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# Identity & Access Management Valuations: Q2 2026

MAY 2026

Windsor Drake · Market Intelligence

## Identity Becomes a Platform Pillar

Identity has shifted from a control plane to the **structural pillar** of every modern security architecture, and pricing has followed.

- Identity is now Gartner's second-highest-valued cybersecurity niche after cloud security.
- Public IAM leaders cluster in a **5x to 14x NTM revenue** band, well above broader software.
- Strategic acquirers price identity assets as platform anchors, not point tools.
- Quarter-to-quarter multiple volatility has compressed sharply versus 2022 to 2024.

## Demand Fundamentals

Identity spending growth is well ahead of broader IT and cyber budgets.

- Global IAM end-user spend reaches **\$24.3B in 2026**, up **~15% YoY** (Gartner).
- **41%** of enterprises now run zero-trust frameworks, anchoring durable IAM demand (McKinsey).
- PAM is the fastest-growing IAM subsegment at roughly **22% CAGR** through 2031 (Mordor).
- Non-human identity now outnumbers human identity by **40 to 1** in modern stacks.

## The Subsegment Divergence

Headline IAM averages mask a deep split across the four core subsegments.

- **Privileged access (PAM)** clears **14x to 18x NTM revenue** on platform demand.
- **Identity governance (IGA)** trades **9x to 14x** as enterprises consolidate stacks.
- **Workforce IAM** sits at a **4x to 8x** anchor with NRR re-acceleration the swing factor.
- **Machine and AI agent identity** prints **15x to 30x** in private rounds, the new ceiling.

## Macroeconomic Backdrop

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

- Fed funds range holds at **3.50% to 3.75%** after the March 2026 FOMC (Federal Reserve).
- The December 2025 dot plot signals one further 2026 cut, easing the cost of capital.
- Lower discount rates disproportionately lift long-duration, high-growth IAM valuations.
- Regulatory mandates around AI and identity broaden a structurally defensive demand base.

## Mega-Deal Recalibration

Identity defined the past four quarters of cybersecurity M&A and set the Q2 2026 backdrop.

- **Palo Alto Networks / CyberArk** (\$25B) closed in **February 2026**, the largest pure-IAM deal on record.
- Cash-and-stock structure: \$45 cash plus 2.2005 PANW shares per CyberArk share, a 26% premium.
- Combination extends identity protection to human, machine and autonomous AI agents.
- Repriced every comparable identity asset upward from announcement through close.

## AI Identity Premium

AI agent identity has become the highest-growth category inside IAM.

- Private **NHI security platforms** clear **15x to 30x** revenue on AI agent demand.
- Capability M&A in NHI, agent governance and credential security is accelerating.
- **Astrix, Oasis, Aembit, Entro** anchor a category venture capital is actively building.
- Defensive AI for identity reads as core infrastructure, not an experiment.

## Strategic Buyers Dominate

Strategic platform buyers drove almost all IAM mega-deal value in 2025 to 2026.

- **\$47B** of cyber deal value transacted in Q1 2026 alone, identity a leading category.
- Cisco in talks to acquire NHI startup **Astrix Security** for **\$250M to \$350M** (Q2 2026).
- Hyperscalers and platform incumbents now define the upper bound of IAM pricing.
- Median disclosed identity deal size cleared roughly \$200M in Q1 2026.

## IPO Window & Private Capital

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

- **SailPoint** relisted in **February 2025** at **\$12.8B**, raising \$1.38B (Thoma Bravo IPO).
- **Saviynt** closed **\$700M** in April 2026 at a **~\$3B** valuation (Crunchbase News).
- Global PE dry powder of about **\$1.7T** keeps pressure on platform asset prices (Preqin).
- Cyber VC funding reached **\$18B in 2025**, identity a top-three category (CB Insights).

## 1. Rule of 40 Achievement

Revenue Growth % plus EBITDA Margin % at or above 40% is the non-negotiable baseline for a premium identity 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).
- Track IAM-specific score monthly with board-level visibility on NRR durability.

## 2. Net Revenue Retention

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

- Top-tier IAM platforms sustain **NRR above 110% to 120%**.
- Document the multi-product attach motion that drives that retention.

## 3. AI & Non-Human Identity

AI is no longer optional; agent and machine identity is now a primary driver of deal size, buyer interest and multiple expansion.

- AI-native NHI platforms command roughly **15x to 30x** revenue in private rounds.
- Show measurable secret-rotation and credential-leak prevention, not pilots.

## 4. Subsegment Coherence

Point-tool IAM is being absorbed; platforms that span workforce, customer, governance and machine identity command the highest multiples.

- Identity platform leaders clear **12x to 18x NTM revenue**; point tools sit far lower.
- Codify how the asset slots into a CISO identity-consolidation roadmap.

## 5. Public Market Discipline

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

- Public IAM cohort median sits near **6x NTM revenue** (PitchBook).
- Justify any private premium with growth, retention and AI-native architecture.

## 6. Buyer-Readiness Discipline

With about **\$1.7T** of dry powder and strategic platforms driving the largest cyber deals, the prepared identity 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 identity founders ask most, answered against the Q2 2026 market.

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## Q1 Which valuation metric applies to my business?

Use **EV/Revenue** for high-growth IGA, PAM and NHI platforms, **EV/EBITDA** for mature workforce-identity operators, and a recurring-revenue lens (NRR, NDR, ARR growth) for any SaaS-delivered identity asset. Always reference the correct subsegment cohort, never the broad IAM 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** (Bain). For identity specifically, SailPoint's relisting at **\$12.8B** on roughly **30% ARR growth** showed buyers will pay up for rule-of-40 performance even on a re-IPO.

## 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. With Palo Alto, Cisco and the hyperscalers all building identity platforms, negotiating from a position of strength, rather than necessity, is what captures the scarcity premium.

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

It has reopened but remains selective. **SailPoint's** February 2025 IPO at \$12.8B reset expectations for IGA; **Saviynt's** \$700M April 2026 raise at ~\$3B signals further public-market intent. The window favours scaled, profitable identity assets above roughly **\$200M ARR** with a credible AI-native narrative.

## Q2 What are the key IAM subsegment ranges right now?

**NHI and AI agent identity** lead at **15x to 30x NTM revenue** in private rounds; **PAM** at **14x to 18x**; **IGA** at **9x to 14x**; **CIAM** at **7x to 12x**; **workforce IAM** at **4x to 8x**; **legacy directory** at **3x to 5x**. The gap reflects architecture and growth, not category labels.

## Q4 How do public and private valuations compare?

Public IAM multiples have re-anchored near **6x NTM revenue**. Premium private rounds in NHI, AI agent identity and CIAM still print **10x to 30x**, but generic late-stage identity deals now reference public marks. Public comparables increasingly cap late-stage private round pricing for non-AI-native identity assets.

## Q6 Who are the most active buyers today?

**Platform incumbents** (Palo Alto Networks, Cisco, CrowdStrike, Microsoft) drove the largest identity deals of 2025 to 2026. **Hyperscalers** acquire identity primitives to anchor cloud platform theses. **PE platforms** with ~\$1.7T of dry powder execute workforce-IAM and verticalised CIAM roll-ups; sponsor-owned IGA platforms anchor the cycle.

