

Cybersecurity Valuations: Q3 2026

Cybersecurity does not trade at a multiple. It trades on which side of one boundary a company sits. Windsor Drake's twelve company listed comparable set, computed from closing prices of **19 August 2026** and each company's own revenue guidance, carries a median of **6.6x enterprise value to revenue**, an interquartile range of **5.3x to 9.7x** and a full range of **1.2x to 33.9x**. Three constituents clear a 25.5x median, the other nine clear 6.3x, and nothing trades between 8.4x and 13.4x.

What separates the two groups is not the product category and not the income statement. It is what happens to a vendor's budget line when its customer consolidates. Windsor Drake calls this **The Absorption Line**: above it, consolidation routes more spend to the vendor, because that vendor is where other tools' findings terminate; below it, consolidation removes a line item. CrowdStrike and Zscaler grow at 23.2% and 24.6% on cash margins of 29.6% and 30.4%, Zscaler holds the higher Rule of 40 score, and CrowdStrike trades at a **304% premium**.

The mechanism shows up in the budget data. Information security spending reaches **\$239.8 billion in 2026**, up 12.5% (Gartner, 29 July 2025), while total cyber budgets grow at roughly **2.5% a year** and artificial intelligence security climbs from about **4% to 15%** of them within three years (McKinsey & Company, 24 March 2026). On that path the non-AI pool contracts by roughly 1.6% a year. Meanwhile 231 cybersecurity transactions were announced between January and July 2026 against one deal above \$500 million since April.

This report sets out what the twelve constituents trade at and why, who is buying and on what terms, what a closed listing window and the current rate path do to pricing, and what a founder should do with the time a process takes.

What are cybersecurity companies trading at in 2026?

Enterprise value equals market capitalisation plus gross debt less cash and short-term investments, at closing prices of 19 August 2026, over each company's own current-fiscal-year revenue guidance at the midpoint.

Table 1. The Q3 2026 Cybersecurity Comparable Set

Company	Ticker	EV / Revenue	Line
CrowdStrike	CRWD	33.9x	Above
Palo Alto Networks	PANW	25.5x	Above
Fortinet	FTNT	13.4x	Above
Zscaler	ZS	8.4x	Below
Qualys	QLYS	8.2x	Below
Okta	OKTA	7.0x	Below
Netskope	NTSK	6.3x	Below
Varonis	VRNS	6.3x	Below
SentinelOne	S	5.5x	Below
Check Point	CHKP	4.7x	Below
Tenable	TENB	3.7x	Below
Rapid7	RPD	1.2x	Below

Source: Windsor Drake computation from closing prices of 19 August 2026, filings and revenue guidance. Median 6.6x, mean 10.3x, interquartile range 5.3x to 9.7x.

Read the shape before the level. The mean of **10.3x** sits above the median because two constituents carry it, the spread from cheapest to dearest is **28 times**, and only three of the twelve trade within a turn of the median. The sub-segment label does not rescue it: network security holds Fortinet at 13.4x and Check Point at 4.7x, endpoint holds CrowdStrike at 33.9x and SentinelOne at 5.5x. Each pair sells to the same buyer against the same budget line, priced three to seven times apart.

What is driving the premium?

Grouping the same constituents by consolidation position produces bands that separate cleanly where the product categories overlap. Above the line sits a **25.5x** median and below it **6.3x**, a gap of **4.0 times**. The financial gaps between the cohorts are 1.6 times on Rule of 40 and 1.7 times on growth.

Table 2. Valuation Bands by Consolidation Position, Q3 2026

Band	EV / Revenue range
Consolidation destinations	13.4x to 33.9x
Category leaders, sub-scale	6.3x to 8.4x
Mature cash generators	4.7x to 8.2x
Contested point positions	3.7x to 6.3x
Declining revenue base	1.2x to 3.7x

Source: Windsor Drake classification of the twelve constituents, 19 August 2026.

The bands are not evenly spaced, and that asymmetry is the finding. The step from category leader to consolidation destination is worth roughly **five turns of revenue**, while the three bands below span barely three turns in total. The mechanism is budget rather than sentiment: with total budgets growing at roughly 2.5% a year while the artificial intelligence share rises from about 4% to 15%, the non-AI pool contracts by roughly **1.6% a year** on Windsor Drake's computation from McKinsey's path. Gartner puts security software at \$121.2 billion and services at \$92.8 billion in 2026. A vendor with no claim on the AI line competes for a pool shrinking in absolute terms while the headline number rises.

