

WINDSOR DRAKE

# Cybersecurity M&A Report: Q1 2026

JANUARY 2026

# Executive Summary: 2025 Market Results & 2026 Outlook

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Cybersecurity M&A shattered records in 2025 with **\$84B+** in value, driven by **8 mega-deals** and AI-led consolidation.



**420+ deals** announced in 2025 with **\$84B+** total disclosed value; a record year for consolidation ([SecurityWeek](#)).



**8 Mega-Deals >\$1B** defined the landscape, including Google/Wiz (\$32B) and PANW/CyberArk (\$25B), signaling aggressive platformization.



Spending Surge: Global information security spending hit **\$212B (+15.1%)** in 2025 ([Gartner](#)); projected to exceed **\$520B by 2026** ([Cybersecurity Ventures](#)).



Capital Markets: VC funding stabilized at **\$3.3B** in Q1 2025 ([PitchBook/SG Analytics](#)); IPO window reopened with SailPoint & Netskope listings.

## 2025 TOTAL DEALS

**420+**

Total M&A transactions  
(SecurityWeek)

## 2025 DEAL VALUE

**\$84B+**

Disclosed value (Record High)

## MEGA DEALS

**8**

Acquisitions exceeding \$1B

## SPENDING GROWTH

**+15.1%**

YoY Security Spending (Gartner)

## 2026 FORECAST

**\$520B**

Projected Market Size (Cyber  
Ventures)

## VC ACTIVITY

**\$3.3B**

Q1 2025 Funding (PitchBook)

Sources: SecurityWeek 2025 M&A Report; Gartner Forecasts; Cybersecurity Ventures 2026 Report; PitchBook Q1 2025 Data.

# Market Snapshot: 2025 Results

Key metrics defining a transformational year in cybersecurity M&A, valuations, and capital flows.

### Platform Consolidation

Record 8 deals >\$1B drove **\$84B+** in value as strategic acquirers like Google, Palo Alto Networks, and ServiceNow aggressively consolidated AI and cloud security capabilities ([SecurityWeek](#)).

### TOTAL ACTIVITY

Source [SecurityWeek](#)

# 420+

M&A Deals Announced

### MEGA-DEALS

Top Deal [Google/Wiz \(\\$32B\)](#)

# 8 Deals

Exceeding \$1 Billion

### IPO Window Reopens

After a multi-year drought, the IPO market thawed with successful listings from **SailPoint (\$12.5B)** and **Netskope (\$7.5B)**, validating public market appetite for scaled cyber assets ([PitchBook](#)).

### DISCLOSED VALUE

Trend **↑ vs 2024**

# \$84B+

Total Deal Value (Record)

### VC CAPITAL

Deals **182 Rounds**

# \$3.3B

Q1 2025 Funding

### Spending Tailwinds

Global information security spending surged to **\$212B (+15.1%)** in 2025, with projections reaching \$520B by 2026 driven by AI adoption and regulatory pressures ([Gartner](#)).

### TOP 2025 TRANSACTIONS

[Full List >](#)

LARGEST DEAL	STRATEGIC	PLATFORM
<b>Google / Wiz</b> \$32 Billion	<b>PANW / CyberArk</b> ~\$25 Billion	<b>ServiceNow / Armis</b> \$7.75 Billion

Sources: SecurityWeek 2025 M&A Report; Gartner Forecasts; Cybersecurity Ventures; PitchBook Q1 Data; Kroll Fall 2025 Update.

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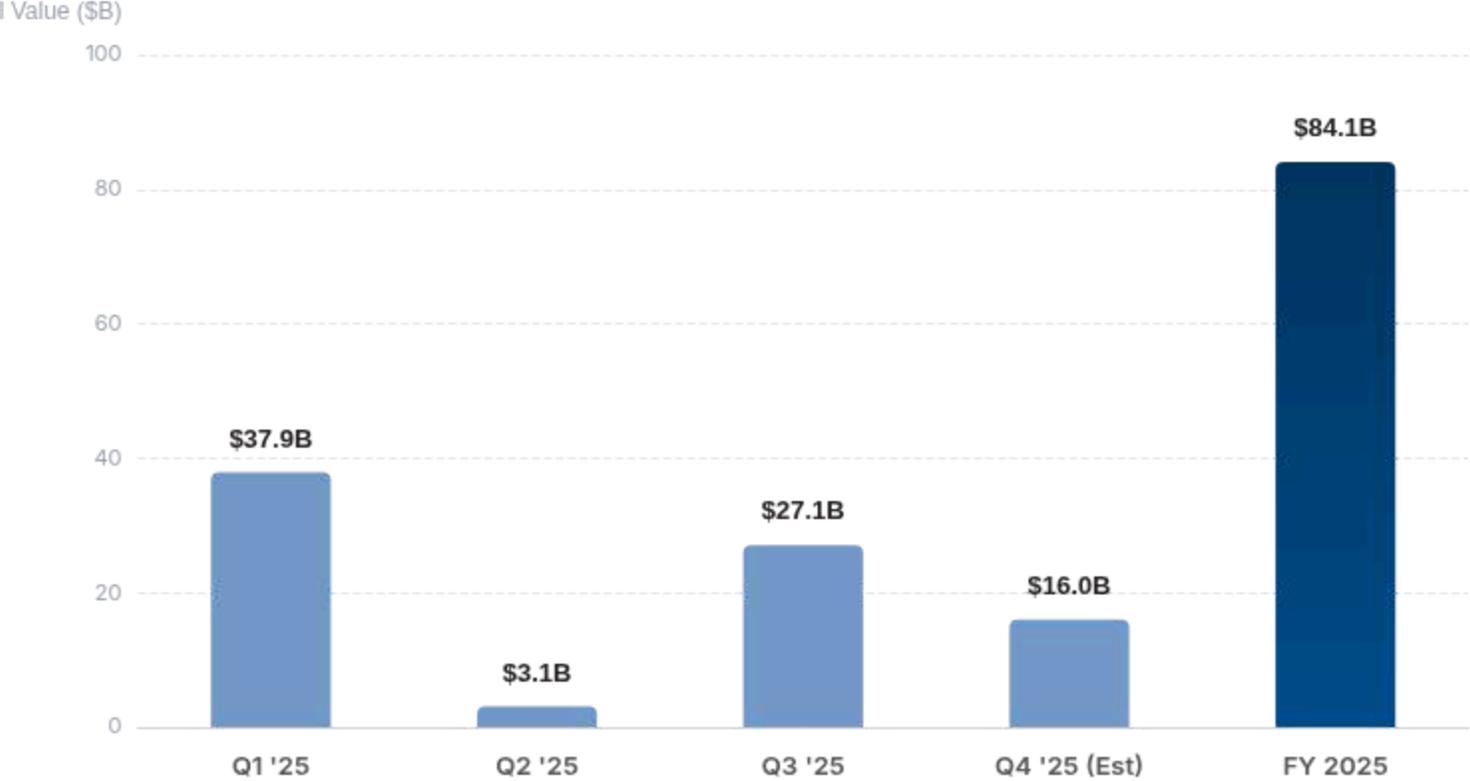
VC and PE activity, Rule of 40, exits, IPOs.