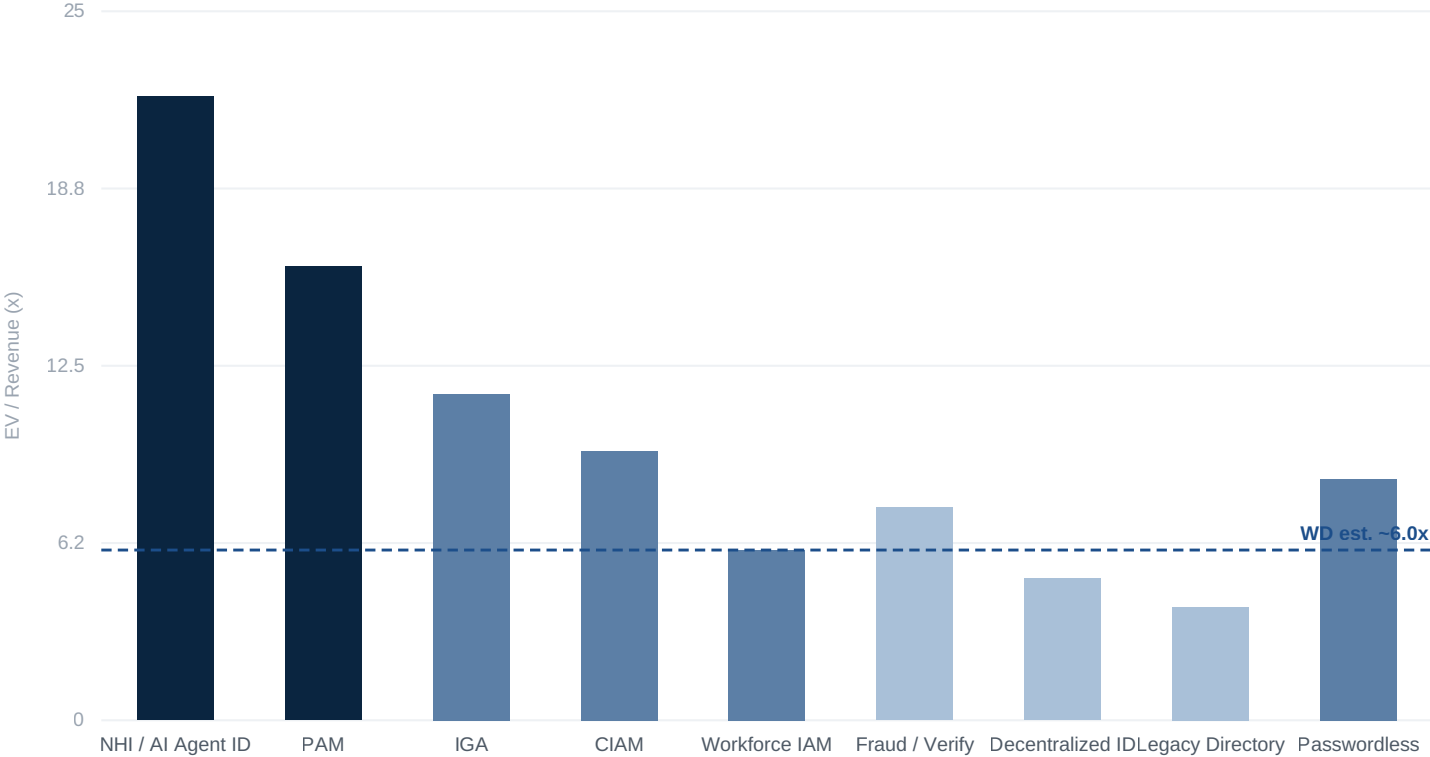
## Q8 How do we maximise our multiple, and expect earn-outs?

Clear the **Rule of 40**, sustain **NRR >115%**, hold premier certifications (SOC 2, FedRAMP High, ISO 27001) and codify AI agent and machine identity 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 Identity Valuation Landscape

Premium multiples cluster in machine and privileged identity; legacy workforce directories stay compressed.

Median EV / Revenue Multiple by IAM Subsegment (x)



**PUBLIC IAM MEDIAN**

**~6.0x**

Public IAM cohort median EV/Revenue, roughly in line with the broader cyber median (PitchBook).

**NHI PRIVATE PREMIUM**

**~15x to 30x**

Private non-human identity rounds command the cycle's highest revenue multiples.

**IAM SPEND GROWTH, 2026**

**+15.1%**

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

**Key Driver**

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

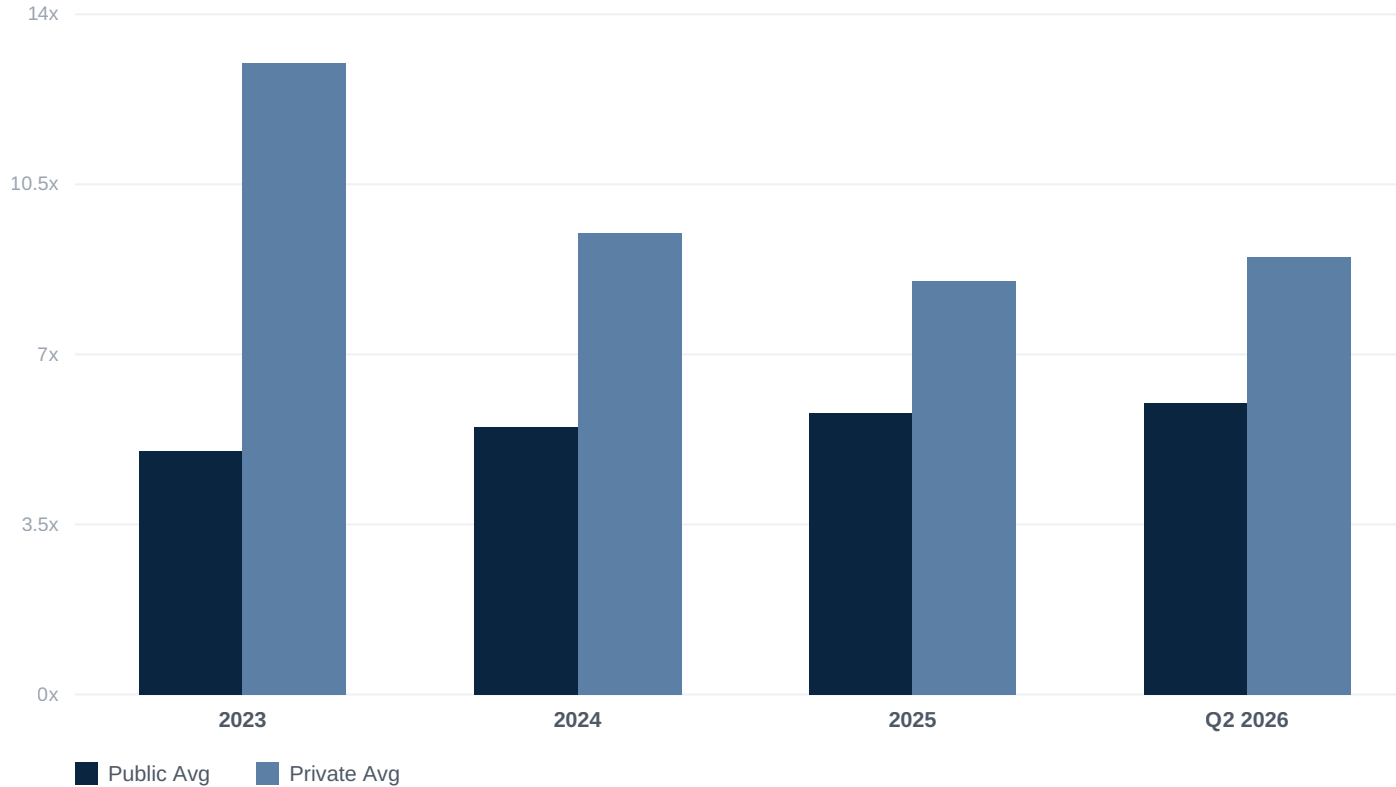
**Identity bifurcation:** the gap between AI agent and privileged identity platforms (14x to 30x) and legacy directory and on-prem workforce stacks (3x to 5x) is the defining feature of the market, driven by architecture quality and growth durability.

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

# Public vs Private IAM Market Convergence

The private IAM premium compressed sharply through 2023 to 2025 and recovered selectively for NHI and AI-native identity assets.

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



## PUBLIC / PRIVATE SPREAD

**~3.0x**

Down from about 8x in 2023, with most of the gap closed by 2025 (PitchBook; CB Insights).

## NHI PRIVATE TAIL

**15x to 30x**

AI agent and non-human identity rounds clear public marks decisively.