Does a strong Rule of 40 score raise a cybersecurity valuation?

It raises the floor and does not set the price. Rule of 40 accounts for about a third of the variance in multiple, an r squared of **0.34**, and revenue growth for **0.19**. Six constituents score above 50 and their multiples span 8.2x to 33.9x.

Table 3. Rule of 40 Against Multiple, Selected Constituents, Q3 2026

Company	Growth	FCF margin	Rule of 40	EV / Revenue
Fortinet	18.8%	41.4%	60.2	13.4x
Zscaler	24.6%	30.4%	55.0	8.4x
Qualys	10.4%	44.7%	55.1	8.2x
CrowdStrike	23.2%	29.6%	52.8	33.9x
Check Point	4.6%	39.9%	44.5	4.7x
Netskope	30.9%	-7.9%	23.0	6.3x
Rapid7	0.1%	16.9%	17.0	1.2x

Source: Windsor Drake computation from filings and closing prices of 19 August 2026. Rule of 40 is trailing-twelve-month growth plus free cash flow margin.

Sorted by score, the table inverts. Fortinet holds the highest Rule of 40 at **60.2** and trades at less than half CrowdStrike's multiple. Netskope grows fastest at 30.9% and trades below Qualys, which grows at 10.4%. The cleanest test is the CrowdStrike and Zscaler pair: growth within 1.4 points, cash margin within 0.8, the score favouring Zscaler, and CrowdStrike trading 304% higher. Operating excellence and position must be argued separately, because conflating them loses the argument on both.

Which companies sit above the line, and what do they share?

Consolidation destinations

CrowdStrike, Palo Alto Networks and Fortinet share no product category and no financial profile. What they share is that their product is where other tools' output terminates: the endpoint agent and the network edge ingest telemetry from dozens of adjacent products, so the destination captures consolidation rather than losing to it. All three guide more than **\$5.9 billion** of revenue, while below the line only Okta and Zscaler exceed \$3 billion. Palo Alto Networks completed CyberArk at roughly \$25 billion in February 2026, and a company that can absorb a \$25 billion asset is not itself a candidate for absorption.

Below the line

Zscaler, Okta, Qualys, Netskope and Varonis lead their categories and trade between **6.3x and 8.4x**, because secure access, identity and posture management are capabilities the platform vendors are assembling rather than conceding. Winning a category does not help if it becomes a module. Below them, Check Point, Tenable and Rapid7 trade between **1.2x and 4.7x** even though two are highly cash generative: Check Point converts 39.9% of revenue to free cash flow and grows at 4.6%, and cash flow without a growth path prices as a run-off asset.

Who is buying cybersecurity companies now?

The three transactions that reset the sector's ceiling have all completed and nothing of that scale has replaced them. What replaced them is volume: record deal count against sharply lower disclosed value, the signature of a market buying capability rather than merging platforms.

Table 4. Named Cybersecurity Transactions, 2026

Acquirer	Target	Value	Status
Google	Wiz	\$32B	Completed 11 March 2026
Palo Alto Networks	CyberArk	About \$25B	Completed 11 February 2026
ServiceNow	Armis	\$7.75B	Completed 20 April 2026
Accenture	Dragos (majority), runZero, NetRise	\$4.175B combined	Announced 18 June 2026
Cyera	Oasis Security	About \$1B	Announced July 2026
Fortinet	Virtue AI	Not disclosed	Announced August 2026
Okta	Permiso Security	Not disclosed	Announced July 2026

Source: Acquirer announcements and SEC filings, verified individually.

Accenture's June 2026 assembly is the template for the quarter: a majority stake in Dragos plus all of runZero and NetRise at a combined enterprise value of about **\$4.175 billion** against roughly **\$208 million** of combined annual recurring revenue growing 53%, which is about **20 times recurring revenue** on Windsor Drake's computation. Each asset supplies a layer of one position: Dragos industrial threat detection, runZero asset discovery, NetRise firmware and supply chain data. Separately three point products; together they terminate the operational technology picture, a market Accenture cites at \$27 billion in 2026 rising to about \$59 billion by 2031. The buyer was a systems integrator, so a list built by size would have missed it.