## 6 Future Outlook & Risks

Forecasts, themes, regulatory and talent risks.

# QUARTERLY M&A ACTIVITY: FULL YEAR 2025

Deal value by period (\$B). Full Year 2025 sets new record driven by platform consolidation.



**Q1 2025**  
**\$37.9B**  
86 deals

**Q2 2025**  
**\$3.1B**  
66 deals

**Q3 2025**  
**\$27.1B**  
70 deals

**Q4 (EST)**  
**\$16.0B+**  
~65 deals

**FY 2025**  
**\$84.1B**  
**420+ deals**

- Record-Breaking Year**

2025 disclosed deal value exceeded **\$84B**, surpassing the 2021 peak. Activity was bifurcated: massive platform consolidation at the top (8 deals >\$1B) and high-volume tuck-ins at the bottom.

- Q4 Stabilization**

After a muted Q2 and explosive Q3, Q4 stabilized with **\$16B+** in activity. Strategic buyers (ServiceNow, Palo Alto) aggressively positioned for 2026 budgets ahead of year-end.

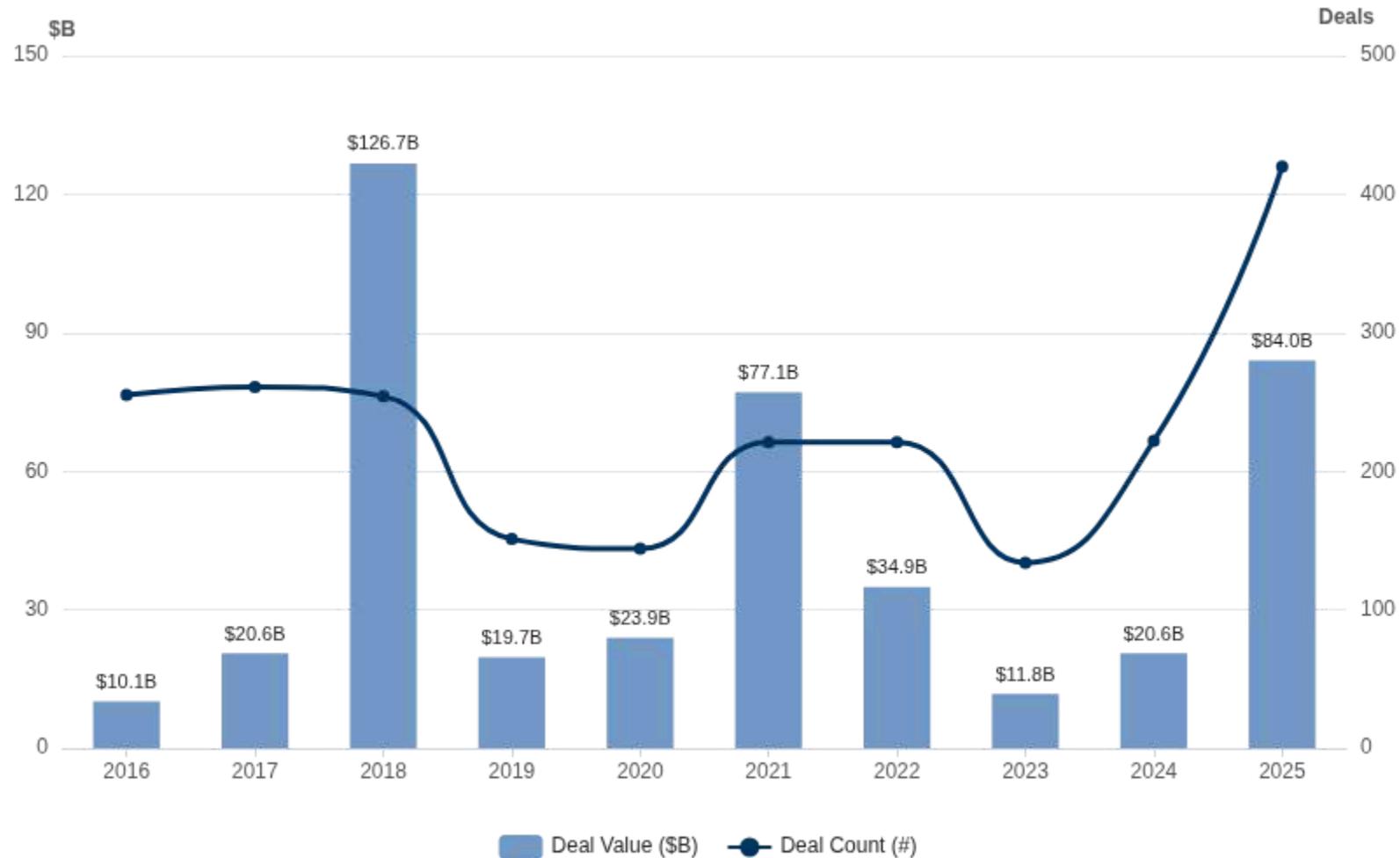
- Volume vs. Value**

While total deal count hit a record **420+**, the "middle market" (\$100M-\$500M) thinned significantly, creating a winner-take-all dynamic for asset valuations.

