

- 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 cloud, identity and DevSecOps 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 data.
- 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>Top Cybersecurity Trends 2026; AI Security Forecast</i>	Feb 2026
McKinsey & Company	<i>Global Private Markets Report 2026</i>	Mar 2026
McKinsey & Company	<i>Software value-creation research on the Rule of 40</i>	2025
Bain & Company	<i>Hacking Software's Rule of 40; AI Brings Headwinds and Tailwinds</i>	2025
Bain & Company	<i>Global Private Equity Report 2026</i>	Feb 2026
PwC	<i>Global M&A Industry Trends: 2026 Outlook (TMT)</i>	Jan 2026
EY	<i>M&A Activity Insights: April 2026</i>	Apr 2026
S&P Global Market Intelligence	<i>Global M&A by the Numbers: Q1 2026</i>	Apr 2026
PitchBook	<i>Q1 2026 Global M&A Report; Cybersecurity IPO Watchlist 2026</i>	2026

Appendix: Sources & Methodology (Part 2)

WINDSOR DRAKE

Institution	Report / Source	Date
CB Insights	<i>State of Cybersecurity Venture Funding 2025</i>	2026
KPMG	<i>Venture Pulse Q4 2025</i>	Jan 2026
Federal Reserve	<i>FOMC Statement (Mar 2026); Summary of Economic Projections (Mar 2026)</i>	2026
Alphabet Inc.	<i>SEC Form 8-K, Wiz acquisition close</i>	Mar 2026
Palo Alto Networks	<i>SEC Form 8-K, CyberArk acquisition close</i>	Feb 2026
Netskope Inc.	<i>SEC Form S-1 / Form 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 (cloud-native vs agent-based), buyer (SOC, developer, identity), 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 6.25x sector median benchmark, are the firm's own synthesis of the cited institutional data, presented as a house view rather than third-party consensus.