The most active capability area by deal count in 2026 is non-human and agent identity. Cisco acquired Astrix Security, SailPoint acquired Entro Security, Okta acquired Permiso Security and 1Password acquired Apono between April and July 2026, each a purchase by a vendor that already owns the identity control point. That is absorption in real time.

Sponsor behaviour has changed alongside it. 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, with add-ons taking roughly 45%. Abundant capital with low deployment means selectivity rather than a shortage of bidders. What a sponsor underwrites here is durable maintenance revenue, regulated demand and a structure that supports leverage, which describes a cash-generative business below the line better than a consolidation destination.

Can a cybersecurity company still go public in 2026?

Not on the current record. **65 traditional US initial public offerings raised about \$114.2 billion** in the first half of 2026 against 34 raising \$14.8 billion a year earlier (PwC, 10 July 2026), and a review of registration statements through 20 August finds no cybersecurity issuer of scale in that cohort. The last cybersecurity pricing was Netskope in September 2025 at \$19 a share and a \$7.3 billion valuation, and Netskope now trades at 6.3x.

Private financing narrowed at the same time: cyber venture deal value held near \$5 billion in the first quarter of 2026 while deal count fell to its lowest quarterly level since 2018 (PitchBook, May 2026). Cost of capital is the clearest change since the second quarter. The Federal Open Market Committee held the funds range at **3.50% to 3.75% on 29 July 2026** on a nine to three vote in which all three dissenters preferred an increase, and the June projections put the median dot at 3.8%, above the range midpoint, so a market discounting a possible rise compresses long duration growers first. Sponsor capital sits on the other side, with about **\$1.3 trillion** of buyout dry powder against roughly 32,000 unsold portfolio companies worth \$3.8 trillion (Bain & Company, February 2026), while technology scored 52 out of 100 on sector M&A sentiment against an index of 84 (BCG, 15 July 2026).

Where do cybersecurity multiples go from here?

The forecast below is of the median multiple for the same twelve constituents. The current level is computed from market data; the endpoints are the firm's own view.

Table 5. Median EV/Revenue Outlook to Q4 2027

Scenario	Median EV/Revenue	Principal conditions
Bull	9.5x	AI budget converts faster than the three-year path; the listing window opens; the FOMC cuts
Base	7.2x	Spending grows near 12.5% on budgets tracking 2.5%; record deal count; rates hold
Bear	4.8x	The FOMC raises; incumbents absorb the AI security line; technology sentiment stays at 52

Source: Windsor Drake house view; computed August 2026 median 6.6x.

The three paths differ in what happens to the boundary rather than to the average. In the base case the line holds and widens, and the median drifts up on mix as weak constituents are acquired out. In the bull case position holders re-rate first. In the bear case the below-line constituents converge toward the tail. In none of them does the sector settle on a single multiple.

What should founders do now?

A cybersecurity sale process runs twelve to eighteen months from preparation to close, while the conditions currently supporting the bid, abundant sponsor capital and an unusually motivated set of strategic consolidators, are observable today rather than forecastable beyond that horizon. Two acquirers of scale moved into the operational technology thesis inside five months. Theses form faster than processes run.

The first four months belong to evidence: establish which side of the line the business sits on from renewal behaviour inside customers already running consolidation programmes, measure net revenue retention separately for accounts that have standardised on a platform, and quantify what a buyer would spend to reproduce the corpus the product has built. The middle months belong to construction: name the adjacent products whose output lands in yours, establish the artificial intelligence security claim in product and in revenue, and resolve balance sheet items that narrow the buyer universe. Map buyers by appetite rather than size, expect an opening anchored near the below-the-line median of **6.3x**, and have the position evidence ready to move it.

Key takeaways for founders

1. Establish your side of the line before modelling any multiple

Whether a consolidating customer adds budget to your line or removes it separates a 25.5x median from a 6.3x median. The test: if you were removed tomorrow, would other vendors break, or simply lose a feed.

2. Growth alone is the weakest signal in the sector

Revenue growth accounts for 0.19 of multiple variance, and the fastest grower trades below a constituent growing at a third of its rate. Growth funded by discounting into a consolidating account base does not read as growth.

3. Treat the Rule of 40 as a qualifying threshold, not a price

Clearing 40 gets a company taken seriously; it does not price it. Six constituents score above 50 and their multiples span 8.2x to 33.9x. Present the score as durability, then argue position.

