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Cybersecurity Valuations: Q3 2026

AUGUST 2026

Windsor Drake · Market Intelligence · windsordrake.com/cybersecurity-valuation-report

Executive Summary: One Sector, Two Prices

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Cybersecurity does not trade at a multiple. It trades on which side of the absorption line a company sits.

The Comparable Set

Windsor Drake computed a **12 company** listed cybersecurity set from closing prices of **19 August 2026** and each company's own revenue guidance. The **median is 6.6x** enterprise value to revenue.

- Interquartile range **5.3x to 9.7x**; full range **1.2x to 33.9x**.
- The mean of **10.3x** sits well above the median, carried by two constituents almost single handedly.
- The **28 times** spread from cheapest to dearest is wider than the gap between software as a whole and heavy industry.
- A single sector multiple is not a usable pricing anchor here.

The Absorption Line

Three companies clear a **25.5x median**. The other nine clear **6.3x**. The gap is **4.0 times**, and it does not close for financial performance.

- Above the line: **CrowdStrike 33.9x**, **Palo Alto Networks 25.5x**, **Fortinet 13.4x**.
- Below the line: **Zscaler 8.4x** down to **Rapid7 1.2x**, with seven constituents clustered between **4.7x and 8.4x**.
- The line separates companies that gain budget when a customer consolidates from those that lose one.
- Position, not performance, is what is being paid for.

Rule of 40 Does Not Explain It

Rule of 40 explains about **one third** of the variance in revenue multiple (r^2 **0.34**). Growth explains **0.19**.

- **CrowdStrike** and **Zscaler**: growth of **23.2%** against **24.6%**, cash margins of **29.6%** against **30.4%**.
- Zscaler holds the **higher** score, 55.0 against 52.8.
- CrowdStrike nonetheless trades at a **304% premium** to Zscaler, and **Fortinet** holds the set's highest score at **60.2** while trading below half CrowdStrike's multiple.

Why The Line Exists

The mechanism is budget, not sentiment. Spending is growing and almost none of it reaches the traditional stack.

- Information-security spending reaches **$239.8B in 2026**, up **12.5%** (Gartner press release, July 2025).
- Total budgets grow about **2.5% a year** while AI's share goes from **4% to 15%**, so non-AI spend falls about **1.6% a year** (McKinsey, March 2026).
- Most vendors are defending a line that is shrinking in absolute terms.

Sources: Gartner; McKinsey & Company; Federal Reserve; Windsor Drake analysis. See appendix.

Executive Summary: Capital, Consolidation and Cost of Capital

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A record count of small absorptions, an unusually hawkish rate path, and no listing route out.

Absorption Is The Deal Pattern

2026 has produced a high count of small acquisitions rather than a small count of large ones. That is what an absorption market looks like from the outside.

- **231** cybersecurity transactions were announced between January and July 2026 (SecurityWeek monthly tallies).
- Across all of 2025, **426** deals carried **$92.5B** of disclosed value across 74 of them.
- Only one deal above **$500M** was announced between April and July 2026.
- Record count with low disclosed value is capability buying, not platform merging.

The Megadeal Cycle Has Closed

The three transactions that reset the sector's ceiling have all now completed, and no comparable deal has replaced them.

- **Google / Wiz**, $32B, completed **11 March 2026** (Google).
- **Palo Alto Networks / CyberArk**, approximately $25B, completed **11 February 2026** (Palo Alto Networks).
- **ServiceNow / Armis**, $7.75B, completed **20 April 2026**.
- The largest since is **Accenture's $4.175B** assembly of Dragos, runZero and NetRise, **June 2026**.

Cost of Capital Turned Against Duration

The rate path is no longer a tailwind for long duration software. This is the clearest change since Q2.

- The FOMC held the funds range at **3.50% to 3.75%** on **29 July 2026** (Federal Reserve).
- The vote was **9 to 3**, all three dissenters preferring to **raise** by a quarter point.
- June 2026 projections put the median dot at **3.8%**, above the range midpoint, so a hike is priced as possible.
- That discounts distant cash flows harder, and sub-scale growers compress first.

No Listing Route, Abundant Sponsor Capital

The exit is a sale. The listing window has not opened here, and sponsor capital is unusually motivated.

- **No cybersecurity company of scale has priced a US IPO in 2026** through 20 August (registration statement review).
- Despite **65 US IPOs** raising about **$114.2B** in the first half (PwC, July 2026).
- Global buyout dry powder stands at about **$1.3T**, against **32,000 unsold companies worth $3.8T** at holds of around **seven years** (Bain, February 2026).

Sources: Bain & Company; PitchBook; PwC; BCG; SEC filings; Windsor Drake analysis. See appendix.

Key Founder Takeaways: Q3 2026

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What the Q3 2026 comparable set means for a cybersecurity business preparing to transact.

1. Establish Your Side Of The Line First

Before modelling any multiple, determine whether a consolidating customer adds budget to your line or removes it. That single question separates a 25.5x median from a 6.3x median in the Q3 2026 set, and no amount of margin improvement crosses it.

- Ask what happens to your renewal when the customer standardises on a platform. If the platform absorbs your function, you are below the line.
- Above the line is a position: your product is where other tools' findings terminate, not where they originate.

2. Growth Alone Is The Weakest Signal In The Set

Revenue growth explains only 0.19 of multiple variance. Netskope grows fastest in the set at 30.9% and trades at 6.3x, below Qualys which grows at 10.4%. In cybersecurity, buyers pay for where the revenue sits, not how fast it is arriving.

- The fastest grower in the set carries a **negative** free cash flow margin, which the market treats as a cost of staying independent.
- Growth funded by discounting into a consolidating account base does not read as growth in diligence.

3. Public Comparables Now Set The Private Bid

With no cybersecurity IPO priced in 2026 and disclosed deal value sharply lower, there is no private-only pricing regime to appeal to. A private round or a sale is argued against the same twelve public constituents.

- The 2026 deal record is a high count of capability purchases, which price on strategic fit rather than on a revenue multiple.
- Expect a buyer to open at the below-the-line median of **6.3x** and require evidence to move.

4. The Rule Of 40 Is Necessary, Not Sufficient

Rule of 40 explains about a third of multiple variance in this set (r^2 of 0.34). Fortinet holds the highest score at 60.2 and trades at 13.4x while CrowdStrike, on a lower score, trades at 33.9x. Clearing 40 gets a company taken seriously and does not price it.

- Six of the twelve constituents clear a Rule of 40 score above 50, and their multiples range from **8.2x to 33.9x**.
- Present the score as evidence of durability, then argue position separately. Conflating the two loses the argument on both.

5. Almost All Budget Growth Is AI Budget Growth

The sector's headline expansion is real and it is concentrated. Total cyber budgets grow at roughly 2.5% a year over three years while AI's share of them climbs from about 4% to 15% (McKinsey, March 2026).

- On those two figures the **non-AI budget contracts by roughly 1.6% a year** in absolute terms, a Windsor Drake computation from the McKinsey path.
- A product with no credible claim on the AI line competes for a pool that is shrinking, not merely flat.

6. Process Length Now Exceeds The Visible Window

A cybersecurity sale process runs twelve to eighteen months from preparation to close. The conditions currently supporting the bid, abundant sponsor capital and an unusually motivated set of strategic consolidators, are observable today and not forecastable beyond that horizon.

- Holding periods at exit of around seven years imply sustained pressure to transact on both sides (Bain, February 2026).
- Preparation begun after a buyer approaches is preparation done inside the buyer's timetable rather than your own.

Source: Windsor Drake analysis of closing prices of 19 August 2026, company filings and company revenue guidance. See appendix.