Sources: Kroll Q3 2025; SecurityWeek 2025 Full Year Report; Cybersecurity Ventures; Internal Synthesis.

# Historical M&A Trends: 2016–2025

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**2018 peak:** \$126.7B remains all-time high in disclosed value. 2021 follows at \$77.1B.

**Drought & Recovery:** 2022-23 lows gave way to 2024 stabilization and 2025 surge.

**2025 Record:** Deal volume hit **420+** transactions, surpassing previous highs.

**Momentum:** Total disclosed value exceeded **\$84B** in 2025, driven by 8 mega-deals >\$1B.

Sources: [SecurityWeek 2025 Review](#); [Kroll Fall 2025](#); [Houlihan Lokey Q1 2025](#); [Lincoln Int'l](#).

2018 peak (\$)  
**\$126.7B**

GlobalData

2021 secondary  
**\$77.1B**

Record dealmaking

2025 Record Vol  
**420+ Deals**

Highest activity

2025 Total  
**\$84.0B+**

SecurityWeek

# Buyer Mix: Strategic vs. PE (2025 Landscape)

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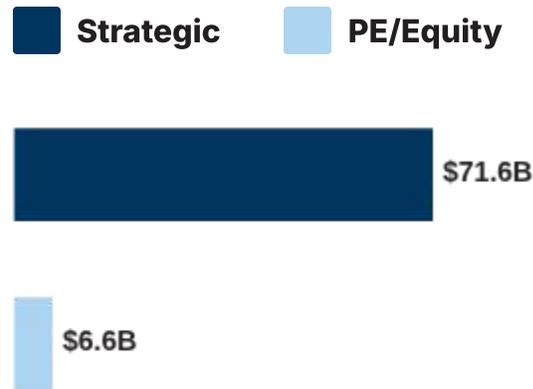
2025 Deal Landscape: Strategic buyers dominate mega-cap consolidation while PE holds dry powder.

## 2025 Deal Volume Mix



■ Strategic (Volume) ■ Private Equity (Volume)

## Top 8 Deals Value Split (\$75B Total)



## Strategic "Super-Platforms"

- Strategic buyers drove **~90% of disclosed value** in top deals, prioritizing **Data Gravity** and **Identity** control planes.

**Key Deals:** Google/Wiz (\$32B), PANW/CyberArk (\$25B), ServiceNow/Armis (\$7.75B).

## Private Equity Discipline

- PE share of volume moderated to **~40%**. Firms like Thoma Bravo and Francisco Partners are shifting focus from pure growth to **profitability** and niche dominance.

**Notable:** Francisco Partners acquired Jamf for \$2.2B (Apple ecosystem dominance).

## Valuation Bifurcation

- Strategics paying **12x-18x revenue** premiums for platforms vs. PE paying **5x-8x** for "feature assets" or take-privates.

### MEGA-DEAL DOMINANCE

## 8 Deals

> \$1 Billion in 2025

Led by Google, PANW, ServiceNow

### PE DRY POWDER

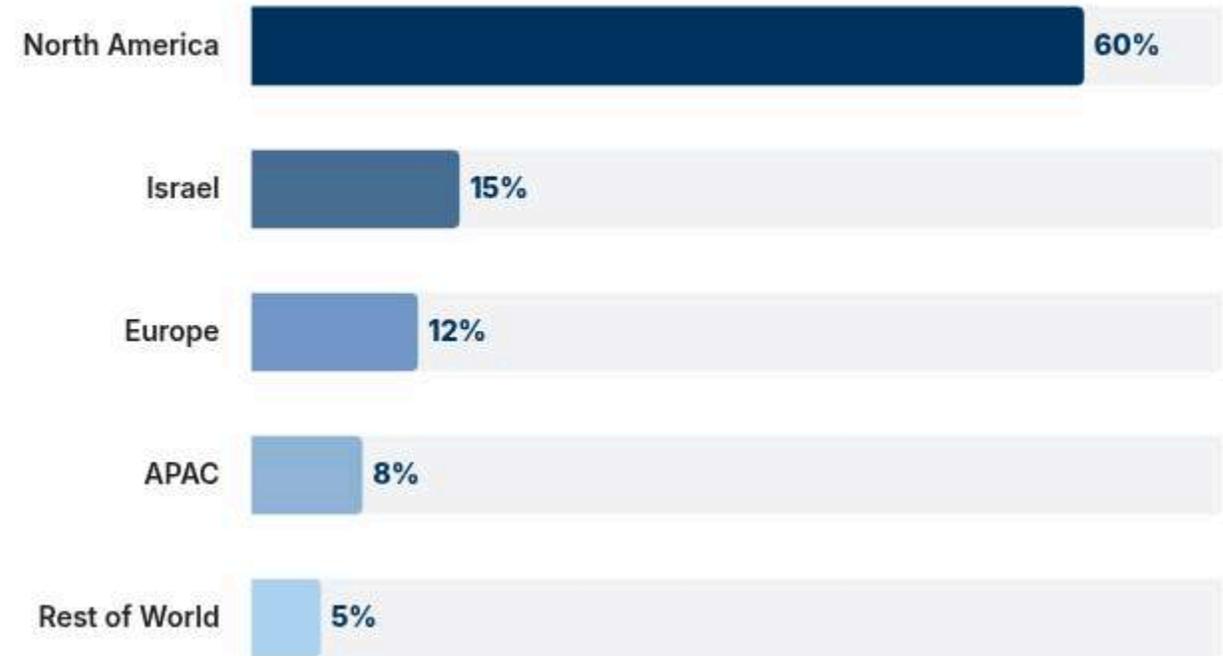
## > \$1 Trillion

Unspent Capital

Focusing on "Rule of 40" efficiency

# Geographic Deal Distribution: 2025 Results

North America captures ~60% of volume; Israel and Europe drive strategic high-value consolidation.