4. Almost all budget growth is AI security budget growth

Total cyber budgets grow at roughly 2.5% a year while the AI share climbs from about 4% to 15%, so a product with no claim on that line competes for a pool contracting by 1.6% a year.

5. Public comparables set the private bid

With no cybersecurity listing priced in 2026, a private round or a sale is argued against the same twelve public constituents. Under 4% of transactions carry a disclosed revenue multiple, so the comparable set a seller constructs frames the negotiation.

6. Sequence preparation against the position argument

A process takes twelve to eighteen months and position is the long pole. A company that fixes its Rule of 40 score first spends the window on a step worth about 2.4 turns of revenue instead of one worth 8.4.

Sources

- [Gartner, information security spending forecast, 29 July 2025](#)
- [McKinsey & Company, Securing the agentic enterprise, 24 March 2026](#)
- [Boston Consulting Group, Mid-2026 M&A Insights, 15 July 2026](#)
- [Bain & Company, Global Private Equity Report 2026, 23 February 2026](#)
- [PitchBook, Dry Powder Dashboard and Cybersecurity VC Trends](#)
- [S&P Global Market Intelligence, software exit outlook, 5 June 2026](#)
- [PwC, US Capital Markets Watch, 10 July 2026](#)
- [Federal Reserve, FOMC statement, 29 July 2026](#)
- [Federal Reserve, Summary of Economic Projections, 17 June 2026](#)
- [US Securities and Exchange Commission, filings and registrations](#)
- [Accenture, critical infrastructure defense, 18 June 2026](#)
- [Google, Wiz acquisition completed, 11 March 2026](#)
- [Palo Alto Networks, CyberArk completed, 11 February 2026](#)
- [ServiceNow, Armis completed, 20 April 2026](#)
- [SecurityWeek, cybersecurity M&A tallies, 2025 to 2026](#)

Methodology Note

Framework. The Absorption Line is Windsor Drake's framework for cybersecurity valuation: the market prices whether a consolidating customer adds a vendor's budget line or removes it. The classification, the cohort medians and the scenario endpoints are the firm's analysis, its synthesis of the cited data rather than third-party consensus.

Source standard. Every third-party figure carries a named institution and a date: Gartner, McKinsey & Company, Boston Consulting Group, Bain & Company, PitchBook, S&P Global Market Intelligence, PwC, the Federal Reserve, the US Securities and Exchange Commission, Accenture and SecurityWeek. Transaction counts are trade press tallies used only for counts of announced deals; every value, buyer, target and date in Table 4 is verified against an acquirer announcement or an SEC filing.

How the figures were computed. Enterprise value equals market capitalisation plus gross debt less cash and short-term investments, using closing prices of 19 August 2026, share counts from each company's most recent filing and balance sheet inputs from the last reported quarter. Sixteen listed companies were screened and twelve included; four were excluded because security is not the majority of reported revenue: Cloudflare and Akamai (content delivery), Gen Digital (consumer security, non-GAAP basis) and Trend Micro (reports in yen). CrowdStrike's share count is adjusted for its four for one forward split of 2 July 2026. Constituents run

different fiscal years, so the denominator is comparable in method rather than identical in period, and the gaps relied on here are far wider than that difference. Rule of 40 is trailing-twelve-month growth plus free cash flow margin from reported cash flow statements.

Derived estimates. Four figures are arithmetic on the stated inputs. Fortinet's growth rate of 18.8% is the residual of its Rule of 40 score and cash margin, and the scores for Qualys, Check Point, Netskope and Rapid7 are the sum of the growth and cash margin figures in the same row. The implied 20 times recurring revenue on the Accenture transaction is computed from the disclosed \$4.175 billion enterprise value and about \$208 million of recurring revenue, no multiple having been disclosed. The 1.6% annual contraction of the non-AI budget pool is computed from McKinsey's published growth rate and AI share path.

Synthesis and attribution. Every valuation multiple here is computed from listed-company market data as set out above. Windsor Drake's transaction index, queried on 20 August 2026, contributes verified deal facts, acquirer behaviour and two adjacent reference points: Mastercard's acquisition of Recorded Future in September 2024 at 8.8x EV/Revenue and Nasdaq's acquisition of Verafin in November 2020 at 19.6x, security-adjacent data assets framing the ceiling for a proprietary-data position. Under 4% of transactions in this market carry a public multiple, which is why the benchmark that frames a negotiation is the comparable set a seller constructs.