Founder FAQs: Cybersecurity Valuation

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01 What is the median cybersecurity valuation multiple in Q3 2026?

Windsor Drake's twelve company listed comparable set carries a median of 6.6x enterprise value to current-year revenue, computed from closing prices of 19 August 2026. The interquartile range is 5.3x to 9.7x and the full range runs from 1.2x to 33.9x. The median is a poor guide to any individual business because the distribution is bimodal rather than clustered.

02 Why do two cybersecurity companies with the same financials trade four times apart?

Because the market is pricing position in the customer's consolidation, not the income statement. CrowdStrike and Zscaler post growth of 23.2% and 24.6% and free cash flow margins of 29.6% and 30.4%. CrowdStrike trades at 33.9x and Zscaler at 8.4x. The difference is whether a consolidating security buyer adds spend to the vendor or removes it.

03 Does a high Rule of 40 score raise a cybersecurity valuation?

It raises the floor and does not set the price. Across the set, Rule of 40 explains about a third of the variance in multiple. Fortinet holds the highest score at 60.2 and trades at 13.4x. Six constituents score above 50 and their multiples span 8.2x to 33.9x. Treat the score as a qualifying threshold rather than a valuation driver.

04 Is the cybersecurity megadeal cycle over?

The three transactions that defined it have completed and nothing of that scale has replaced them. Google closed Wiz in March 2026 and Palo Alto Networks closed CyberArk in February 2026. Since April 2026 only one announced cybersecurity deal has exceeded $500M. Deal count is at or near a record while disclosed value is sharply lower, which is a market buying capability rather than merging platforms.

05 Can a cybersecurity company still go public in 2026?

Not on the current evidence. No cybersecurity company has priced an initial public offering in 2026 through 20 August, in a year when 65 US listings raised about $114.2B in the first half alone. The last cybersecurity pricing was Netskope in September 2025. Planning around a listing exit in this sector currently means planning around an event with no 2026 precedent.

06 Who is buying cybersecurity companies now, and what are they paying for?

Platform incumbents, systems integrators and mid-size security vendors buying adjacent capability. Accenture's June 2026 assembly of Dragos, runZero and NetRise at a combined $4.175B enterprise value against roughly $208M of combined annual recurring revenue is the template: three complementary assets bought together to build a position rather than one asset bought for its revenue.

07 What does the rate path mean for cybersecurity valuations?

It has stopped helping. The FOMC held at 3.50% to 3.75% on 29 July 2026 on a nine to three vote in which all three dissenters wanted a rise, and the June 2026 projections put the median 2026 dot above the current range midpoint. A market discounting a possible increase compresses the multiples of long duration, sub-scale growers before it touches anything else.

Source: Windsor Drake analysis of closing prices of 19 August 2026, company filings and company revenue guidance. See appendix.

The Q3 2026 Cybersecurity Comparable Set

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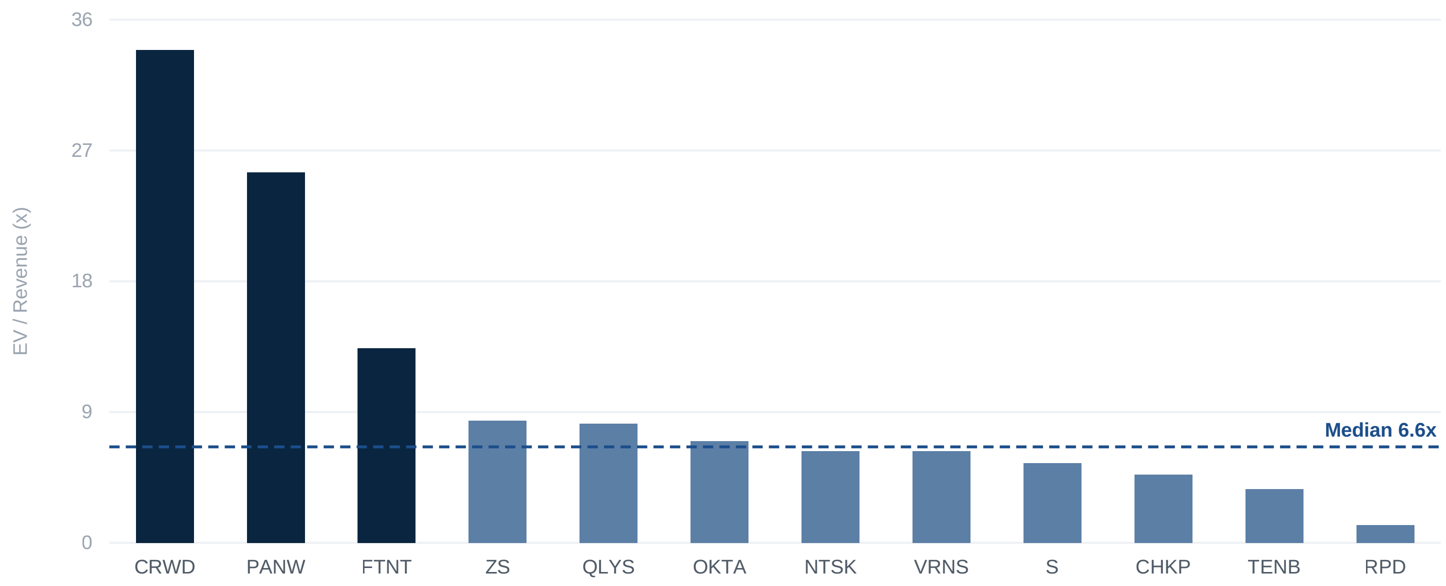
Twelve listed constituents, computed by Windsor Drake from closing prices of 19 August 2026. The median describes almost none of them.

EV / Current-Year Revenue by constituent



MEDIAN

6.6x

Only **three** of twelve trade within a turn of it.

INTERQUARTILE RANGE

5.3x to 9.7x

Half the set inside a **4.4 turn** band.

FULL RANGE

1.2x to 33.9x

A **28 times** spread in one sector.

Key Observation

Three constituents occupy 13.4x to 33.9x, nine occupy 1.2x to 8.4x, and **nothing sits between**. That is a boundary, not a spread.

Navy bars sit above the absorption line. Enterprise value is market capitalisation plus gross debt less cash and short-term investments. The denominator is each company's own current-fiscal-year revenue guidance.

Source: Windsor Drake analysis of closing prices of 19 August 2026, company filings and company revenue guidance. See appendix.

Exit Multiples by Position, Not by Sub-Segment

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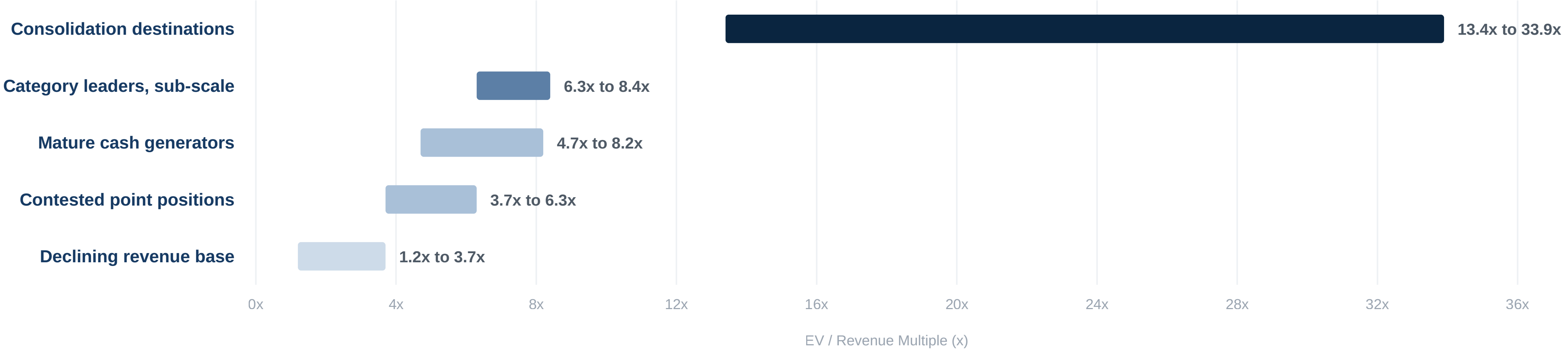
Grouping the same twelve constituents by consolidation position produces separated bands. Grouping them by product category does not.