## PUBLIC BENCHMARK ANCHOR

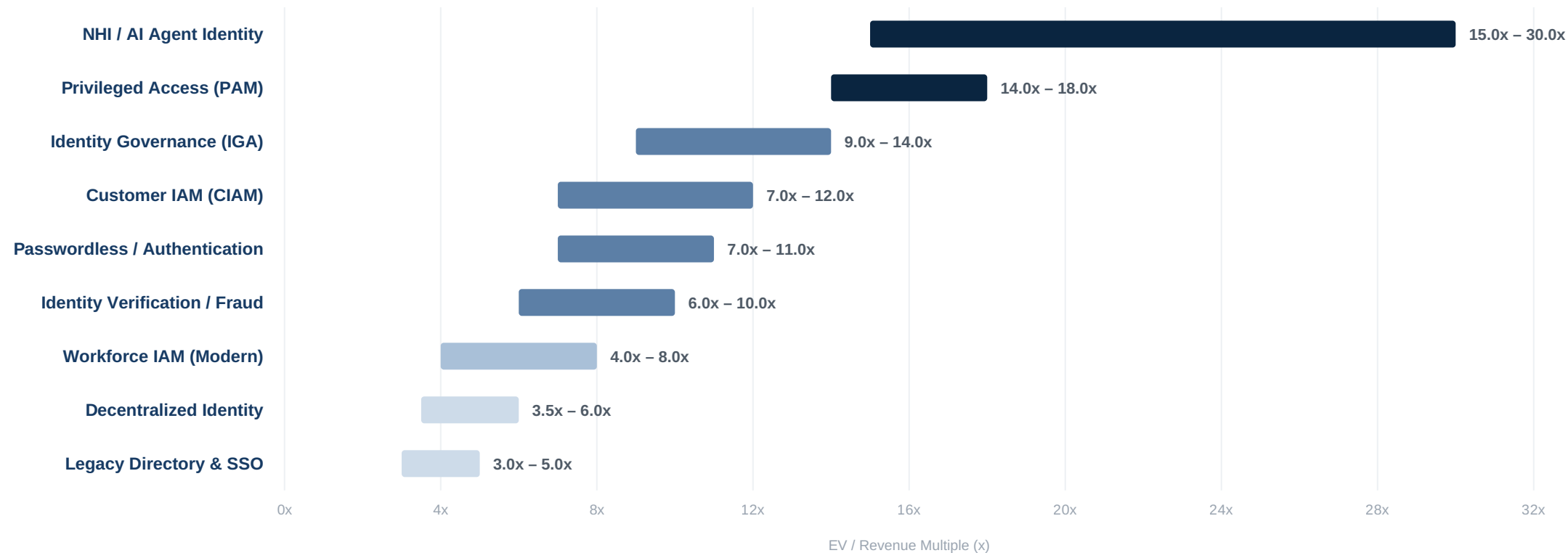
**~6.0x**

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

**Selective convergence:** the public-to-private spread narrowed from about 8x in 2023 to about 3x in 2026, but NHI and AI agent identity private deals still print far above the mean, repricing the very top of the private cohort.

# Exit Valuation Multiples by IAM Subsegment

A sharp bifurcation persists between AI-native identity and machine-identity platforms (14x to 30x) and legacy workforce stacks (3x to 8x).

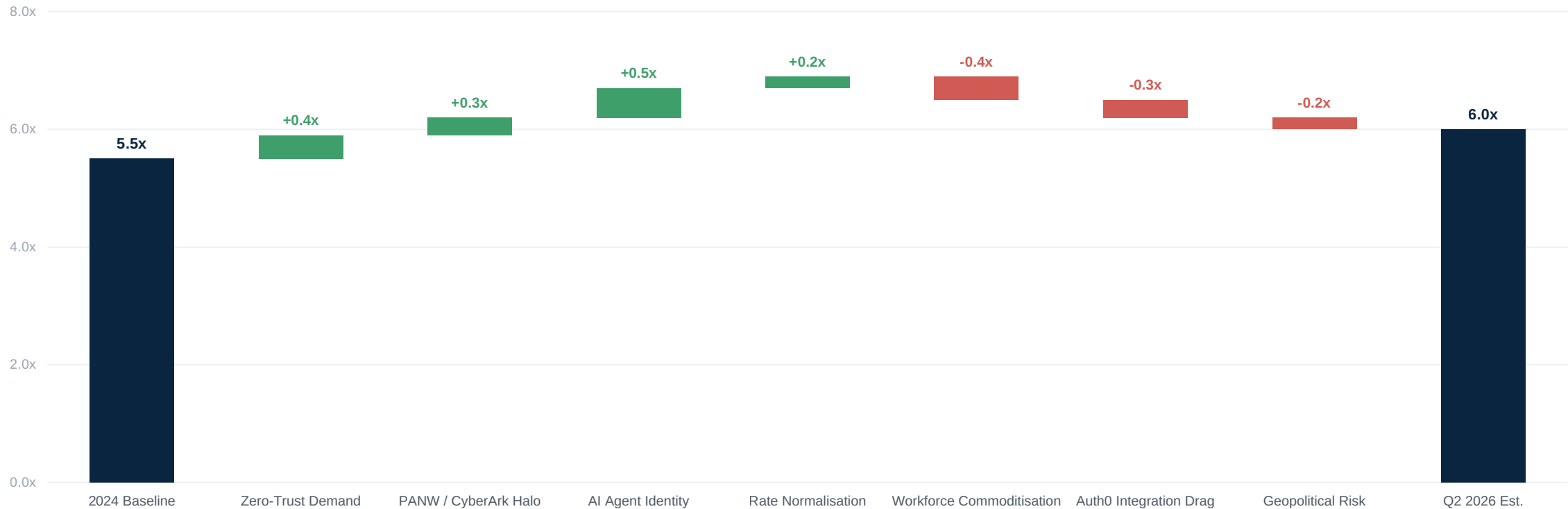


## KEY OBSERVATION

The market is paying for AI-native architecture and identity platform breadth, not for category labels. The 10x revenue-multiple gap between NHI platforms and legacy workforce IAM reflects the structural shift from human-only identity to a unified human, machine and AI agent control plane.

# Valuation Multiple Drivers: Expansion vs. Compression

Net expansion to roughly 6.0x is driven by zero-trust adoption, AI agent identity and consolidation, partly offset by workforce commoditisation and rate drag.



## NET EXPANSION OF +0.5X

Zero-trust mandates, the PANW / CyberArk halo and AI agent identity demand outweigh a combined 0.9x drag from workforce commoditisation, the prolonged Okta / Auth0 integration cycle 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 2025 listing class reopened the identity window selectively; scale and AI agent posture now gate access.

## SailPoint (Nasdaq)

Relisted **February 2025** at \$23 per share for a **\$12.8B** valuation (Bloomberg; SEC filings).

- Raised **\$1.38B** in an upsized IPO led by Morgan Stanley and Goldman Sachs.
- Thoma Bravo retained an 88.5% stake post-IPO after the 2022 take-private at \$6.9B.
- ARR reached **\$925M** in Q1 FY26, up **30%** YoY (SailPoint earnings).
- First post-2022 IAM listing, reopening the public window for identity assets.

## Saviynt (Private)

Closed **\$700M** in **April 2026** at roughly **\$3B** valuation (Crunchbase News).

- AI Catalyst Fund led the round; positions Saviynt for potential 2026 to 2027 listing.
- Converged platform unites IGA, PAM and application access governance.
- Funding signals the shift toward agent and AI-driven identity governance.
- Pre-IPO positioning rather than a near-term offering window commitment.

## Okta (NYSE, Trading)

Public reference point: market cap **~\$13B** on Q1 FY27 revenue growth of **+11%** YoY.

- **cRPO** rose 12% and **RPO** 16%, with **NRR** inflecting back to roughly **107%**.
- FY27 revenue guidance of \$3.185B to \$3.205B, 9% to 10% growth.
- Trades near **3.7x revenue**, reflecting workforce IAM commoditisation pressure.
- Authorised a **\$1B** strategic buyback in 2026 to anchor capital allocation.

## Semperis & Silverfort (Unicorns)

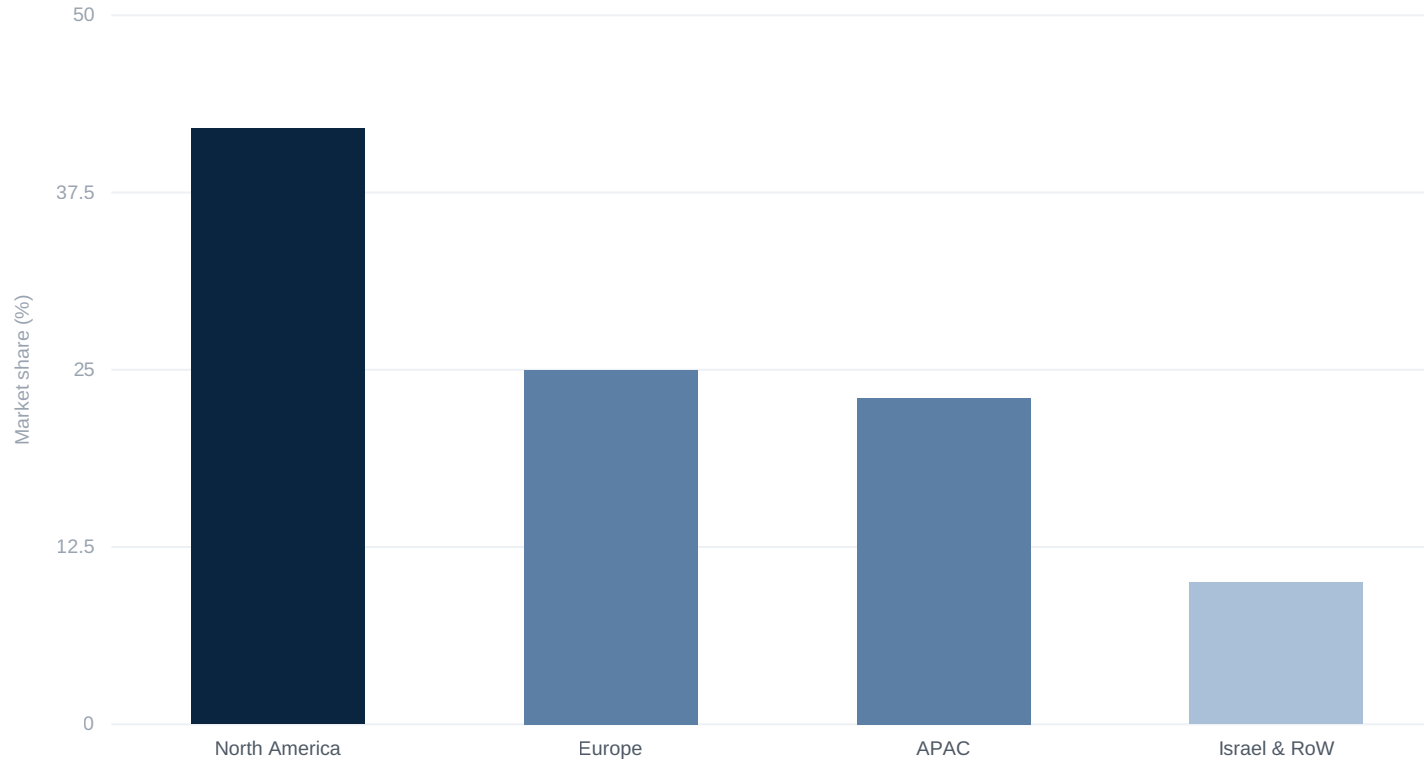
Private identity unicorns set fresh marks via secondary and growth rounds.