**NORTH AMERICA**  
**~60%**  
Dominant volume; home to major strategic buyers (Google, PANW).

**ISRAEL**  
**~15%**  
High-value innovation hub; Wiz (\$32B) & CyberArk (\$25B) deals.

**EUROPE**  
**~12%**  
NIS2 regulation driving consolidation & compliance M&A.

- **North America Remains the Center of Gravity:** With ~60% of deal flow, the US continues to lead global activity. Major platform acquirers (Palo Alto, CrowdStrike, Zscaler) drive volume through programmatic M&A strategies.
- **Israel Defines the "Super-Cycle":** Despite smaller volume (15%), Israel generated outsized value in 2025. The **Google-Wiz (\$32B)** and **Palo Alto-CyberArk (\$25B)** mega-deals underscore its role as the premier source of deep-tech innovation (Cloud, IAM).
- **Europe Accelerates on Regulation:** The enforcement of **NIS2 (Jan 2026)** is forcing consolidation across the EU. Buyers are acquiring sovereign compliance and reporting tools to meet strict new governance standards.
- **APAC Strategic Moves:** Japan is emerging as a key buyer, highlighted by **Mitsubishi Electric's ~\$1B acquisition of Nozomi Networks** to secure critical industrial infrastructure (OT/IoT).

# Valuation Multiples by Subsector: 2026 Outlook

Revenue multiple ranges reflect a "Barbell" valuation split between AI-native platforms and legacy providers.

Subsector	2025/26 EV/Revenue	Strategic Notes
AI-Native Security	15–20x	Scarcity premium; rapid Agentic AI adoption
Strategic Platforms	>12x	Rule of 60 performers (e.g., CrowdStrike)
Identity & Cloud (CNAPP)	8–15x	Consolidation targets; NHI security focus
Data Security (DSPM)	8–12x	Regulatory tailwinds (NIS2, SEC)
Next-Gen SecOps (XDR)	6–10x	Automation-driven replacement cycle
Endpoint & Network	4–8x	Mature markets; volume-driven M&A
Legacy / GRC / Services	2–4x	Value plays; Private Equity targets

● Premium / AI-Native   ● Growth / Platform   ● Mature / Legacy

## ■ The "Barbell" Valuation Split

The market has bifurcated into two distinct classes: **Platform Assets** trading above 12x revenue and **Feature/Legacy Assets** trading below 4x. The middle ground has largely evaporated as capital concentrates in AI winners.

## ■ AI-Native Premium

Companies with **AI-native architectures** (not just AI wrappers) command the highest premiums (15–20x). Strategic acquirers are willing to pay for scarcity in autonomous remediation and agentic security capabilities.

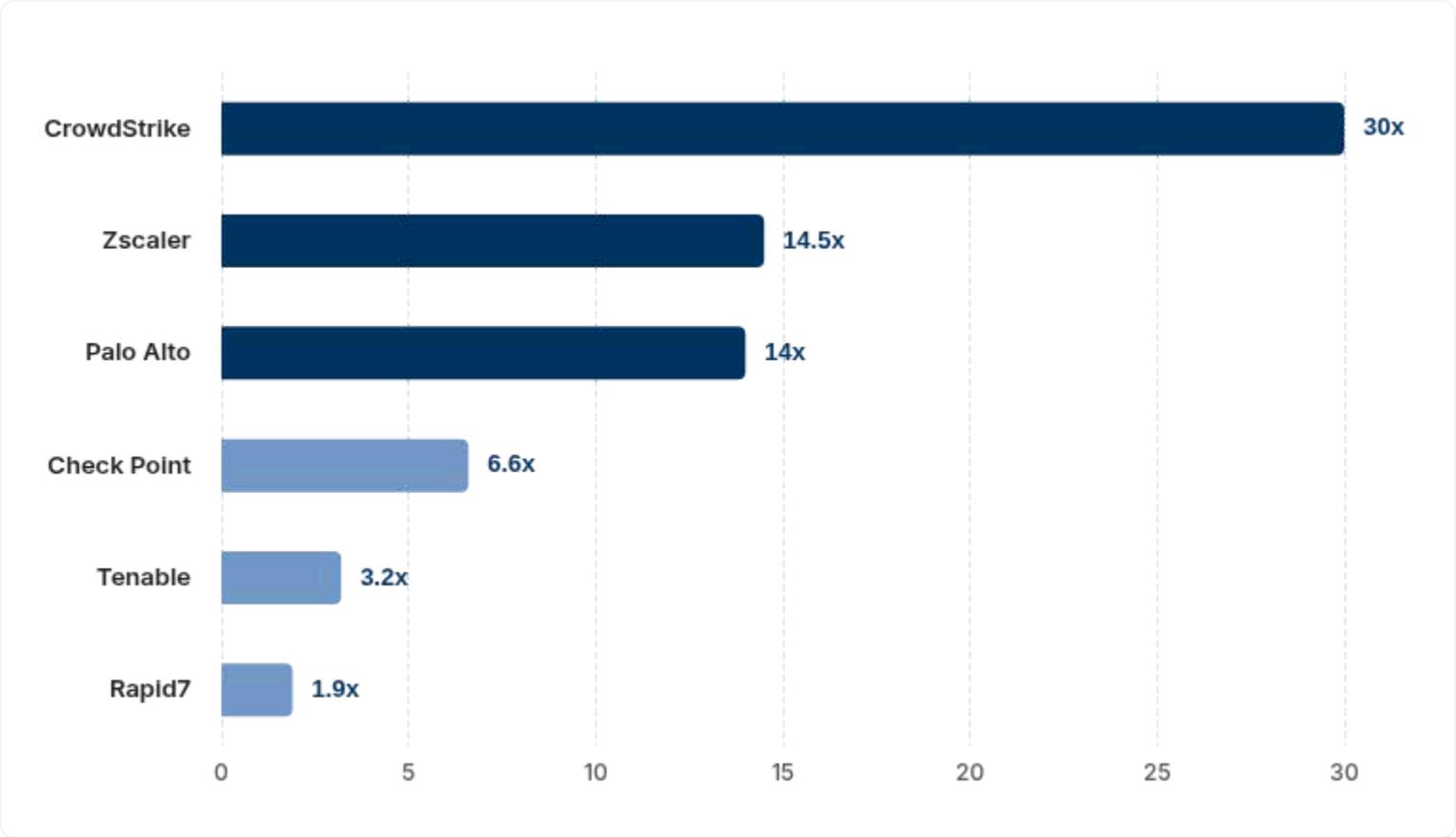
## ■ Identity as the New Perimeter

Identity Security, specifically Non-Human Identity (NHI) management, remains a top valuation driver (10–15x), validated by the Palo Alto Networks acquisition of CyberArk.