WHY THE SUB-SEGMENT LABEL FAILS AS A PRICING TOOL

Network security contains **Fortinet at 13.4x** and **Check Point at 4.7x**. Endpoint contains **CrowdStrike at 33.9x** and **SentinelOne at 5.5x**. Vulnerability management contains **Qualys at 8.2x** and **Rapid7 at 1.2x**. In every case the two companies sell into the same buyer, at the same budget line, and are priced between three and seven times apart. The category is not the variable, which is why a founder benchmarking against a sub-segment average will be wrong by a multiple rather than by a margin. The bands above are Windsor Drake's classification of the same twelve constituents by consolidation position, and they separate cleanly where the product categories overlap. Note that the bands are not evenly spaced. The step from category leader to consolidation destination is worth roughly five turns, while the three bands below it span barely three turns in total. Most of the value in this sector sits in one boundary, and a company either crosses it or spends its energy competing inside a narrow band. This is also why the deck runs three deep dives by position rather than by product category: the position cohorts are internally consistent and the category cohorts are not. For a founder the practical test is not which sub-segment the business is filed under in a research report, but which band a buyer would place it in after one conversation about the customer's consolidation roadmap. Bands are drawn from observed constituent multiples, not from a published series.

Source: Windsor Drake analysis of closing prices of 19 August 2026, company filings and company revenue guidance. See appendix.

The Absorption Line

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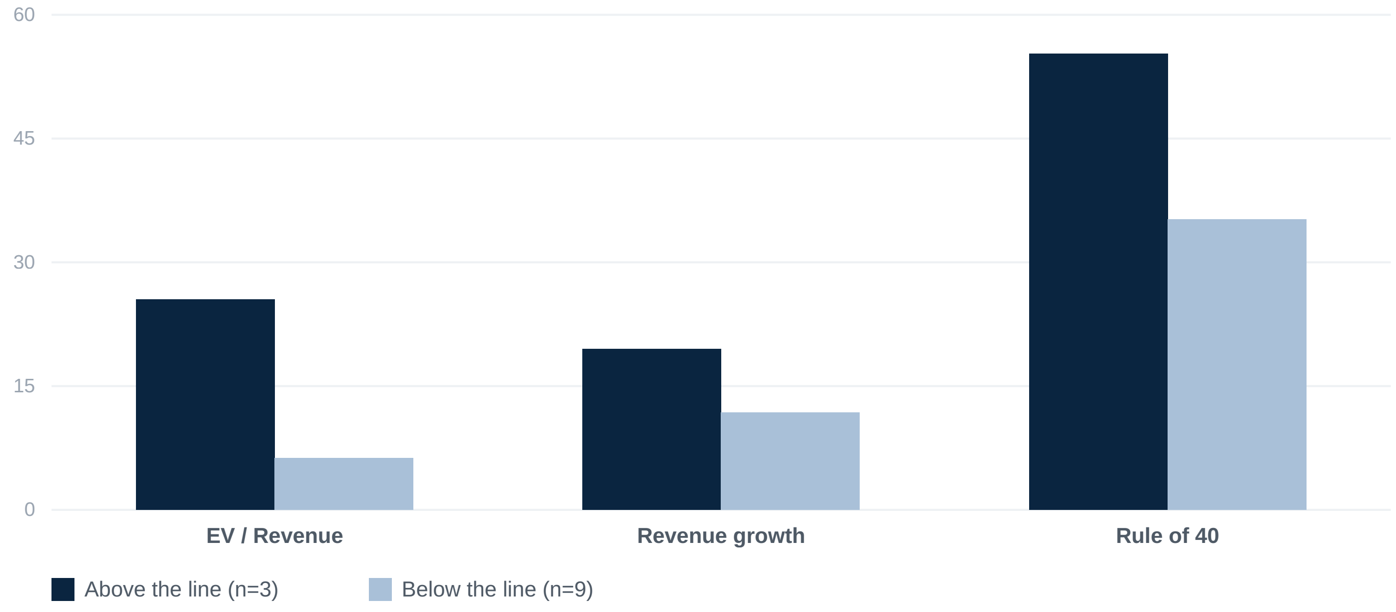
Windsor Drake's framework for cybersecurity valuation: the market prices whether a consolidating customer adds your budget line or removes it.

Above and below the line, compared on three measures



ABOVE THE LINE

25.5x

CrowdStrike, Palo Alto Networks, Fortinet.

BELOW THE LINE

6.3x

Median of the other **nine** constituents.

R^2 OF RULE OF 40

0.34

Growth explains even less, at **0.19**.

The definition

Above: consolidation routes more spend to the vendor. **Below**: it removes a budget line. Growth and margin move the multiple inside a band. The line sets which band.

Median values per cohort. The multiple gap is **4.0 times**. The Rule of 40 gap is **1.6 times** and the growth gap is **1.7 times**, neither of which is close to explaining it.

Source: Windsor Drake analysis of closing prices of 19 August 2026, company filings and company revenue guidance. See appendix.

Rule of 40 Does Not Price Cybersecurity

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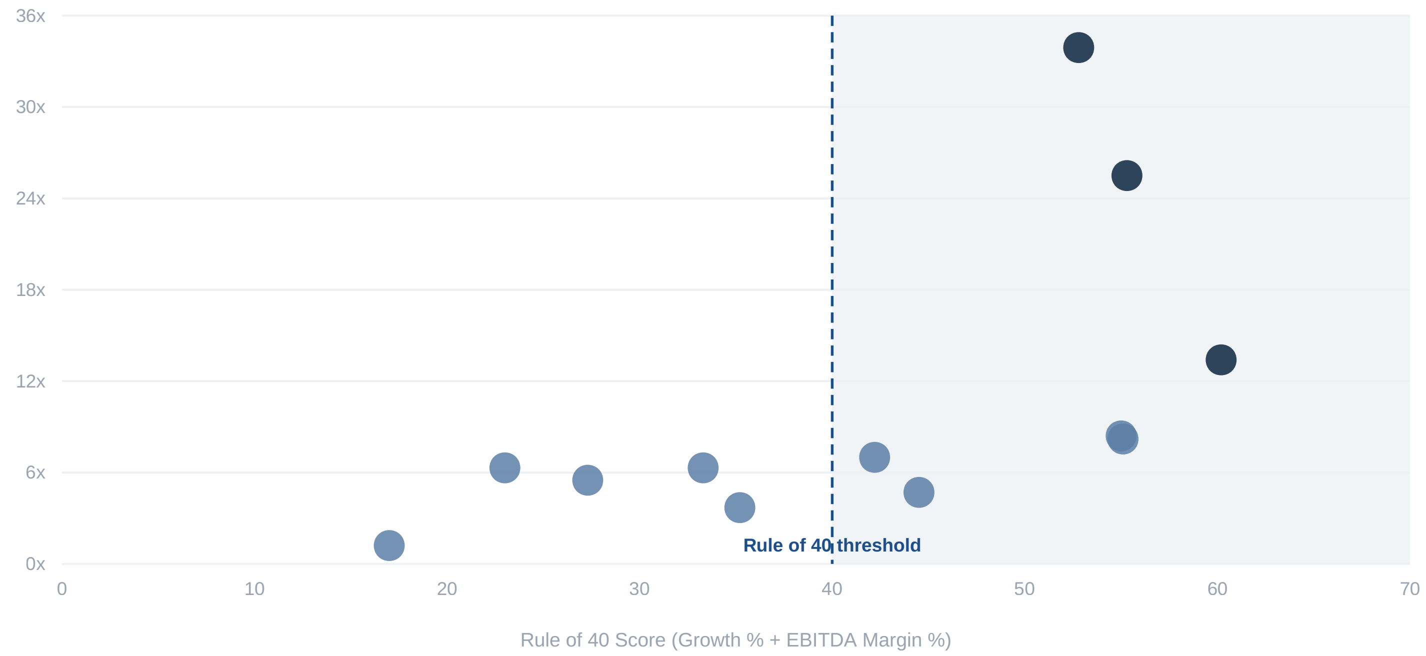
Plotting the same twelve constituents by score against multiple produces two populations, not one line.