- **Semperis** has raised close to **\$500M** to date, including a **\$125M** 2024 round.
- **Silverfort** pricing implies a unified IAM platform thesis around legacy identity.
- Both target the post-CyberArk, post-Wiz strategic window for identity scale.
- Tender, secondary and strategic offers compete with the IPO route.

# Geographic IAM Valuation Variations

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

Share of Global IAM Market by Region (%)



## NORTH AMERICA

### Premium

About 42% of the global IAM market; deepest exit liquidity and hyperscaler-driven pricing (Gartner).

## EUROPE

### Discount

About 25% share; regulatory moats from NIS2, eIDAS 2 and DORA, offset by fragmentation.

## ISRAEL & APAC

### Growth

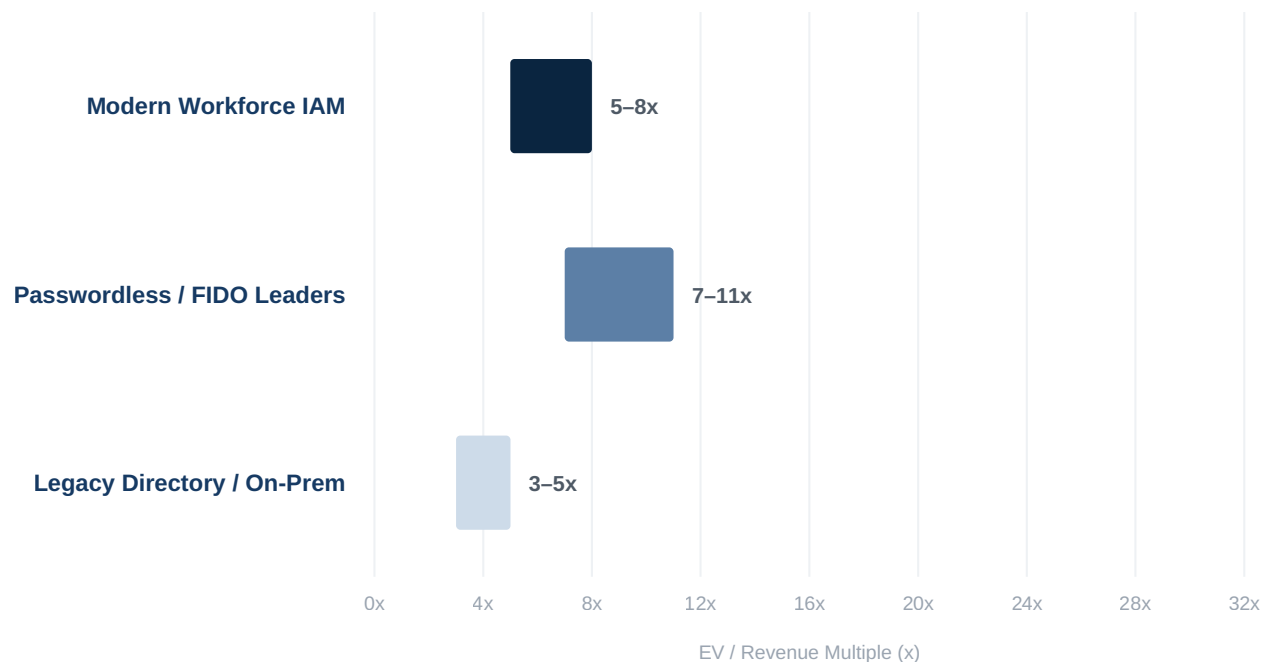
Israel and APAC together drive about 33% of share; Israel is the dominant identity venture pipeline.

**Valuation gap:** North America continues to command an IAM premium, anchored by hyperscaler and platform-incumbent demand. Israel remains the dominant identity innovation hub on technical talent density (Silverfort, CyberArk, Astrix). Europe trades at a regulatory-moat discount that US acquirers are increasingly arbitraging.

# Workforce Identity & Access: The Anchor Cohort

Workforce IAM is the foundational IAM layer, but commoditisation pressure has compressed multiples toward enterprise software medians.

EV / Revenue Multiple Range (x)



## Valuation Drivers

### Commoditisation Pressure

Microsoft Entra's bundling into E3 and E5 has compressed standalone workforce IAM pricing power. **Okta's** 3.7x revenue multiple in Q2 2026 reflects that commoditisation risk even at scale.

### Passwordless Re-rating

Adoption of FIDO2, passkeys and biometrics is re-rating workforce IAM toward modern leaders, with over **70%** of enterprises targeting full passwordless adoption per NIST guidance.

### Buyer Priorities

Platform incumbents acquire workforce IAM as table-stakes to anchor broader identity platforms; standalone workforce IAM is rarely valued at standalone software premiums.

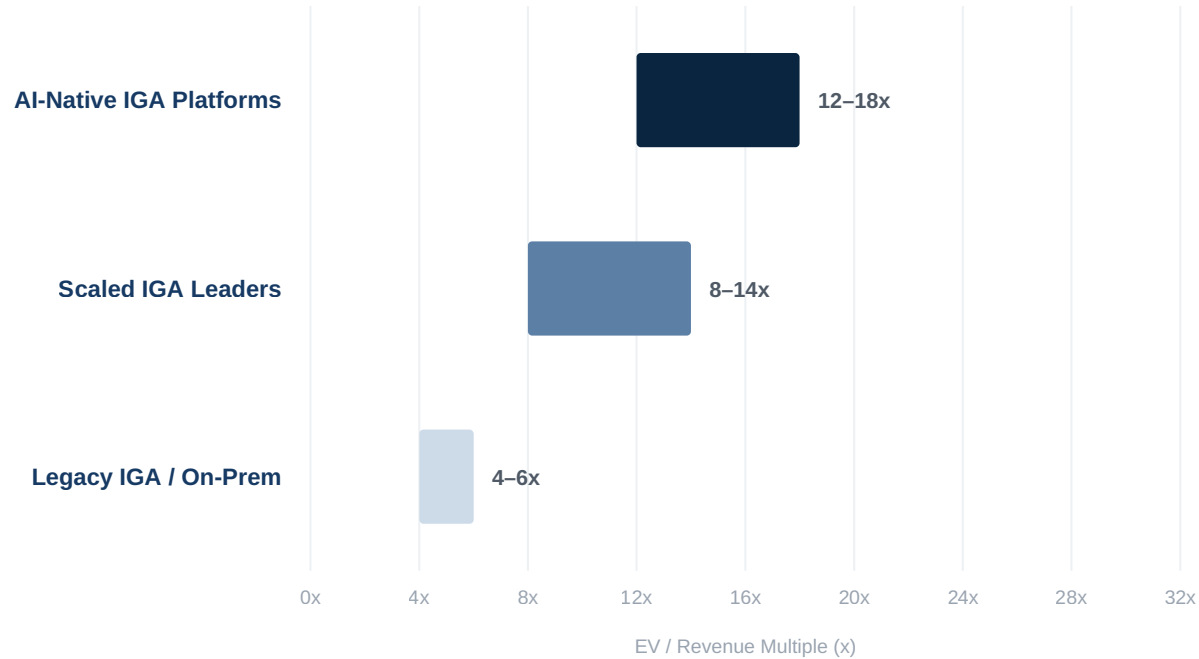
## KEY OBSERVATION

Workforce IAM is the foundational layer for every other IAM motion; the cohort multiple is anchored by the gravitational pull of Microsoft Entra and Okta.