Sources: Capital IQ, PitchBook, Kroll Fall 2025 Report, Public Company Filings (Dec 31, 2025). Analysis reflects LTM revenue multiples for M&A transactions and public comparables.

# PUBLIC MARKET PERFORMANCE: Q4 2025 SNAPSHOT

Q4 2025 EV/Revenue Multiples vs. Market Benchmarks.



**TOP MULTIPLE**  
**30.0x**  
CrowdStrike (AI Platform)

**PLATFORM AVG**  
**~19.5x**  
Top 3 Players

**LEGACY AVG**  
**~3.9x**  
Bottom 3 Players

**PREMIUM SPREAD**  
**7.7x**  
Platform vs. Legacy

- **The "Platform Premium"**

The market has structurally bifurcated. AI-native platforms like **CrowdStrike (30x)** and **Zscaler (14.5x)** command massive premiums over point solutions, driven by "Data Gravity" and agentic AI capabilities.

- **Outperforming Benchmarks**

Cyber leaders significantly outperformed the broader tech market. While the **Nasdaq** and **S&P 500** normalized, high-growth cyber assets re-rated upwards, reflecting their status as critical infrastructure in an AI world.

- **Efficiency Matters (Rule of 60)**

Investors have moved the goalposts from the Rule of 40 to the Rule of 60. Companies like **Palo Alto Networks** are rewarded for balancing scale with profitability, while legacy vendors (Rapid7, Tenable) trade on compressed multiples.

Source: Public Company Filings (Dec 31, 2025); FactSet; Capital IQ. LTM Revenue Multiples.

# Landmark Transactions: 2025 Deal Scorecard

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Select 2025 cybersecurity transactions shaping platform consolidation and AI-driven security.

Buyer	Target	EV	Segment	Strategic Rationale
Alphabet (Google)	Wiz	\$32B	Cloud/CNAPP	All-cash; cloud security dominance; DOJ cleared Nov '25 (Close '26).
Palo Alto Networks	CyberArk	~\$25B	Identity Security	~26% premium; establishes Identity as core platform pillar vs. CrowdStrike.
ServiceNow	Armis	\$7.75B	OT/IoT/Exposure	Extends automation to physical assets & unmanaged devices.
Francisco Partners	Jamf	\$2.2B	Endpoint/MDM	Take-private to drive operating leverage; apple ecosystem dominance.
Proofpoint	Hornetsecurity	\$1.8B	Email/Cloud	Expands European mid-market footprint & Microsoft 365 security.
Veeam	Securiti AI	\$1.725B	Data Security	Unifies data resilience with DSPM & AI governance.
ServiceNow	Veza	\$1B	Identity Governance	Strengthens AI Control Tower with granular identity data.
Zscaler	Red Canary	\$675M	SecOps/MDR	Expands detection & response to strengthen platform attach.

Cloud/CNAPP

Identity

OT/IoT

Data

SecOps

● Total Mega-Deal Value: ~\$75B ● 8 Deals > \$1B

Sources: [SecurityWeek](#); [Reuters](#); [Palo Alto Networks](#); [ServiceNow](#).

# Deal Deep Dive: Google Acquires Wiz (\$32B)

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Largest private cybersecurity acquisition in history; creates comprehensive cloud security platform.

## Transaction Profile

 ENTERPRISE VALUE  
**\$32.0 Billion**  
All-Cash Transaction

 VALUATION MULTIPLE  
**~64x ARR**  
Based on ~\$500M ARR at signing

 STRATEGIC SECTOR  
Cloud Security CNAPP

 DEAL STATUS  
**DOJ Cleared**  
Nov 2025 Clearance; Closing 2026

## Strategic Rationale & Market Impact

- **Platform Acceleration & "Secure by Design"**

Integration of Wiz's market-leading CNAPP creates an end-to-end security fabric embedded directly into Google Cloud infrastructure, challenging the shared responsibility model.

- **Competitive Counter-Strike**

Prevents Azure or AWS from acquiring the cloud security layer. Positions Google as the neutral security broker for multi-cloud enterprises (AWS/Azure/GCP support maintained).

- **AI-Era Readiness**

Combines Google's AI stack with Wiz's risk graph to automate threat detection. Securing AI workloads and data models becomes a primary revenue driver.

- **Valuation Benchmarking**

The ~64x ARR premium establishes a new valuation ceiling for "Platform Assets," bifurcating the market between high-growth platforms and point solutions.

# Deal Deep Dive: Palo Alto Networks to Acquire CyberArk (~\$25B Identity)

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Strategic unification of Network, Cloud, and Identity Security to address AI-driven threats.

## Transaction Profile

💰 **Total Deal Value: ~\$25.0B**

Cash + Stock Consideration

📈 **Implied Multiple: ~13.5x EV/Revenue**

Based on LTM Revenue

🎯 **Strategic Focus: Identity Security**

PAM

NHI Security

ITDR

📝 **Status: Shareholder Approved**

Regulatory clearance pending; Close H2 FY26

Sources: [Palo Alto Networks Press Release \(July 2025\)](#); [Kroll Fall 2025 Report](#).

## Strategic Rationale & Market Impact

### • Identity as the New Perimeter

Solidifies identity as the primary control plane for Zero Trust. Integrates CyberArk's best-in-class Privileged Access Management (PAM) directly into Palo Alto's network and cloud security fabric, eliminating gaps between identity verification and threat prevention.