Rule of 40 score against EV / Revenue



CROWDSTRIKE

52.8 → 33.9x

Growth **23.2%**, cash margin **29.6%**.

ZSCALER

55.0 → 8.4x

Growth **24.6%**, margin **30.4%**. A **higher** score.

FORTINET

60.2 → 13.4x

Highest score in the set, **60%** below CrowdStrike.

The twin test

Growth within **1.4 points**, cash margin within **0.8**, and the score favours **Zscaler**. CrowdStrike trades **304%** higher. Position, not performance.

> Navy points sit above the absorption line. Vertical axis truncated at 36x. Rule of 40 computed as revenue growth plus free cash flow margin, both trailing twelve months.

Source: Windsor Drake analysis of closing prices of 19 August 2026, company filings and company revenue guidance. See appendix.

Deep Dive: Consolidation Destinations

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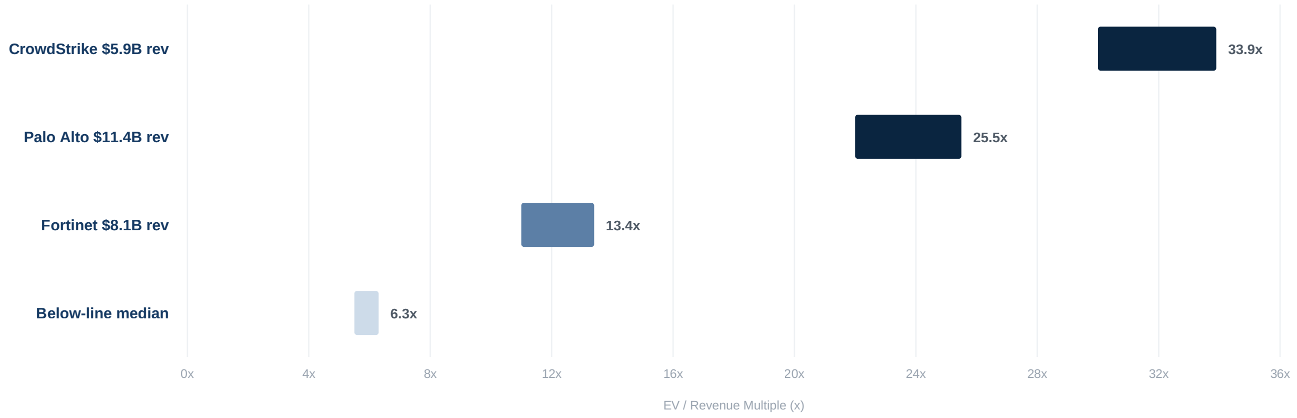
Three constituents, 13.4x to 33.9x. What they share is not a product category and not a financial profile.

Above the line: EV / Revenue and scale



KEY OBSERVATION

Fortinet is the useful case. It carries the **highest Rule of 40 score in the set at 60.2** and the **highest cash margin at 41.4%**, and still trades at **13.4x**, less than half CrowdStrike's multiple. Being above the line is not a binary reward. Within the cohort, the market still discriminates on how much of the customer's consolidation each vendor actually captures.

Valuation Drivers

They are the acquirer, at scale

Palo Alto Networks completed CyberArk at roughly $25B in February 2026 and reported $8.1B of next-generation security annual recurring revenue, up 60%, in its April 2026 quarter. A company that can absorb a $25B asset is not itself an absorption candidate, and the market prices that asymmetry.

Their product is where findings terminate

The endpoint agent and the network edge are ingest points for the security operations centre. Tools that generate alerts must send them somewhere, and the destination captures the budget consolidation rather than losing it. This is a structural position, not a feature advantage that a competitor can copy.

Scale converts into pricing power

All three carry more than $5.9B of guided revenue. Below the line, only Okta and Zscaler exceed $3B. Scale is not why they trade higher, but it is what makes the position defensible: a customer standardising on a platform will not standardise on a vendor that cannot cover the estate.

Source: Windsor Drake analysis of closing prices of 19 August 2026, company filings and company revenue guidance. See appendix.

Deep Dive: Category Leaders That Did Not Cross

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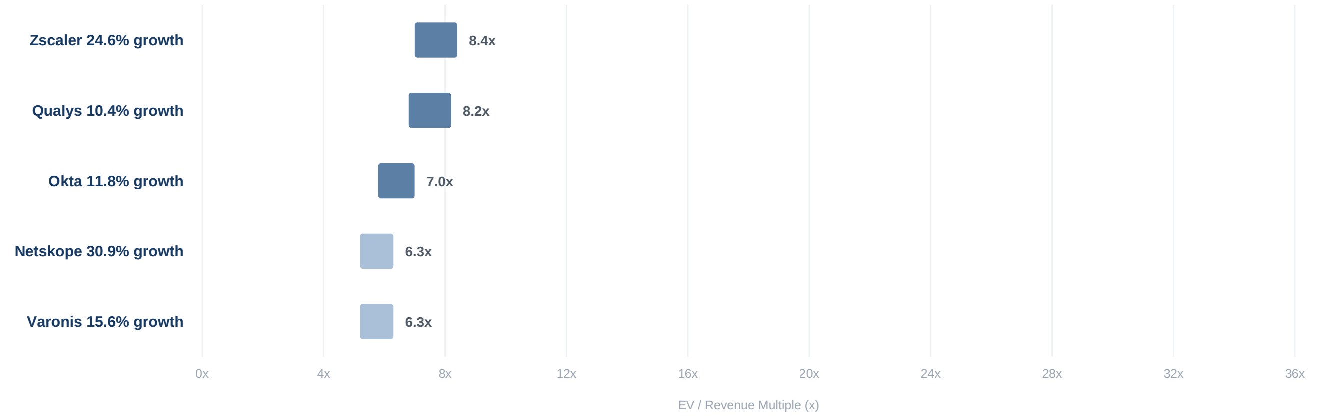
Zscaler, Okta, Qualys and Netskope lead their categories and trade between 6.3x and 8.4x. Category leadership is not the same as being the destination.

Category leaders: EV / Revenue against growth



KEY OBSERVATION

Zscaler is the most instructive constituent in the deck. On growth, cash margin and Rule of 40 it is indistinguishable from CrowdStrike, and it leads a category with genuine secular demand. It trades at **one quarter** of CrowdStrike's multiple. For a founder, the lesson is that operating excellence does not substitute for position, and that the two must be argued separately in a process.

Valuation Drivers

Leading a category that is itself being absorbed

Secure access, identity and posture management are all capabilities that the platform vendors are assembling rather than conceding. Palo Alto Networks acquired identity through CyberArk; Fortinet acquired AI security capability through Virtue AI in August 2026. Winning a category does not help if the category becomes a module.