# Identity Governance & Administration (IGA): The Compliance Spine

SailPoint's relisting at \$12.8B and Saviynt's \$700M April 2026 round confirmed IGA as a strategic platform category.

EV / Revenue Multiple Range (x)



## Valuation Drivers

### Compliance Tailwinds

SEC cyber disclosure, NIS2, DORA and audit demand for evidenced access governance have widened the IGA buying centre and raised the value of automated entitlement evidence.

### AI-Driven Governance

Saviynt's \$700M April 2026 raise underwrote AI-driven identity governance for humans and AI agents; SailPoint's Identity Security Cloud reframed IGA around AI-driven access modelling.

### Buyer Priorities

PE platforms and platform incumbents value IGA as the compliance spine of a broader identity platform; standalone IGA is increasingly absorbed into converged identity stacks.

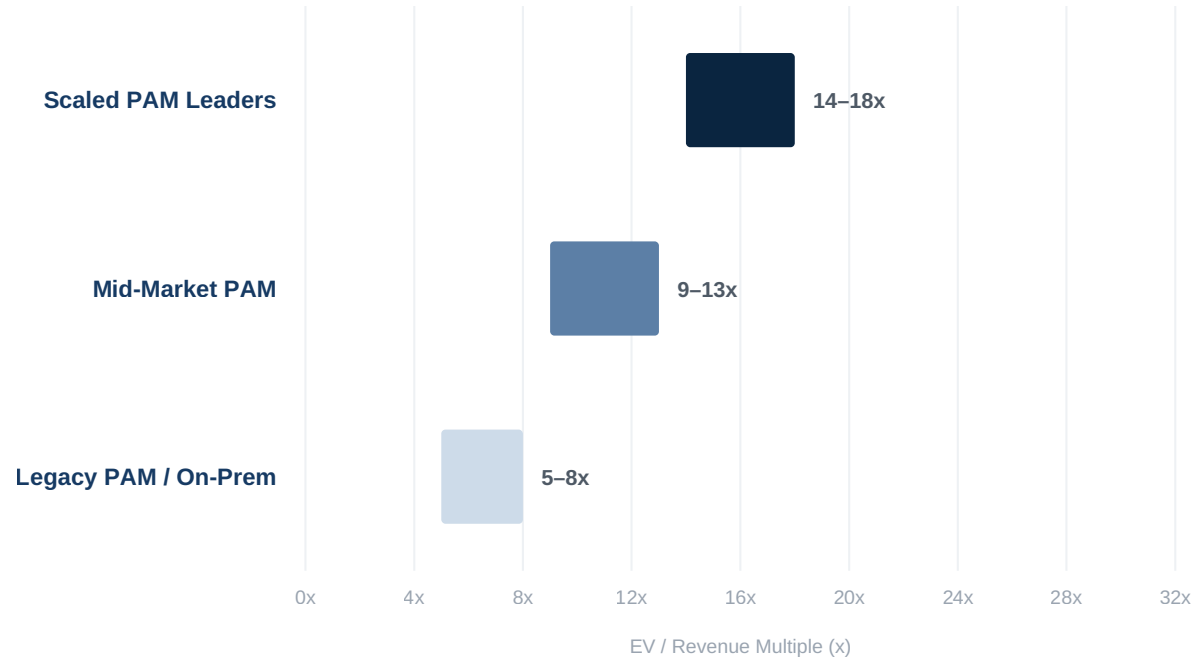
#### KEY OBSERVATION

SailPoint's \$925M ARR with 30% growth on a \$12.8B market cap (8x revenue) sets the public benchmark; AI-native private IGA still clears double-digit multiples.

# Privileged Access Management (PAM): The Strategic Premium

Palo Alto Networks' \$25B acquisition of CyberArk underwrote PAM as the highest-value IAM subsegment outside NHI.

EV / Revenue Multiple Range (x)



## Valuation Drivers

### Strategic Repricing

The **\$25B PANW / CyberArk** deal at a 26% premium repriced every PAM comparable upward; PE-owned PAM platforms (Delinea, BeyondTrust) are seen as the next consolidation targets.

### Insurance & Zero-Trust

Cyber insurers increasingly require PAM for ransomware coverage and zero-trust mandates demand continuous session isolation, anchoring durable enterprise demand across the cohort.

### Machine + Privileged Convergence

CyberArk's expansion into machine identity blurred the PAM and NHI lines; the converged stack commands the highest multiples across the IAM space.

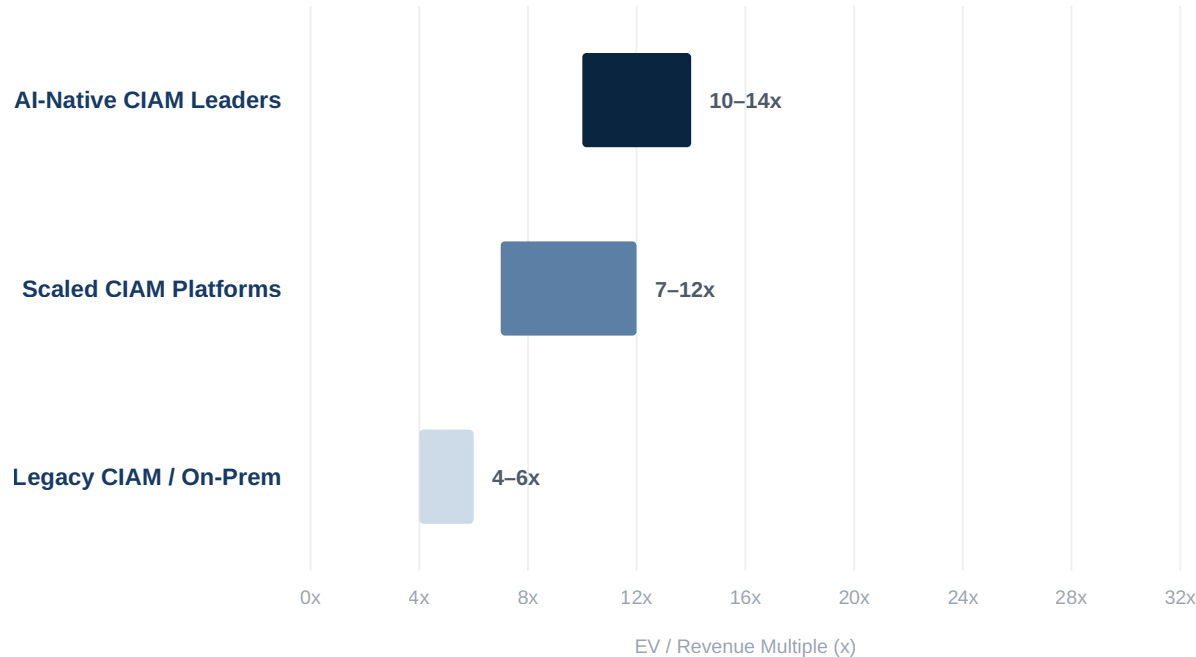
#### KEY OBSERVATION

PAM grows at roughly **22% CAGR** through 2031 (Mordor); the **PANW / CyberArk** transaction confirmed identity as a platform pillar, not a control feature.

# Customer Identity & Access (CIAM): The Embedded Cohort

CIAM platforms are valued as the user-facing identity infrastructure of every digital business, with bifurcation by buyer (developer vs enterprise) and AI posture.

EV / Revenue Multiple Range (x)



## Valuation Drivers

### Developer-First Premium

**Auth0** (now within Okta) holds ~20% CIAM mind share and showcased the developer-led acquisition motion; the platform is being repositioned as the AI agent identity primitive inside Okta.

### Fraud & Verification Attach

**Transmit Security**, Persona and SumSub are blurring the line between CIAM and identity verification; AI-driven fraud is now a mandatory CIAM attach motion at enterprise scale.

### Buyer Priorities

Hyperscalers and SaaS platforms acquire CIAM as a layer in broader identity stacks; financial services and consumer enterprises drive standalone CIAM demand at premium multiples.

