

Network Security & Firewall Software Valuations: Q2 2026

Q2 2026 finds the network security and firewall software market in a state Windsor Drake characterises as concentrated platformisation. The cohort has bifurcated cleanly: scaled, cloud-native platform leaders trade at premium revenue multiples while standalone point tools and legacy appliances compress toward EBITDA logic. The firm's working benchmark for the broad public network security cohort has settled near **11x EV/Revenue**, a level that absorbs the Q1 2026 software-wide re-rating without breaking the long-cycle re-rating of the platform leaders.

Beneath that benchmark sits a profound spread. Edge-cloud and SASE leaders cluster near **18.5x** median EV/Revenue (Cloudflare prints near **27.6x** forward, Zscaler near **13.3x**, Fortinet near **10.3x**); mature next-generation firewall incumbents anchor at roughly **14x EV/EBITDA**; and pure-play network detection and response (NDR) vendors compress toward **5x to 9x** under XDR encroachment. Identity security has been pulled decisively inside the network security tent by Palo Alto Networks' **\$25B** acquisition of CyberArk, which closed on 11 February 2026.

The macro backdrop is supportive but not stimulative. The Federal Reserve held its policy rate at **3.50% to 3.75%** at its April 2026 meeting, the third consecutive hold, and the **8 to 4** dissent was the widest FOMC split since October 1992. The March 2026 dot plot anchors year-end policy in the 3.25% to 3.75% band. Capital concentration is the dominant story: about **\$3.7T** of global private equity dry powder is seeking deployment, and cybersecurity M&A deal value reached **\$47B** in Q1 2026 alone.

This report sets out institutional-grade analysis for navigating that platform-versus-point bifurcation: where capital is pricing premium architecture, where it is paying for cash flow, and where the standalone subsegments most exposed to consolidation pressure now sit.

What multiples are network security and firewall software companies trading at?

The Q2 2026 valuation picture turns on a single divide: cloud-delivered platform economics on one side, on-prem appliance and standalone point tools on the other. The broad cohort sits near the **11x** EV/Revenue benchmark, but the spread between the top and bottom of the table is the widest Windsor Drake has tracked. Investors are paying for AI-native architecture, platform breadth, and a credible identity story.

Edge-cloud and SASE leaders are valued on subscription economics and the secular cloud-delivery wave. Pure-play NDR and legacy appliance vendors, by contrast, remain under pressure from XDR encroachment and a structural shift to cloud-native delivery models.

Table 1. Network Security Valuation Multiples by Subsegment, Q2 2026

Subsegment	EV/Revenue Range	YoY Trend	Primary Driver
Edge Cloud (CDN + Security)	22.0x - 28.0x	Stable High	Global edge footprint, AI security
SASE Hyper-Growth Platform	14.0x - 18.0x	Strengthening	Single-vendor SASE adoption
SSE / ZTNA Cloud Platform	11.0x - 15.0x	Strengthening	Zero-trust mandates
Identity Security & PAM	11.0x - 14.0x	Rising	Agentic AI access control
NGFW Platform (Software-Led)	9.0x - 12.0x	Stable	Subscription mix expansion
AI-Native NDR	9.0x - 12.0x	Stable	AI-native detection architecture
XDR / Managed Detection	7.0x - 10.0x	Stable	Platform pull-through
NDR Pure-Play (Standalone)	5.0x - 9.0x	Compressing	XDR encroachment
Legacy On-Prem Appliance	3.5x - 5.5x	Compressing	Cloud-delivery shift

Source: Windsor Drake analysis of PitchBook, CB Insights and S&P Global Market Intelligence data.

Subsegment dynamics driving the dispersion

Identity security and SASE are the two clear up-trends in the cohort. Identity has been re-priced by Palo Alto Networks' **\$25B** acquisition of CyberArk; SASE leaders such as Zscaler, Cloudflare and Netskope have benefited from rising single-vendor adoption (Gartner expects 70% of SD-WAN purchases to ride a single-vendor SASE platform by 2028, up from 25% in 2025). Pure-play NDR vendors move the other way, as Microsoft, CrowdStrike, Palo Alto and Fortinet capture the bulk of new detection spend through platform-integrated XDR. Legacy appliance vendors remain valued on EBITDA logic; Fortinet, Check Point and Cisco continue to operate from positions of share strength, with the top four holding about **70%** of global NGFW shipments.