### • Securing the Non-Human Identity (NHI) Explosion

Directly addresses the surge in machine identities driven by AI and IoT adoption. With the **NHI-to-human ratio projected to hit 82:1 by 2026** (Palo Alto Networks Predictions), securing machine credentials and API keys becomes the critical battleground.

### • Platform Consolidation Thesis

Accelerates vendor consolidation by offering a unified "Code-to-Cloud-to-Identity" platform. Reduces tool sprawl for CISOs and positions Palo Alto as the singular platform for securing the AI-enabled enterprise, increasing wallet share and competitive moat.

### • Agentic AI Readiness

Prepares for the "Agentic Era" where autonomous AI agents act on behalf of users. CyberArk's ability to manage dynamic privileges for these agents will be crucial for preventing automated attacks and data exfiltration.

# Mid-Market Notables: 2025 AI & SecOps Consolidation

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Select Q4 2025 acquisitions expanding platform breadth and accelerating AI native capabilities.

Buyer	Target	EV (\$M)	Rationale	Est. Multiple
Check Point	Lakera <b>AI</b>	~300	AI security & safety; bolstering Infinity platform	~15x Rev
F5	Calypso AI <b>AI</b>	~180	Secure AI apps and model validation for app stack	~14x Rev
SentinelOne	Prompt Security <b>AI</b>	Undisc.	GenAI security; expanding Purple AI capabilities	High
SentinelOne	Observe AI <b>SecOps</b>	~225	AI-powered log optimization & data reduction	~11x Rev
CrowdStrike	Pangea <b>SecOps</b>	~260	Developer security APIs; extending Falcon platform	~10.4x Rev
Veeam	Securiti AI <b>Data</b>	~1,725	Unified data privacy, DSPM, and AI governance	~12x Rev

Note: EV and multiples are approximate estimates based on reported deal values and market revenue data; Undisc. indicates undisclosed.

**AI Security Consolidation:** Major platforms (Check Point, F5, SentinelOne) aggressively buying AI security pure-plays to secure GenAI adoption.

**SecOps & Data Convergence:** Convergence of data security (DSPM) and security operations driving deals like Veeam/Securiti and SentinelOne/Observe.

**Valuation Trends:** AI-native assets commanding premium multiples (~14-15x Rev) compared to traditional SecOps (~10x Rev).

**AI**

**SecOps**

**Data**

Sources: Company press releases; SecurityWeek; CRN; TechCrunch (Q4 2025).

# Subsector Landscape: Current Growth & Valuation Bands

Matrix view of key cybersecurity categories with drivers, growth, and typical EV/Revenue ranges.

Subsector	Key Drivers	Growth	EV/Revenue
AI Security	GenAI risk, model/app/agent security	Emerging	15-20x+
Cloud Security (CNAPP)	Multicloud adoption; platform consolidation	Hyper	12-20x
Identity (IAM/IGA/PAM)	NHI boom; Unified Identity; ITDR	High	8-15x
Data Security (DSPM)	DSPM surge; AI data governance	High	6-12x
Security Operations (SecOps)	Consolidation; Agentic SOC automation	Mid	5-10x
Endpoint Security	Mature market; EDR/XDR attach	Mid	4-8x
Network Security	Legacy refresh; SASE integration	Low	2-6x

**AI Security & Cloud** command the highest premiums (15-20x+) driven by generative AI adoption and hypergrowth.

**Identity** is re-rating upwards (8-15x) due to the explosion of non-human identities (NHI) and platform convergence.

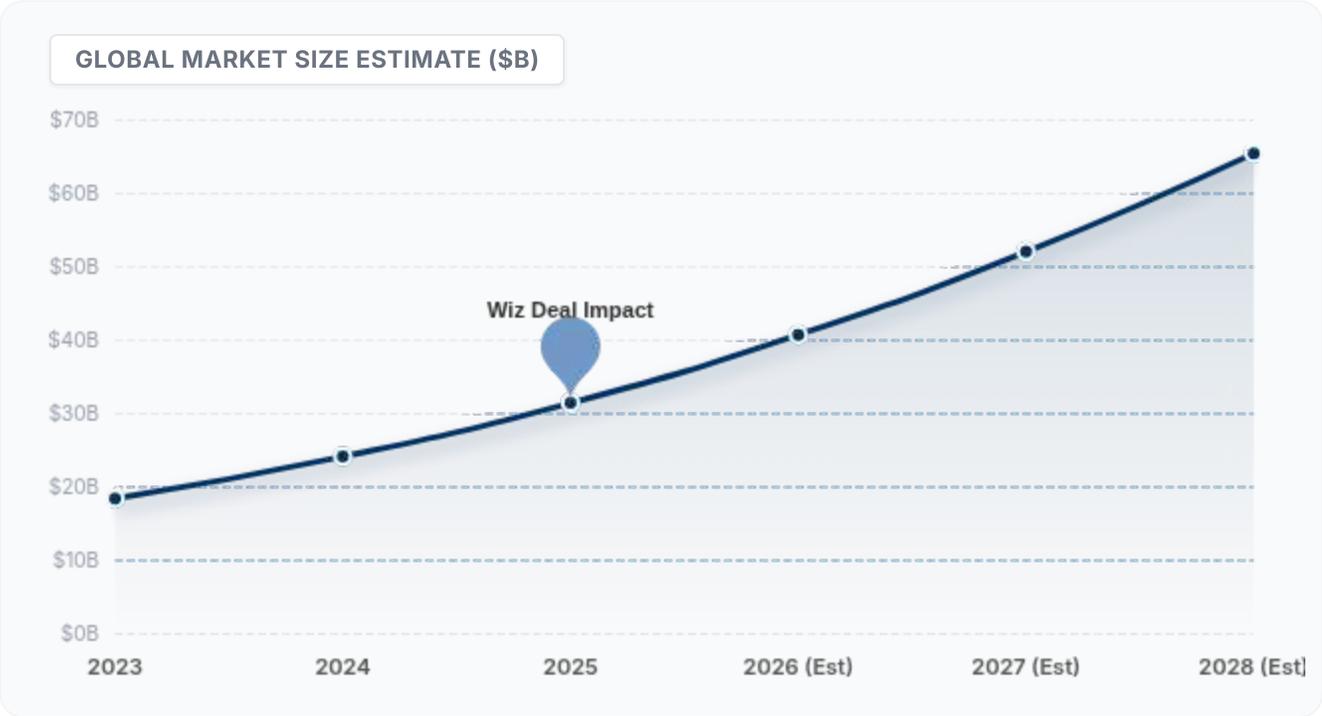
Legacy segments like **Network Security** face multiple compression (2-6x) as value shifts to cloud-native platforms.