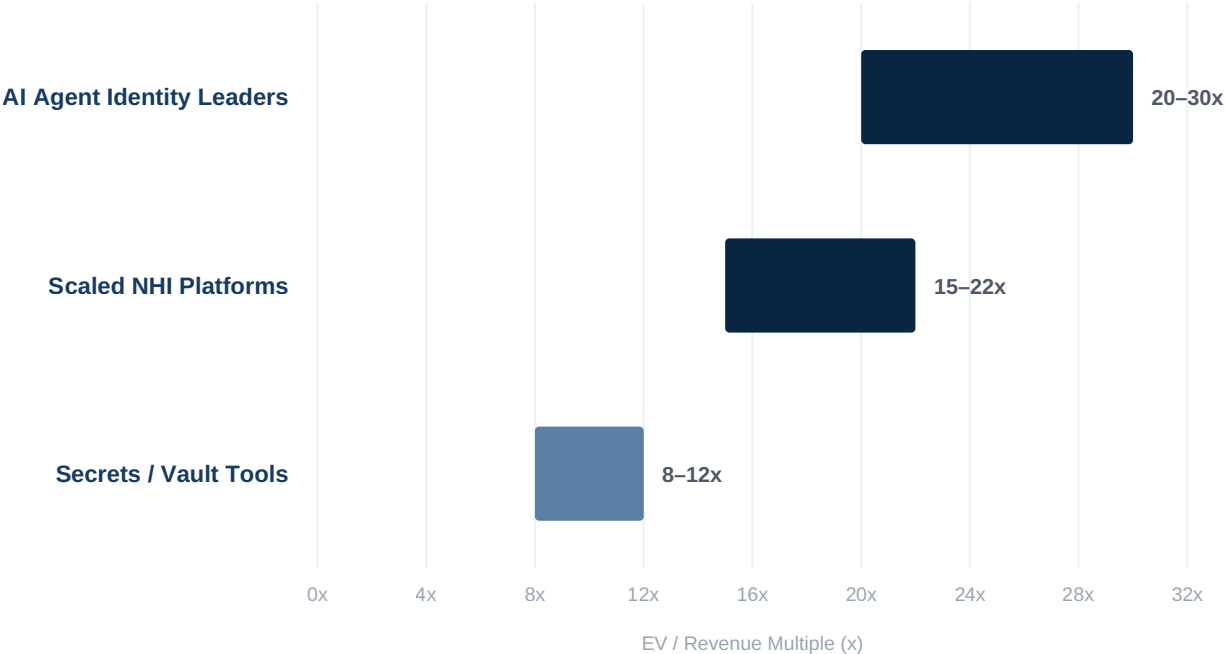
## KEY OBSERVATION

CIAM is the most fragmented IAM subsegment; the cohort multiple reflects the absence of a Wiz-class category-defining asset since the 2021 Auth0 transaction.

# Non-Human & AI Agent Identity (NHI): The New Ceiling

Machine identity now outnumbers human identity 40 to 1, and NHI platforms anchor the highest revenue multiples in the IAM stack.

EV / Revenue Multiple Range (x)



## Valuation Drivers

### AI Agent Demand

Cisco's reported **\$250M to \$350M** bid for **Astrix Security** (Q2 2026), at a 25%-plus premium to its **~\$200M** prior round, illustrates the pricing pressure for category-defining NHI assets.

### Capital Concentration

**Oasis Security** closed **\$120M** from Craft Ventures in early 2026 for NHI governance; **Astrix** raised **\$45M** Series B (Dec 2024). NHI is the most actively funded identity category since 2021.

### Buyer Priorities

Platform incumbents and hyperscalers acquire NHI to anchor AI agent governance theses; the category is being absorbed into broader identity platforms before it scales standalone.

### KEY OBSERVATION

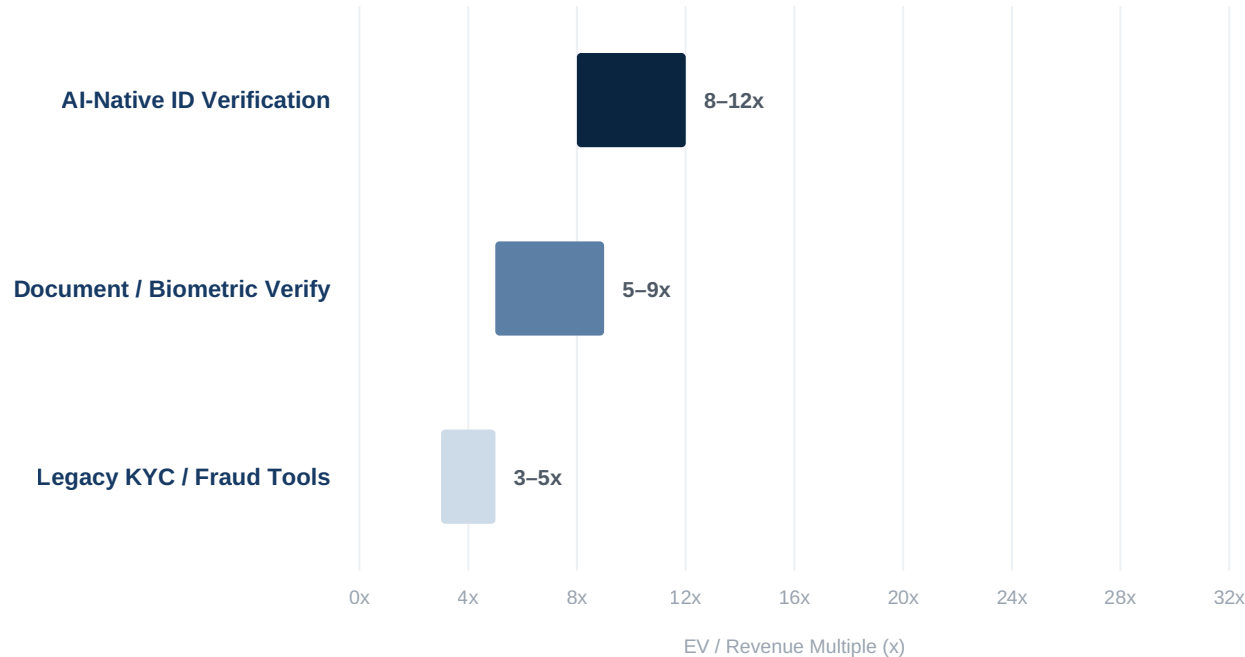
The global NHI access management market reaches **~\$12.2B in 2026** and grows at **~12% CAGR** through 2036; private rounds clear 15x to 30x revenue as buyers race to anchor the category.

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

# Identity Verification & Fraud: The Adjacent Cohort

Identity verification and fraud platforms are the demand-adjacent pillar of IAM, with AI-driven document and behavioural verification commanding the premium tier.

EV / Revenue Multiple Range (x)



## Valuation Drivers

### AI Deepfake Defence

AI-driven deepfake attacks have elevated identity verification to a board-level concern; LexisNexis Risk Solutions' acquisition of IDVerse (Dec 2024) anchored AI document authentication as a category.

### Regulatory Tailwinds

eIDAS 2, FedRAMP-ID and state digital ID frameworks have widened the identity verification buying centre and raised the strategic value of compliant, regulator-aligned platforms.

### Buyer Priorities

Mastercard's history of identity-adjacent M&A (Ekata, Recorded Future) illustrates the strategic appetite; payments, BNPL and digital banking incumbents are the deepest non-cyber buyers.

#### VALUATION DRIVER

AI-native fraud and identity verification platforms compound the IAM multiple structure as adjacencies, with the strongest assets positioned for absorption into broader identity stacks.

# Comparable Transaction Analysis Framework

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

## 1. Select Peer Set

Identify genuinely comparable identity assets by architecture (cloud-native vs hybrid), buyer (CISO vs IT vs developer), revenue model (subscription vs consumption) and AI-native posture, not by broad IAM labels.

## 2. Normalise Metrics

Adjust KPIs to a pro-forma basis: normalise ARR for M&A, standardise NRR and GRR definitions, separate platform from professional-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.

141

WD INDEX TRANSACTIONS

2019–26

INDEX COVERAGE

## Proprietary Transaction Index

Calibration draws on Windsor Drake's proprietary index of **141 verified and reported transactions (2019 to 2026)**, refreshed each quarter and supplemented by current-quarter identity research for IAM-specific comps.

## Quality-of-Revenue Filter

Peer selection prioritises recurring vs re-occurring revenue, gross margin profile (above 75% for software vs below 60% for services-attached IAM), 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 identity processes, where platform and capability synergies can be concretely underwritten.

# Strategic Acquirer Mapping by IAM Subsegment

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Platform incumbents pursue identity as a platform pillar; hyperscalers chase identity primitives; PE concentrates on workforce and verticalised CIAM.