Table 2. Subsegment Valuation Drivers and Principal Risks, Q2 2026

Subsegment	Premium Driver	Principal Risk
Edge Cloud / SASE	Global footprint, AI-native architecture	Software-wide re-rating, competition
SSE / ZTNA	Federal zero-trust mandates, agentic access	Absorption by identity platforms
Identity Security & PAM	Agentic AI access boundary	Platform consolidation take-out risk
NGFW Platform	Subscription mix, platform breadth	Appliance cyclical, channel risk
NDR Pure-Play	OT / ICS specialism, AI-native detection	XDR encroachment, scale disadvantage
Legacy Appliance	Cash-flow durability, channel position	Structural decline of on-prem capex

Source: Windsor Drake analysis of McKinsey, Gartner and S&P Global Market Intelligence research.

How are network security companies valued in 2026?

Valuation in 2026 has coalesced around a disciplined framework built on subscription economics, AI-native architecture and a credible path to platform integration. The growth-at-all-costs playbook is fully retired. In its place is a multi-factor model in which the Rule of 40 has migrated, for the top of the cohort, toward a Rule of 50.

The Rule of 40 mandate becomes a Rule of 50

The Rule of 40 (revenue growth plus free cash flow margin at or above 40%) remains the gating filter for premium multiples. The leading platform names have lifted the bar. **Zscaler posted a reported Rule of 40 score of 78** in its most recent quarter, on roughly 26% revenue growth and free cash flow margin around 27%. CrowdStrike and Palo Alto Networks have run comfortably above the threshold for multiple years. Each ten-point gain in the score is now worth roughly an additional turn of revenue in the public cohort.

Table 3. Rule of 40 Performance Tiers, Q2 2026

Performance Tier	Rule of 40 Score	Avg EV/Revenue	Premium vs Median
Top Decile	Above 50 (Rule of 50)	13x and above	+50% to +100%
Rule of 40 Met	40 to 50	9.0x - 13.0x	Healthy premium
Near Miss	30 to 39	5.5x - 8.5x	Modest discount
Bottom Quartile	Below 30	3.0x - 5.0x	Deep discount

Source: Windsor Drake analysis of McKinsey and Bain & Company software value-creation research; PitchBook public-comp data.

Net revenue retention and platform attach

Best-in-class net revenue retention sits above **120%** for the platform leaders, evidence of working cross-sell rather than a one-time sale. The clearest discriminator across the cohort is platform attach: how many products the average customer takes from the same vendor. Vendors that have lifted attach into the three-to-five-module range trade at the top of their subsegment bands; those still depending on a single hero product face a multiple discount.

A credible path to profitability and AI-native delivery

For any network security asset valued above ten times revenue, the market now expects a credible path to free cash flow margin of **25%+** within 12 to 18 months and a demonstrably AI-native architecture. Revenue per employee has become a quick read on AI adoption; vendors operating below the cohort median face structural headwinds when raising and when selling.

What is driving network security valuations this quarter?

Valuations in Q2 2026 reflect an interplay of platform consolidation, the agentic AI access wave, and the broader Q1 software repricing. Reading those drivers correctly is what separates a defensible valuation from a mispriced one.

Table 4. Valuation Drivers, Expansion versus Compression, Q2 2026

Factor	Driver	Effect on Multiples	Notable Examples
Expansion	AI security demand	Premium for AI-native architecture	CrowdStrike, Zscaler, Cloudflare
Expansion	Platform consolidation	Strategic premiums for platform fit	Palo Alto / CyberArk (\$25B)
Expansion	Zero-trust mandates	Re-rating of ZTNA and SSE assets	Netskope IPO, Zscaler growth
Compression	Q1 2026 software re-rating	Cohort median pulled 2x lower	Broad public SaaS pullback
Compression	XDR encroachment	NDR pure-play multiples compress	Microsoft, CrowdStrike platforms
Compression	Macro / tariff risk	Cross-border deal friction	CFIUS scrutiny, Israeli controls

Source: Windsor Drake analysis of McKinsey, Bain & Company and CB Insights research.

Geographic variation

Location still matters for valuation. North America commands an innovation premium on the strength of deep public markets, the dominant strategic-acquirer base (Palo Alto, Cisco, CrowdStrike, Fortinet) and proximity to AI infrastructure capital. About **64%** of 2025 global cybersecurity venture investment flowed to North American founders. Israel remains the disproportionate R&D engine, absorbing about **12%** of global cyber funding from a small founder base. Europe trades at a fragmentation discount but offers regulatory-stability moats.

Table 5. Geographic Variation in Cybersecurity Activity, Q2 2026

Region	2025 Investment Share	Posture	Key Drivers
North America	~64%	Premium	Deep capital markets, dominant strategic-acquirer base
Israel	~12%	R&D Engine	High R&D density, platform-grade asset supply
Europe	~14%	Value	Regulatory moats offset by market fragmentation
APAC	~7%	Selective	National-champion plays, regulatory constraints
Rest of World	~3%	Niche	Specialist plays against higher political risk

Source: Windsor Drake analysis of PitchBook, CB Insights and Crunchbase data.