Growth is not being rewarded at this scale

Netskope grows at 30.9%, the fastest in the set, and trades below Qualys which grows at 10.4%. Qualys converts 44.7% of revenue to free cash flow and Netskope converts negative 7.9%. Below the line the market pays for self-funding durability, because it is pricing the option of remaining independent.

The band is narrow and it is sticky

Seven of the nine below-line constituents sit between 4.7x and 8.4x despite growth rates spanning 0.1% to 30.9% and cash margins spanning negative 7.9% to 44.7%. That compression is the clearest evidence that the market is pricing something other than the income statement.

Source: Windsor Drake analysis of closing prices of 19 August 2026, company filings and company revenue guidance. See appendix.

Deep Dive: Absorption Candidates

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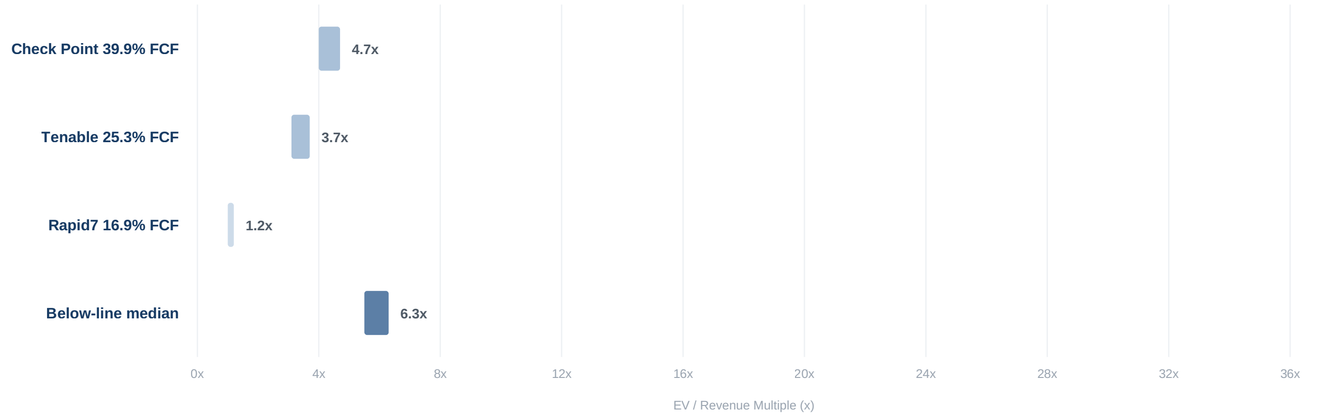
Check Point, Tenable and Rapid7 trade between 1.2x and 4.7x. Two of the three are highly cash generative, and it does not help.

Below-line tail: EV / Revenue and cash margin



KEY OBSERVATION

The tail of this set is where a founder should calibrate downside, not the median. A cybersecurity business with flat revenue and a findings-producing product is priced closer to **1.2x to 3.7x** than to the **6.6x** sector median. Preparing a process on the median and discovering the tail in diligence is the most expensive sequencing error available in this sector.

Valuation Drivers

Cash generation without growth reads as terminal value

Check Point converts 39.9% of revenue to free cash flow, the second highest margin in the set, and grows at 4.6%. The market prices it at 4.7x, roughly a third of Fortinet's multiple on a similar cash margin. Cash flow without a growth path is valued as a run-off asset rather than as a platform.

Vulnerability findings flow into someone else's console

Tenable and Rapid7 produce findings that are consumed by security operations platforms. That is the definition of the wrong side of the line: the output is an input to a system the customer is standardising on, so the budget line is a candidate for consolidation at every renewal.

Balance sheet leverage compounds the discount

Rapid7 carries $894M of gross debt against $703M of cash and $839M of guided revenue, with growth at 0.1%. At 1.2x enterprise value to revenue the equity is a small residual on a capital structure, which narrows the buyer universe to sponsors and strategics able to underwrite the debt.

Source: Windsor Drake analysis of closing prices of 19 August 2026, company filings and company revenue guidance. See appendix.

Comparable Transaction Analysis: What The Evidence Supports

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Windsor Drake's proprietary transaction index is the firm's record of completed deals. On cybersecurity specifically it is thin, and this deck says so rather than stretching it.

The index, stated plainly

The Windsor Drake transaction index held **505 records** at the time of this build, spanning 2019 to 2026. Of those, **two are classified cybersecurity**, both 2022 identity take-privates, and **neither discloses a revenue multiple**. Across the whole index only **19 of 505 records**, under **4%**, carry an EV/Revenue figure at all.

What follows from that

The index **cannot** supply a cybersecurity benchmark multiple and is not used as one anywhere in this deck. Every multiple here is computed from listed-company market data. The index is used for what it does support: verified deal facts, buyer behaviour over time, and adjacent-sector reference points.

505	2	19	6.6x
INDEX RECORDS	CYBERSECURITY	CARRY EV / REVENUE	PUBLIC MEDIAN USED INSTEAD

Verified adjacent reference points

Mastercard's acquisition of threat intelligence provider Recorded Future in September 2024 is recorded at **8.8x EV/Revenue** with Verified confidence, and Nasdaq's acquisition of financial-crime platform Verafin in November 2020 at **19.6x**. Both sit in security-adjacent data rather than in cybersecurity software, so they frame the ceiling for a proprietary-data position without standing in for the sector.

The two cybersecurity records, and what they mark

Thoma Bravo acquired SailPoint at **$6.9B** in April 2022 and ForgeRock at **$2.3B** in October 2022, both Verified, both identity, both take-privates. What they mark is the durability of sponsor appetite for identity assets across a full cycle. Neither discloses revenue, so neither produces a multiple.

How a comparable set is actually built here

Twelve listed constituents were screened for pure-play enterprise cybersecurity revenue. Enterprise value was computed from market capitalisation plus gross debt less cash and short-term investments. Adjacent names whose revenue is predominantly non-security, including content delivery, consumer security and legacy endpoint, were excluded and are named with their reason in the methodology.

Why disclosure is the binding constraint

Private cybersecurity transactions rarely disclose target revenue. Of the fifteen largest deals announced between April and August 2026, none published a revenue multiple. Any source presenting a precise private cybersecurity multiple for 2026 is estimating, and a founder should ask which specific transactions with disclosed revenue produced it.

Sources: Windsor Drake transaction index, queried 20 August 2026; SEC filings; company announcements. See appendix.

Strategic Acquirer Mapping: Who Absorbs What

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Demonstrated appetite by buyer class, evidenced by transactions announced or completed between January 2025 and August 2026.

Buyer class	Identity and access	Cloud and AI security	OT and device
Platform incumbents	**Very high** Palo Alto Networks closed CyberArk at about $25B in Feb 2026. Okta bought Permiso, Jul 2026.	**Very high** Fortinet bought Virtue AI, Aug 2026. Zscaler bought Symmetry Systems, May 2026.	**Selective** Addressed through partnership rather than ownership by most platform vendors to date.
Hyperscalers	**Selective** Pursued through cloud-native identity rather than acquisition of standalone vendors.	**Very high** Google closed Wiz at $32B in Mar 2026, the largest cyber acquisition completed to date.	**Limited** Industrial and device estates sit outside the hyperscaler operating model and are largely ceded.
Systems integrators	**Selective** Bought inside managed identity services rather than as product ownership.	**Rising** AI assurance and model risk work is being built into existing consulting practices at pace.	**Very high** Accenture assembled Dragos, runZero and NetRise at $4.175B combined, Jun 2026.
Mid-size security vendors	**Very high** SailPoint bought Entro Security and 1Password bought Apono, both mid-2026.	**Very high** Cyera bought Oasis Security at about $1B, Jul 2026, its third deal of the year.	**Limited** Balance sheets rarely support industrial-scale acquisitions in this class.
Private equity	**Very high** SailPoint at $6.9B and ForgeRock at $2.3B, both 2022, both Verified in the index.	**Limited** Growth-stage AI security assets price above most buyout return requirements.	**Rising** Durable maintenance revenue and regulated demand suit leveraged structures.