Subsegment	Hyperscalers / Strategics	Platform Incumbents	Private Equity
<b>Workforce IAM</b>	<b>MODERATE</b> Microsoft Entra bundling pressures standalone players; hyperscalers prefer organic build.	<b>MODERATE</b> Platform incumbents acquire workforce IAM selectively to round out platforms.	<b>HIGH</b> PE consolidates mid-market workforce IAM into managed-identity platforms.
<b>IGA</b>	<b>MODERATE</b> Hyperscalers add IGA selectively to cloud platforms; rarely lead.	<b>HIGH</b> Platform incumbents absorb IGA into converged identity stacks (SailPoint, Saviynt-class assets).	<b>HIGH</b> Thoma Bravo's SailPoint playbook is the template; sponsors active in IGA roll-ups.
<b>PAM</b>	<b>HIGH</b> Hyperscalers add PAM primitives to cloud identity stacks; selective M&A only.	<b>HIGH</b> Platform incumbents bolt PAM onto broader stacks; PANW / CyberArk is the template.	<b>HIGH</b> PE pursues PAM aggressively (Delinea, BeyondTrust under Permira / sponsor ownership).
<b>CIAM</b>	<b>HIGH</b> Hyperscalers and platform players acquire CIAM to power AI agent identity at consumer scale.	<b>MODERATE</b> Cyber platforms add CIAM selectively to identity stacks; bolt-ons in fraud and verification.	<b>MODERATE</b> PE consolidates verticalised CIAM (financial services, healthcare, public sector).
<b>NHI / AI Agent ID</b>	<b>HIGH</b> Hyperscalers race to anchor NHI; Cisco / Astrix is the active template at Q2 2026.	<b>HIGH</b> Platform incumbents absorb NHI primitives to extend identity coverage to AI agents.	<b>LOW</b> Too early-stage for PE; VC and strategic capital dominate the cohort.
<b>ID Verification</b>	<b>HIGH</b> Payments, BNPL and digital banking acquire identity verification (Mastercard / Ekata template).	<b>MODERATE</b> Cyber platforms add fraud and verification selectively to identity stacks.	<b>HIGH</b> PE consolidates fraud and KYC SaaS into broader RegTech platforms.

# Hyperscalers & Platform Incumbents as Buyers

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

## Strategic Motives: Buy vs. Build

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

## Acquisition Patterns

Mega-deals (PANW / CyberArk \$25B) sit at the top; identity capability bolt-ons under \$1B dominate by volume, often preceded by partnership or technology-integration de-risking. Cisco's reported Astrix bid (Q2 2026) is the active template.

**\$25B**

PANW / CYBERARK, CLOSED FEB 2026

**\$250M+**

CISCO / ASTRIX BID, Q2 2026

## Semi-Autonomous Integration

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

## Priority: AI Agent Identity

Identity is the new perimeter and the substrate for AI agent governance; NHI and agent identity primitives are priced as platform pillars, not point tools.

## Priority: Privileged & Machine Identity

Top focus is privileged and machine identity that anchors zero-trust architectures and AI agent deployments across the existing customer base.

## Priority: Identity-Aware Security

Identity governance, posture and verification assets are increasingly priority targets to make existing cloud and security stacks identity-aware for enterprise buyers.

# Private Equity Acquisition Patterns

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

## Deployment Pressure

With roughly **\$1.7T** of global dry powder to deploy (Preqin), sponsors face acute pressure to transact. Cyber VC and PE investment reached about **\$18B in 2025**, identity a top-three category, as capital concentrates in larger identity platform acquisitions.

## Public-to-Private Thesis

Mid-cap IAM stocks trading at depressed multiples remain prime targets; Thoma Bravo's SailPoint playbook (2014 take-private, 2017 IPO, 2022 take-private at \$6.9B, 2025 IPO at \$12.8B) illustrates the cycle, and the firm now manages **\$183B** AUM.

**~\$1.7T**

GLOBAL PE DRY POWDER (PREQIN)

**\$183B**

THOMA BRAVO AUM, 2026

## 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 for identity platform buyouts.

## Value-Creation Playbook

Pricing optimisation, a mix-shift toward AI-driven identity automation, and buy-and-build consolidation of verticalised CIAM, workforce IAM and identity governance.

## Aging-Portfolio Catalyst

Roughly half of PE software holdings exceed a five-year hold; Thoma Bravo's targeted **~\$7B Imprivata** exit illustrates the coming wave of identity 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 agent identity capability.

# Competitive Moats Driving Premium IAM Valuations

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

## Identity Telemetry Moats

ASSET VALUE: HIGH

### Proprietary access and behavioural telemetry

- Creates a virtuous cycle of detection improvement that rivals cannot easily replicate.
- Powers unique anomaly detection, risk scoring and adaptive authentication.
- Compounds in value as identity events, user count and policy history grow.
- **Action:** deepen first-party identity telemetry capture across every protected resource.

## AI-Native Architecture

SCALE VALUE: HIGHEST

### Identity decisions decoupled from admin headcount

- LLM-driven access review and policy automation cut the marginal cost to govern.
- Demonstrates non-linear margin expansion as the user and resource base scales.
- Directly lifts the Rule of 40 score that gates premium multiples.
- **Action:** integrate AI into core access, governance and verification workflows.

## Certifications & Regulatory Posture

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 identity theses.
- **Action:** invest early in certifications that gate the most defensible verticals.

## Identity Platform Attach

GROWTH VALUE: HIGH

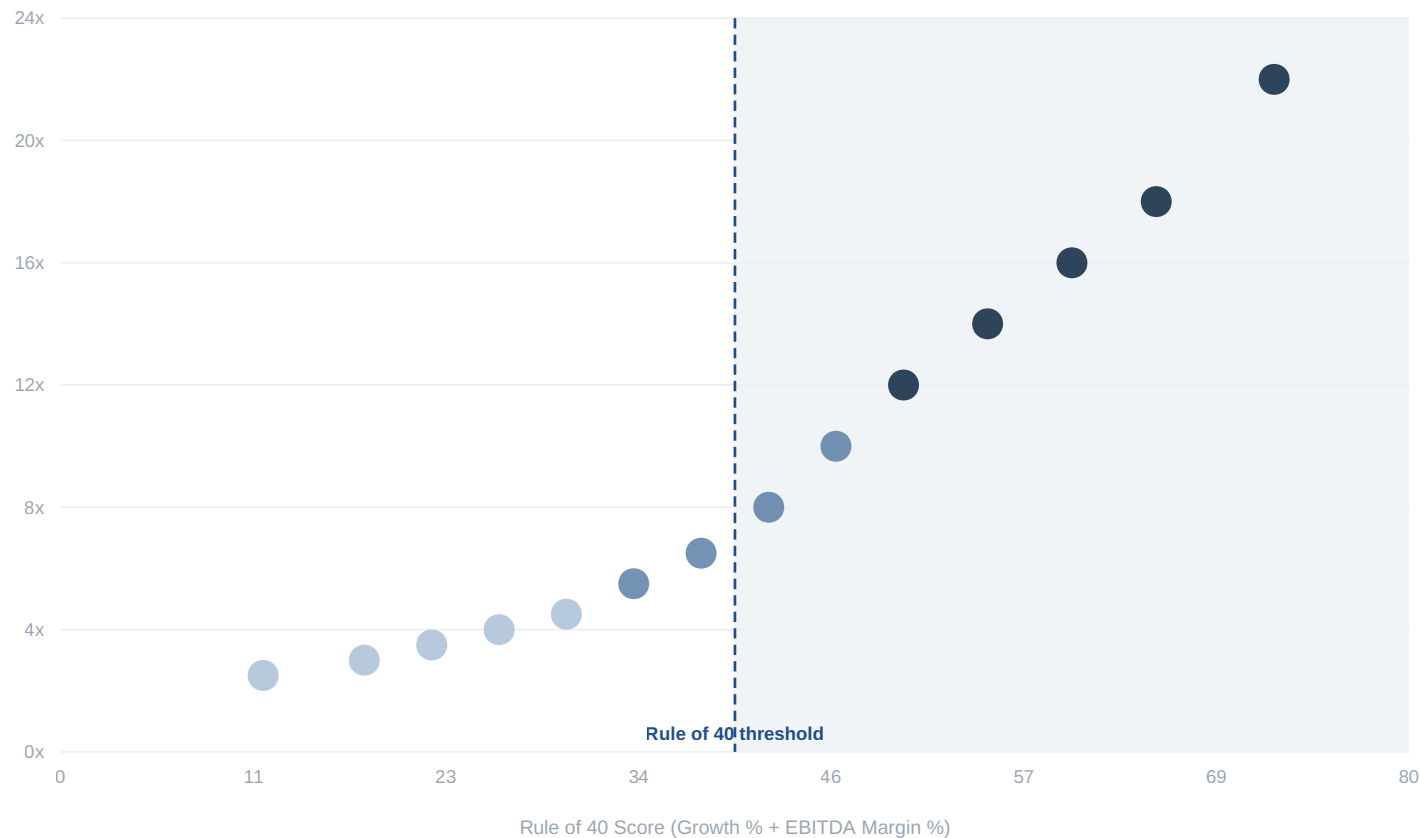
### Multi-product attach across human, customer and machine identity

- Each incremental identity product raises NRR and the cost of customer churn.
- Drives structurally lower CAC and higher retention over time.
- Raises switching costs as workforce, customer and machine identity converge.
- **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% identity 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 IAM 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 identity 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). SailPoint, growing at **30%** with disciplined margin, sits firmly in the top quartile; mature workforce IAM names that miss the threshold trade in single-digit revenue multiples.