Public and private markets converge

One of the defining features of the quarter is the near-disappearance of the private network-security premium. Q1 2026 brought a broad software re-rating that pulled late-stage private rounds toward public comparables. AI-native security still raises at clear premiums (Wiz refiled at a reported **\$15B**, up from Google's 2024 \$12B indication), but older private firewall and NDR vendors without a credible AI story are seeing flat or down marks. Those assets are increasingly prime candidates for strategic M&A or take-private outcomes.

Which valuation metric should apply?

Selecting the right metric is what separates a professional valuation from a careless one. Different corners of the network security stack demand different lenses, and leaning too hard on a generic EV/Revenue multiple can badly misprice mature appliance businesses or services-heavy MDR offerings.

EV/Revenue: the platform metric

EV/Revenue suits high-growth, subscription-led network security platforms (SASE, SSE, ZTNA, AI-native NDR, identity security). The essential adjustment is for subscription mix: a dollar of cloud-delivered subscription revenue is not comparable to a dollar of perpetual licence or appliance revenue earned from on-prem hardware.

EV/EBITDA: the appliance and mature-platform metric

EV/EBITDA fits mature, slower-growth network security businesses where cash flow is the primary value driver, particularly the legacy NGFW incumbents. **Fortinet** and **Check Point** are valued on this lens at a median of about **14x** EV/EBITDA. A notable shift in 2026 is that several vendors once valued on revenue are now assessed on EBITDA as their growth rates moderate.

EV/ARR and strategic-premium

EV/ARR has become an important private-market metric for subscription-led growth assets, normalising revenue-recognition timing. Premiums attach to NRR above 120% and gross retention near 95%. The strategic-premium lens applies where scarcity dominates pure financial metrics: Google's **\$32B** Wiz acquisition and Palo Alto's **\$25B** CyberArk transaction were both priced on platform-synergy underwriting rather than peer-screen math, with premiums of **30% to 100%** above the cohort.

Table 6. Valuation Methodology Matrix, Q2 2026

Subsegment	Primary Metric	Typical 2026 Range	Key Adjustment
Edge Cloud / SASE Platform	EV/Revenue	14x - 28x revenue	Rule of 50, subscription mix
SSE / ZTNA Cloud	EV/Revenue	11x - 15x revenue	NRR above 120%
Identity Security & PAM	EV/Revenue	11x - 14x revenue	Agentic AI access readiness
NGFW Platform (Software-Led)	EV/Revenue	9x - 12x revenue	Subscription mix expansion
Mature NGFW (Appliance)	EV/EBITDA	12x - 18x EBITDA	Cash-flow durability, channel
NDR Pure-Play	EV/Revenue	5x - 9x revenue	OT/ICS premium, AI-native
MDR / MSSP	EV/EBITDA	8x - 12x EBITDA	Services mix, retention

Source: Windsor Drake valuation methodology, calibrated to PitchBook and CB Insights comparables.

Key takeaways for founders

Translating the Q2 2026 market picture into strategy means concentrating on six areas that consistently move valuation in the current environment.

1. Migrate to a Rule of 50 mindset

Revenue growth plus free cash flow margin at 50% or above is the new top-decile benchmark. Top performers earn 50% to 100% premiums over the median. Make the score a board-level priority with monthly tracking, and present the trajectory cleanly in any process materials.

2. Sustain NRR above 120%

Best-in-class platforms run NRR above 120%, evidence of a working expansion engine. Build cohort analyses showing module attach and seat-plus-consumption monetisation, and lengthen contract duration to extend revenue visibility.

3. Make the AI-native case concrete

AI-native architecture is no longer a differentiator; it is table stakes. Quantify AI-driven reductions in analyst cost-to-serve and false-positive rates with hard return-on-investment figures, and articulate readiness for agentic AI access governance.

4. Choose platform over point

Buyers are paying through-cycle premiums for breadth that can absorb bolt-ons. Frame the asset as platform infrastructure, document APIs cleanly, and present module-level revenue split that makes integration math obvious for the acquirer.

5. Read the geography correctly

North American network security assets trade at a clear premium to European and APAC peers, but cross-border deals run 30% to 50% longer to clear, particularly given current CFIUS, EU FDI and Israeli export controls. For non-US founders, dominate the home market first; a US listing or strategic sale can add a clear liquidity premium when scale allows.

6. Prepare for public-market discipline

Listing thresholds now demand scale, subscription quality and a credible AI story, and private valuations are converging on public-market standards. A full process runs 12 to 18 months end to end, so a founder who intends to engage the market while today's alignment of platform consolidation and reopened capital markets still holds is, in practice, preparing in the current cycle.

Sources

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