Cell shading indicates demonstrated appetite: darkest is very high, lightest is limited. Sources: company announcements; SEC filings; Windsor Drake transaction index. See appendix.

Private Equity: Abundant Capital, Narrowed Appetite

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Sponsor capital is at record levels and sponsor behaviour in software has moved decisively away from large platform buyouts.

The capital position

Global private capital dry powder reached **$4.63 trillion** at the end of the second quarter of 2025, of which buyout strategies account for about **$1.3 trillion**. Roughly half of all dry powder now sits in funds two to five years old, close to a record concentration and an unusually strong incentive to deploy.

The exit backlog

Sponsors hold about **32,000 unsold portfolio companies** carrying roughly **$3.8 trillion** of value, with holding periods at exit stretched to around **seven years** against an average of five to six from 2010 to 2021. Twenty seven per cent of software portfolio companies were acquired five or more years ago.

$4.63T	$1.3T	32,000	41%
TOTAL DRY POWDER	BUYOUT DRY POWDER	UNSOLD COMPANIES	SOFTWARE PE FROM PLATFORMS

Platform buyouts in software hit a decade low

Platform transactions fell to **41% of US software private equity deal value** in the first five months of 2026, the lowest share in at least a decade and down about thirty points year on year. Add-ons took roughly 45%. Sponsors are building around assets they already own rather than underwriting new platforms.

Deployment has slowed sharply in absolute terms

US software private equity deal value reached **$16.24B in the first five months of 2026**, a full-year pace near $39B against **$156B in 2025**. Only seven software platform deals above $100M were announced through May. Abundant capital and low deployment together mean selectivity, not scarcity of bidders.

What a sponsor will underwrite in cybersecurity

Durable maintenance revenue, regulated or contractual demand, and a cost structure that supports leverage. The two cybersecurity records in the Windsor Drake index, SailPoint and ForgeRock, were both identity assets with exactly that profile. High-growth, cash-consuming assets remain outside most buyout return requirements.

The implication for a below-the-line seller

A cash-generative business below the absorption line is a better sponsor asset than a strategic one, because the sponsor is underwriting cash flow rather than consolidation position. That reverses the usual assumption that strategics always pay more, and it widens the buyer universe for exactly the companies the public market discounts hardest.

Sources: PitchBook, January and June 2026; Bain & Company, February 2026; S&P Global Market Intelligence, June 2026. See appendix.

What Moves A Company Across The Absorption Line

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Four positions that convert a company from a budget line someone wants to remove into a destination that budget consolidates onto.

Own The Termination Point

STRUCTURAL

Be where other tools' output lands rather than where it originates. This is the single characteristic shared by all three above-the-line constituents.

- The endpoint agent and the network edge both terminate telemetry from dozens of adjacent products.
- Scanners, posture tools and classifiers **produce** findings, and all trade below **8.2x**.
- It is defensible because displacing it means re-plumbing every integration the customer built.
- Test it: if you were removed, would other vendors break, or just lose a feed.

Hold The AI Security Line

BUDGET

Almost all incremental security budget over the next three years is AI security budget. A credible claim on that line is the difference between growing with the sector and growing against it.

- AI security rises from about **4% to 15%** of cyber budgets within three years (McKinsey, March 2026).
- Total cyber budgets grow only about **2.5% a year** over the same period, so the **non-AI pool contracts roughly 1.6% a year** (McKinsey, March 2026; Windsor Drake computation).
- Gartner's segment forecast puts security software at **$121.2B** and security services at **$92.8B** in 2026 (July 2025 press release).
- Buyers acquire the claim rather than build it: Fortinet bought **Virtue AI** in August 2026.

Prove Non-Discretionary Demand

DURABILITY

Demand that a customer cannot defer through a budget cycle prices differently from demand that competes with other software each year.

- Regulated, contractual and audit-driven demand survives consolidation because removing it creates an exception a customer must document.
- Operational technology carries that property: **$27B in 2026 to about $59B by 2031**, roughly **16%** compound (Accenture, June 2026).
- Retention through a customer's own consolidation programme is the cleanest proof, and the first number a buyer tests.
- Discretionary demand shows up as elongating renewals long before it shows up in growth.

Convert Data Into A Moat

DEFENSIBILITY

Where a product accumulates data a buyer cannot recreate, the position stops depending on the product category and starts depending on the corpus.

- The two highest verified multiples in the Windsor Drake index are both data assets: **Verafin at 19.6x** and **Recorded Future at 8.8x**.
- Accenture's June 2026 assembly valued **NetRise** for firmware and supply chain datasets, not for its software alone.
- A corpus built from telemetry compounds with deployment, making displacement dearer every quarter.
- Document what reproducing the dataset would cost a buyer. That is the floor under the position.

Sources: Gartner; McKinsey & Company; Federal Reserve; Windsor Drake analysis. See appendix.

The Valuation Bridge: From Sector Median To Position

WINDSOR DRAKE

Windsor Drake's decomposition of the distance between the 6.6x sector median and the 25.5x above-the-line median, in turns of revenue.

HOW TO READ THIS BRIDGE

This is **Windsor Drake analysis**, not a published series. The steps allocate the observed **18.9 turn** gap between the two cohort medians across the four characteristics that separate them, weighted by how much each one narrows the gap when constituents are grouped by it. The ordering carries the argument: **termination position contributes more than three times what a top-quartile Rule of 40 score contributes**, and no combination of financial improvements reaches the above-the-line band without it. Read the bridge as an order of operations rather than as an additive model. A company that fixes its Rule of 40 score first, and its position second, spends the preparation window on the **2.4 turn** step instead of the **8.4 turn** step. The growth drag at the end is the discount the market applies to the above-the-line cohort for growing more slowly than the fastest names below it, which is a reminder that crossing the line does not exempt a company from the usual scrutiny.

Source: Windsor Drake analysis of closing prices of 19 August 2026, company filings and company revenue guidance. See appendix.

Capital Markets: An Open Window That Cybersecurity Cannot Use

WINDSOR DRAKE

The 2026 listing market is the strongest in years by volume, and no cybersecurity company has entered it.

The Broader Window Is Open

Listing activity in the first half of 2026 was multiples of the prior year on proceeds, with pricing conditions strongly favouring issuers.

- **65 traditional US IPOs** raised about **$114.2B** in the first half of 2026, against 34 raising $14.8B a year earlier (PwC, July 2026).
- About half priced at or above the top of the range, and roughly **97%** opened above offer.
- Year-to-date proceeds are up more than fivefold as deal count fell, so capital is concentrating.

Cybersecurity Is Absent From It

A review of registration statements through 20 August 2026 finds no cybersecurity issuer of scale in the 2026 cohort.

- **No cybersecurity company of scale has priced a US IPO in 2026** through 20 August (registration statement review).
- The last cybersecurity pricing was **Netskope in September 2025**, at $19 a share and a **$7.3B** valuation.
- Netskope now trades at **6.3x**, below the sector median, which is itself a signal to the pipeline.
- Reported private cyber filings could not be verified in the public record and are not relied on.

Venture Funding Has Turned

Private financing has narrowed at the late stage, removing the alternative to a sale for scaled assets.