# Cross-Border IAM M&A Considerations

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Jurisdictional divergence is the primary deal risk, and the primary arbitrage, in identity M&A in 2026.

## Regulatory Regimes

Heightened scrutiny of identity and data infrastructure (CFIUS, FDI review), and divergence between EU AI Act, NIS2, DORA, eIDAS 2 and US identity 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 identity assets; managing divergent regional rate environments is central to any debt-financed identity deal.

**12–18mo**

CROSS-BORDER CYCLE

**+30–50%**

LONGER CLEARANCE

## Extended Timelines

Regulatory clearance for cross-border identity 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 identity 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 identity 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

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

## 1. Pricing Power & Margins

6 TO 12 MONTHS PRE-EXIT

### Demonstrate defensible identity unit economics

- Shift from seat-based to **identity-consumption pricing** where the model fits.
- 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 identity revenue model

- Increase the recurring revenue mix to **85%+** of total.
- Improve Net Revenue Retention to **>115%** via identity 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 identity profitability

- Reallocate operating expense from low-ROI channels into R&D.
- Deploy AI to decouple identity admin 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 an identity platform enabler

- Position as identity 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 identity value is driven by capability fit, integration ease and synergy density.

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## Capability Fit

Demonstrate unique identity IP and proprietary telemetry, machine identity or AI agent 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 identity assets. Minimise critical dependencies, document APIs, identity event schemas and SCIM compatibility 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 identity infrastructure, to support a higher multiple.

## Strategic Buyer Mapping

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

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## Proof-of-Integration

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

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## Synergy Quantification

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

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## Comprehensive VDR Readiness

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

# Timing the Exit: 12-18 Month Roadmap

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A full identity 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 identity demand, AI agent capability premia and stable pricing still holds.



## Readiness & Hygiene

Q3 2026

- Audit completion to PCAOB standard
- AI agent identity governance 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 IAM Valuation Forecast Scenarios

With the broad IAM benchmark near 6.0x, forward trajectories diverge sharply on rates, AI agent pricing dynamics and the durability of platform consolidation.



## BULL CASE

**7.5x**

### Key Drivers

- Aggressive Fed cuts beyond 100bps
- AI agent identity supercycle lifts multiples
- Identity IPO pipeline opens fully

STRATEGY: ACCELERATE GROWTH

## BASE CASE

**6.5x**

### Key Drivers

- Steady rate normalisation, one cut
- Platform consolidation continues post-CyberArk
- Selective IPOs from \$200M+ ARR cohort

STRATEGY: BALANCE GROWTH & PROFIT

## BEAR CASE

**4.5x**

### Key Drivers

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

STRATEGY: CASH PRESERVATION

# Emerging Opportunities & Buyer Trends

WINDSOR DRAKE

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

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## AI Agent Identity

Identity, policy and runtime security for AI agents is the fastest-emerging IAM subcategory, with venture and strategic capital both actively building category leaders (Astrix, Oasis, Aembit, Entro) for an AI-first enterprise.

## Decentralized & Verifiable Identity

eIDAS 2, mobile driver licences and verifiable credential frameworks are reshaping the identity verification stack; sponsors and strategic buyers are watching for category-defining wallets and infrastructure.

## Identity Threat Detection (ITDR)

Explosive demand for identity-aware threat detection, with CrowdStrike, Microsoft and identity platforms pushing into the category; treated as a cloud-security and IAM adjacency.

## Platform Capability Acquisitions

Platform incumbents prioritise identity-aware governance, NHI primitives and AI agent identity over distribution, buying technology to make their platforms 'AI-ready' for enterprise identity buyers.

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## PE Platform Roll-Ups

Sponsors are consolidating fragmented workforce IAM, IGA and CIAM into broader identity platforms to build scale and drive multiple expansion.

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## Regional Champions Go Global

Israeli identity leaders are acquiring North American assets to capture premium valuations and access deeper capital markets; the inverse arbitrage runs into Europe under eIDAS 2.

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## Market Intelligence

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

# M&A Case Study: Palo Alto Networks & CyberArk

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The defining identity consolidation event of the cycle, and the playbook it sets for IAM founders.

## The Identity Platform Playbook

Palo Alto Networks' acquisition of **CyberArk**, valued at **\$25B** and closed in **February 2026**, is the defining identity consolidation event of the cycle. It confirms that platform incumbents will pay record prices for category-defining identity assets that anchor a broader security platform thesis.

## Strategic Rationale

- **Platform pillar:** identity becomes the third core pillar alongside network and cloud security.
- **Human, machine and AI agent identity:** the combined stack extends to all three identity types under one platform.
- **Cross-sell pull:** CyberArk's enterprise privileged base is sold the broader PANW security stack at scale.

## Implications for Founders

### Category-Definition Matters

In identity, **category-defining architecture** still commands record prices; CyberArk cleared the cycle's highest pure-IAM multiple by owning the privileged access definition. The window for follow-on category-defining identity assets in NHI, AI agent identity and identity verification is open, but narrowing as platforms consolidate.

### Quantify Platform Pull Pre-LOI

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

### Platform vs. Point Solution

Identity assets framed as broad **platforms** capable of absorbing bolt-ons trade at clear premiums to narrow point solutions. Integration readiness, clean APIs, identity event schemas and SCIM compatibility is itself a valuation lever.

# Valuation Methodology: Choosing the Right Metric

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

## EV / Revenue

10–30X+

### High-growth NHI, PAM & AI-native IAM

- 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 NHI, PAM, AI-native IGA and AI agent identity platforms.

## EV / EBITDA

12–22X

### Mature & cash-generative

- Essential for mature workforce IAM, scaled CIAM and PE-owned identity assets.
- Many identity 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 identity segments.

## ARR & NRR Lens

RECURRING FOCUS

### SaaS-delivered identity assets

- Focus on ARR growth, NRR and gross retention as primary value drivers.
- Premium for NRR above 115% and gross retention above 90%.
- Discount for concentration risk and short contract duration.
- Most relevant for SaaS-delivered IGA, CIAM and identity-as-a-service platforms.

## Strategic Premium

+25–30%

### Platform & capability fit

- Applied on top of underlying revenue or EBITDA multiples.
- Premiums accrue to category-defining identity architecture and unique data.
- Identity 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); IAM Spend Forecast</i>	Mar 2026
Gartner	<i>2026 Predicts: Identity and Access Management; Top Cybersecurity Trends 2026</i>	Feb 2026
McKinsey & Company	<i>Securing the Agentic Enterprise; Cyber Market Map 2025</i>	2025
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&amp;A Industry Trends: 2026 Outlook (TMT)</i>	Jan 2026
EY	<i>M&amp;A Activity Insights: April 2026</i>	Apr 2026
S&P Global Market Intelligence	<i>Global M&amp;A by the Numbers: Q1 2026</i>	Apr 2026
PitchBook	<i>Q1 2026 Global M&amp;A Report; 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; Identity &amp; AI Agent Funding Trends</i>	2026
KPMG	<i>Venture Pulse Q4 2025</i>	Jan 2026
Federal Reserve	<i>FOMC Statement (Mar 2026); Summary of Economic Projections (Dec 2025)</i>	2026
Palo Alto Networks	<i>SEC Form 8-K, CyberArk acquisition close</i>	Feb 2026
SailPoint Technologies	<i>SEC Form S-1 / Form 424B; Q1 FY26 earnings release</i>	2025-26
Okta, Inc.	<i>SEC Form 8-K and 10-Q, Q1 FY27 results</i>	May 2026
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 identity 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 hybrid), buyer (CISO, IT, developer), 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 6.0x IAM median benchmark, are the firm's own synthesis of the cited institutional data, presented as a house view rather than third-party consensus.