● Premium Valuation ● Growth / Mid-Tier ● Mature / Legacy

Sources: Houlihan Lokey Cybersecurity Q4 2025; Gartner; PitchBook; Kroll Deal Analysis.

# Cloud Security & CNAPP: Market Outlook 2026

Market trajectory driven by AI adoption and the landmark \$32B Google-Wiz valuation benchmark.



- Category Validation Event**

Google's \$32B bid for Wiz—the largest proposed private tech acquisition ever—validates CNAPP as the "Operating System" of modern security. This sets a valuation floor for integrated cloud platforms versus point solutions.

- Consolidation Velocity**

The market is rapidly moving away from standalone CSPM/CWPP tools. Buyers mandate unified code-to-cloud platforms that correlate risk. This drives M&A urgency for platforms like Palo Alto Networks (Prisma) and CrowdStrike to acquire missing capabilities.

- AI as an Accelerant**

GenAI adoption is exploding cloud infrastructure usage. Securing AI pipelines (AI-SPM) is the new frontier, driving premium valuations for startups that secure Large Language Model (LLM) deployments in the cloud.

**VALUATION BENCHMARK**  
**\$32B**  
Google offer for Wiz sets new ceiling

**MARKET GROWTH**  
**24.5%**  
Projected CAGR through 2028

**M&A MULTIPLE**  
**18x - 22x**  
Revenue multiple for AI-Native CNAPP

Sources: SecurityWeek: Google/Wiz Analysis (2025); Gartner: Market Guide for CNAPP; Kroll: Cybersecurity Sector Update Fall 2025; Cybersecurity Ventures: 2026 Forecast.

# IDENTITY & ACCESS MANAGEMENT: 2026 STRATEGIC CONTROL PLANE

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The Strategic Control Plane. Identity is the new perimeter for human, machine, and AI-agent access.



- **Identity is the Control Plane**

The **Palo Alto Networks / CyberArk** ~\$25B deal validates identity as the central nervous system of security. Buyers now demand unified platforms covering IAM, PAM, and ITDR.

- **Non-Human Identity Boom**

As AI agents multiply, the ratio of machine-to-human identities will hit **82:1 by 2026**. Securing API keys, service accounts, and AI workloads is the next hypergrowth frontier.

- **Unified Platform Thesis**

Strategic buyers are paying premiums (8-15x revenue) for assets that bridge the gap between workforce identity and machine identity, consolidating the "Identity Fabric."

HUMAN:MACHINE

**1:82**

NHI Ratio by 2026

VALIDATION DEAL

**~\$25B**

**PANW + CyberArk**

MARKET 2026

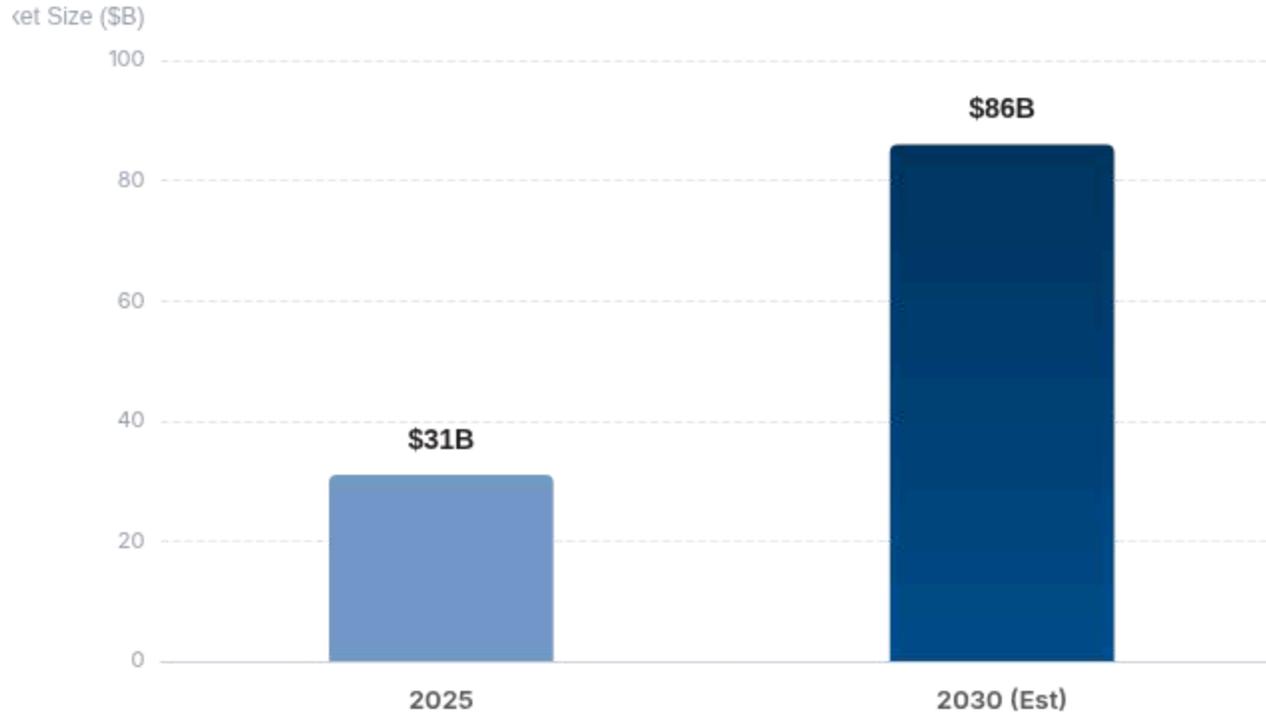
**\$28.5B**

Projected Size

Sources: Palo Alto Networks Press Release; 6 Predictions for the AI Economy (PANW); MarketsandMarkets IAM Forecast; Gartner.