- Cyber venture deal value held near **$5B in Q1 2026** (PitchBook, May 2026).
- Deal **count** fell to its lowest quarterly level **since 2018**.
- **Early-stage overtook late-stage** for the first time since 2022, so a scaled private business now faces a narrow financing market and a closed listing market at once.

The Sector Sentiment Reading

Technology carries the weakest sentiment of any sector even as overall deal activity recovers strongly.

- Global M&A reached about **$1.6T in the first half of 2026**, up **28%** (BCG, July 2026).
- Technology scored **52 out of 100** on sector M&A sentiment against an index reading of 84 (BCG, July 2026).
- BCG describes infrastructure assets commanding extraordinary valuations while application valuations correct, the absorption line in market-wide terms.

Sources: Bain & Company; PitchBook; PwC; BCG; SEC filings; Windsor Drake analysis. See appendix.

Establishing Position: A 12 To 18 Month Sequence

WINDSOR DRAKE

What a cybersecurity business does with the time a process takes, if the objective is to be argued above the absorption line rather than at the sector median.

Evidence

Months 1 to 4

- Establish which side of the line the business sits on today, using renewal behaviour inside customers running consolidation programmes.
- Measure net revenue retention separately for accounts that have standardised on a platform and accounts that have not.
- Quantify the dataset: what a buyer would spend and how long it would take to reproduce the corpus the product has accumulated.
- Compute the Rule of 40 score on the same basis the public set uses, growth plus free cash flow margin, and hold it monthly at board level.

KEY MILESTONE

Position established on evidence, not assertion

Construction

Months 5 to 10

- Build the termination argument: name the adjacent products whose output lands in yours and document the integration surface.
- Establish the AI security claim in product and in revenue, because the claim is where the incremental budget is (McKinsey, March 2026).
- Clean the revenue base so that discretionary and non-discretionary demand can be shown apart in diligence.
- Resolve balance sheet items that narrow the buyer universe, gross debt above all.

KEY MILESTONE

Above-the-line argument is documented and testable

Universe

Months 9 to 14

- Map buyers by demonstrated appetite in the capability area, not by size. The 2026 record shows integrators and mid-size vendors acquiring where platform incumbents did not.
- Include sponsors for a cash-generative asset, since platform buyouts at a decade low still leaves add-on capital fully deployed.
- Prepare the answer to the consolidation question before it is asked, because it is the first question a strategic buyer will put.
- Benchmark against the twelve listed constituents so the pricing conversation starts from computed evidence.

KEY MILESTONE

Ranked buyer universe with evidenced appetite

Process

Months 12 to 18

- Run the process on a controlled timetable rather than inside a single buyer's schedule.
- Hold competitive tension to close; the 2026 pattern of capability purchases prices on strategic fit, which rewards having more than one fit in the room.
- Expect an opening anchored near the below-the-line median of 6.3x and have the position evidence ready to move it.
- Sequence diligence so the position argument is tested early, while there is still time to answer it.

KEY MILESTONE

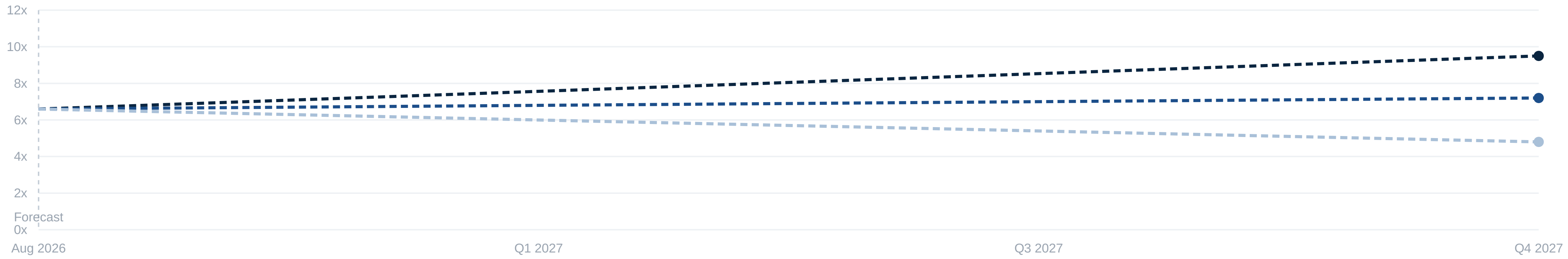
Signed at a position-based, not median-based, price

Source: Windsor Drake analysis of closing prices of 19 August 2026, company filings and company revenue guidance. See appendix.

Valuation Outlook: Windsor Drake Scenarios

WINDSOR DRAKE

Median EV/Revenue for the Windsor Drake cybersecurity comparable set. Scenario endpoints are the firm's own view; the current level is computed from market data.



Bull 9.5x

Key Drivers

- AI security budget converts faster than the three-year path.
- The listing window opens to cybersecurity, restoring a competing exit.
- The FOMC resumes cutting, lifting long-duration assets first.

POSITION HOLDERS RE-RATE FIRST; THE BELOW-LINE BAND COMPRESSES UPWARD FROM THE TOP.

Base 7.2x

Key Drivers

- Spending grows near 12.5% while total cyber budgets track 2.5%.
- Deal count holds at record levels and disclosed value stays low.
- Rates hold in the current range with no resumption of cuts.

THE LINE HOLDS AND WIDENS; THE MEDIAN DRIFTS UP ON MIX AS WEAK CONSTITUENTS ARE ACQUIRED OUT.

Bear 4.8x

Key Drivers

- The FOMC raises, validating the three July 2026 dissents.
- Platform incumbents absorb the AI security line entirely.
- Technology M&A sentiment stays at the 52 of 100 reading.

BELOW-LINE CONSTITUENTS CONVERGE TOWARD THE TAIL; CASH GENERATION IS THE ONLY DEFENCE LEFT.

Windsor Drake house view. Scenario endpoints are the firm's own estimates, calibrated to the cited institutional data.

Emerging Opportunities And Buyer Trends

WINDSOR DRAKE

Where the 2026 transaction record says demand is forming, and what that implies for a business considering its options.

The buyer set has widened, not narrowed

The 2026 record is notable for who is buying rather than for how much. Systems integrators, mid-size security vendors and even chipmakers appear as acquirers alongside the platform incumbents. A record count of transactions against sharply lower disclosed value means more processes with more bidders at smaller cheque sizes.

Capability pricing beats revenue pricing right now

Where a buyer is purchasing a position rather than a revenue stream, the multiple stops being the primary variable. Accenture paid a combined **$4.175B** for roughly **$208M** of combined recurring revenue growing at **53%**, which is about **20 times** recurring revenue on Windsor Drake's computation, far above any public constituent below the line.

231	1	~20x	$59B
DEALS, JAN TO JUL 2026	ABOVE $500M SINCE APRIL	ACCENTURE ON COMBINED ARR	OT SECURITY BY 2031

Operational technology and device security

The clearest formation of the quarter. Accenture assembled three OT and device assets simultaneously in June 2026, following ServiceNow's $7.75B purchase of Armis completed in April 2026. The market is sized at **$27B in 2026 growing to about $59B by 2031**, roughly 16% compound. Two buyers of that scale moving within five months is a formed thesis.

Non-human and agent identity

The most active capability area by deal count in 2026. Cisco acquired Astrix Security, SailPoint acquired Entro Security, Okta acquired Permiso Security and 1Password acquired Apono, all between April and July 2026. Every one of these is a capability purchase by a vendor that already owns the identity control point, which is absorption running in real time.

Securing AI systems themselves

McKinsey puts AI security at about **4% of cyber budgets today rising to 15% within three years**, which is where effectively all incremental spend now sits. Fortinet's August 2026 purchase of Virtue AI, covering model, application and agentic system security, is a platform incumbent buying the claim rather than building it. Expect the remaining incumbents to follow rather than to develop.

Data-security posture and classification

Cyera acquired Oasis Security at roughly **$1B** in July 2026, the second largest strategic cybersecurity transaction of the year, after acquiring Ryft and Genie Security earlier in 2026. A private company completing three acquisitions inside a year is itself constructing a termination position, and it is doing so with venture capital rather than with public equity.

Sources: company announcements; Gartner; Accenture; SEC filings; trade press deal tallies. See appendix.

Case Study: Accenture, Dragos, runZero And NetRise

WINDSOR DRAKE

June 2026. The largest cybersecurity transaction announced since the megadeal cycle closed, and a working demonstration of the absorption line.

The transaction

Accenture agreed to acquire a **majority stake in Dragos** and **100% of runZero and NetRise**, the latter two to be merged into Dragos on closing. Combined enterprise value was about **$4.175B**, with closing expected in August or September 2026.

- Combined recurring revenue of about **$208M** at June 2026, growing **53%** year on year.
- That implies roughly **20 times** recurring revenue on Windsor Drake's computation. Accenture disclosed no multiple.
- Financing terms were not disclosed by any party.

Why three assets at once

Each supplies a different layer of one position. Dragos brings industrial threat detection, runZero asset discovery, NetRise firmware and supply chain data. Separately, three point products. Together, they terminate the OT security picture.

- Accenture cites OT security at **$27B in 2026** rising to about **$59B by 2031**, roughly **16%** compound.
- Accenture's own cyber business reached **$10B of revenue** in fiscal 2025, from $700M in 2016.
- It follows ServiceNow's **$7.75B** purchase of Armis, completed April 2026, into the same thesis.

The read for a founder

The premium was for position

Roughly 20 times recurring revenue against a below-the-line public median of 6.3x. Growth of 53% does not account for that alone.

Assembly can create a position

No single asset terminated the OT picture. Know which layers complete yours, because that is what a buyer is assembling.

The buyer was not an incumbent

An integrator outbid the obvious strategic set. A buyer list built by size rather than appetite would have missed it.

Theses form faster than processes run

Two acquirers of scale moved into the same thesis in five months. A process takes twelve to eighteen.

Sources: Accenture newsroom, 18 June 2026; company announcements; Windsor Drake analysis. See appendix.

Appendix: Sources

WINDSOR DRAKE

Every third-party institution whose data appears in this deck, with the publication relied on and its date.

Institution	Report / Source	Date
Gartner	*Press release on worldwide information security end-user spending. 2026 total and segment split.*	29 Jul 2025
McKinsey & Company	*Securing the agentic enterprise. Cyber market size, total budget growth path and the AI share of budgets.*	24 Mar 2026
Boston Consulting Group	*Mid-2026 M&A Insights. First-half deal value, megadeal count, technology sector sentiment score.*	15 Jul 2026
Bain & Company	*Global Private Equity Report 2026. Buyout dry powder, unsold portfolio count and value, holding periods at exit.*	23 Feb 2026
PitchBook	*Dry Powder Dashboard (Jan); US software PE platforms (Jun); Q1 2026 Cybersecurity VC Trends (May).*	Jan to Jun 2026
S&P Global Market Intelligence	*Exit outlook for private equity's long-held software investments. Portfolio age distribution.*	5 Jun 2026
PwC	*US Capital Markets Watch. First-half 2026 IPO count, proceeds and pricing statistics.*	10 Jul 2026
Federal Reserve	*FOMC statement and vote (29 Jul 2026); Summary of Economic Projections (17 Jun 2026).*	Jun to Jul 2026
US Securities and Exchange Commission	*Forms 10-Q, 8-K and 6-K for the twelve constituents; registration statement review for 2026 listings.*	May to Aug 2026
SecurityWeek	*Annual and monthly cybersecurity M&A tallies. Used only for counts of announced transactions.*	2025 to 2026
Company announcements	*Accenture (18 Jun 2026); Google (11 Mar 2026); Palo Alto Networks (11 Feb 2026); ServiceNow; 2026 acquirer releases.*	2025 to 2026

Appendix: Methodology And Limitations

WINDSOR DRAKE

How every figure in this deck was produced, and what it does not support.

METHODOLOGY NOTES

How the multiples were computed

Windsor Drake computed every multiple in this deck from primary market data. **Enterprise value = market capitalisation + gross debt - (cash + short-term investments)**. Market capitalisation uses closing prices of **19 August 2026** and share counts from each company's most recent filing. Balance sheet inputs come from the most recently reported quarter. The denominator is each company's own **current-fiscal-year revenue guidance**, at the midpoint. No multiple in this deck is licensed from a data vendor or restated from a third party.

Screening and exclusions

Sixteen listed companies were screened and **twelve included**. Four were excluded because security is not the majority of reported revenue and the denominator would not be comparable: **Cloudflare** and **Akamai** (predominantly content delivery and edge infrastructure), **Gen Digital** (consumer security, and it guides on a non-GAAP revenue basis), and **Trend Micro** (reports in yen, which introduces a currency assumption the other eleven do not carry). **CrowdStrike's** share count is adjusted for its **four for one forward split of 2 July 2026**.

Fiscal-year basis, stated plainly

Constituents run different fiscal years, so the guidance denominator is not a common forward period. Palo Alto Networks and Zscaler guide a fiscal year ending 31 July 2026, now complete. CrowdStrike, Okta, SentinelOne and Netskope guide fiscal years ending in January 2027. The remaining six guide calendar 2026. Multiples are therefore comparable in method but not identical in period, and the gaps this deck relies on, between 4.1 and 28 times, are far wider than that basis difference can account for.

What the transaction index does and does not support

The Windsor Drake index held **505 records** when queried on 20 August 2026. **Two are classified cybersecurity**, both 2022 identity take-privates, and **neither discloses a revenue multiple**. Only **19 of 505** records carry an EV/Revenue figure at all. The index therefore **cannot** supply a cybersecurity benchmark and is used in this deck only for verified deal facts, buyer behaviour and two adjacent reference points, each named where it appears.

Which figures are the firm's own view

The **absorption line** classification, the **valuation bridge** on slide 17, the **scenario endpoints** on slide 20, the cohort medians and the implied recurring-revenue multiple on the Accenture transaction are all **Windsor Drake analysis**, labelled as such wherever they appear. They are the firm's synthesis of the cited institutional data, not third-party consensus. Regression figures are computed across the twelve constituents and are descriptive of this set, not predictive.

Rule of 40 and the regression figures

Rule of 40 is computed as **trailing-twelve-month revenue growth plus trailing-twelve-month free cash flow margin**, using each company's reported cash flow statements rather than an adjusted EBITDA proxy, so the score is comparable across constituents that report profitability differently. The r^2 figures quoted on slides 2, 4 and 8 are simple linear fits across the twelve constituents. They describe how much of the observed variance each variable accounts for **within this set**, and they are not offered as a predictive model.

Deal data and the 2026 transaction record

2025 and 2026 transaction counts are SecurityWeek tallies, used only for **counts of announced deals**. Deal values, buyers, targets and dates are verified individually against acquirer announcements or SEC filings. Any transaction multiple shown is computed from disclosed figures.

Known gaps and unresolved items

2026 cybersecurity M&A disclosed value could not be sourced to a top-tier institution and is not stated; counts are used instead. **Check Point's** guidance comes from earnings-call transcripts, as it prints none in its filed release. Reported private cyber IPO filings could not be verified and are excluded. Blank is preferred to estimated.