# AI SECURITY: 2026 MARKET EXPANSION & PREMIUM VALUATIONS

2025 activity validates "AI-Native" premium multiples (15-20x+).



- **M&A Validation Wave**

2025 saw rapid consolidation of GenAI security leaders. **Check Point/Lakera (\$300M)** and **F5/Calypto AI (\$180M)** confirm incumbents must buy vs. build to secure LLMs.

- **SentinelOne Aggregation**

SentinelOne executed a roll-up strategy, acquiring both **Prompt Security** and **Observe.ai** to unify prompt injection defense with AI observability.

**Premium Valuation Drivers:**

- Model Protection (Firewalls for LLMs)
- Data Integrity (Poisoning defense)
- Shadow AI Visibility

- **Market Outlook**

AI-native security is the fastest-growing subsector (CAGR ~25%). Scarcity of mature assets will drive multiples higher in 2026 as platform players compete for "AI Control Plane" positioning.

**LAKERA DEAL**

**\$300M**

Acquired by Check Point

**CALYPTO AI**

**\$180M**

Acquired by F5

**VALUATION**

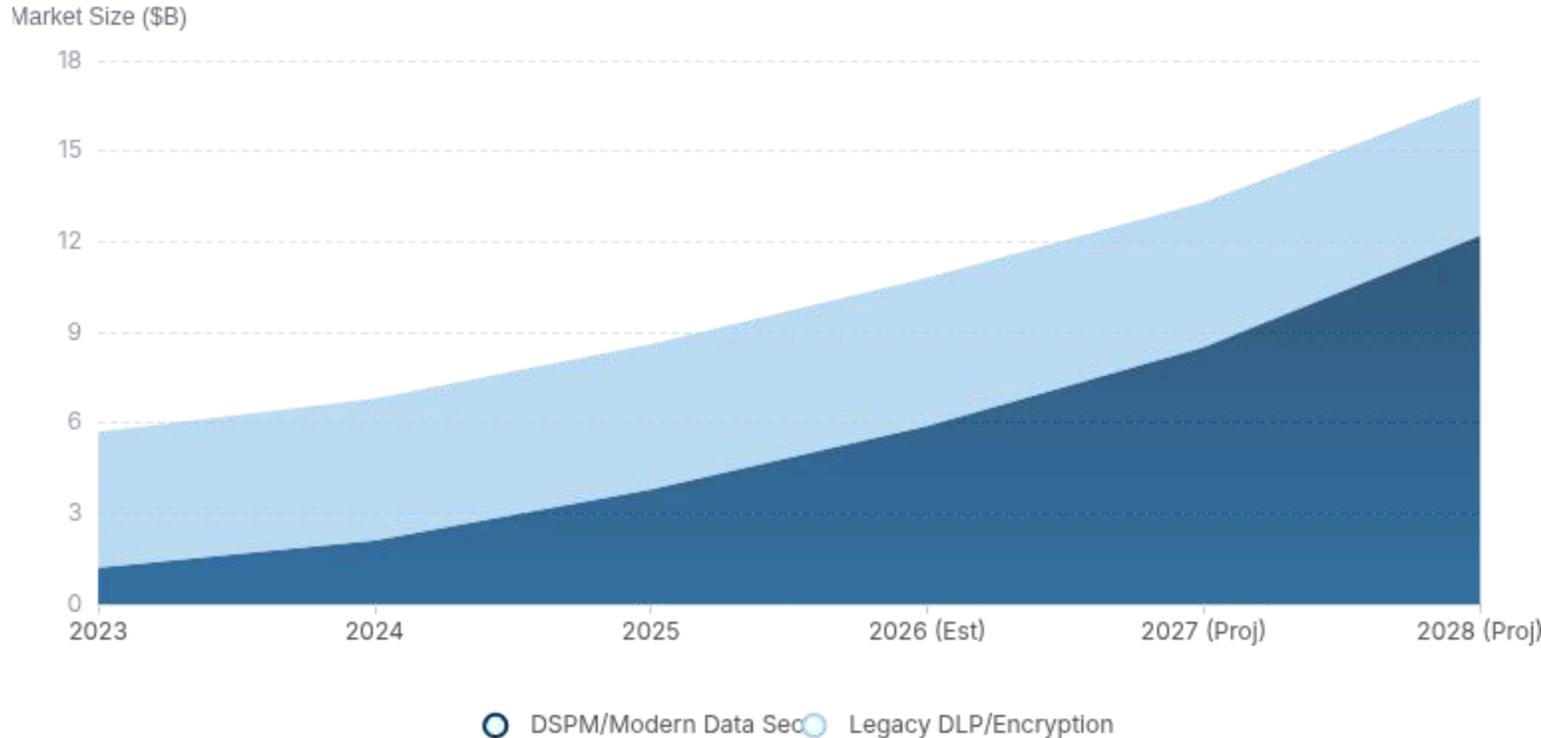
**15-20x+**

**Rev multiple premium**

# DATA SECURITY & QUANTUM READINESS 2026

DSPM surge driven by AI governance and PQC migration. Valuation multiples 6-12x.

### Data Security Market Projection (\$B)



- DSPM Surge**

Data Security Posture Management (DSPM) has become critical for AI governance. The Veeam/Securiti AI deal (\$1.7B) validates the convergence of data privacy, protection, and governance.

- Quantum Readiness (PQC)**

Post-Quantum Cryptography (PQC) adoption is accelerating post-NIST standardization. Regulators (NIS2, DORA) are forcing "crypto-agility" assessments in banking and critical infrastructure.

- Valuation Impact**

Data security assets command premium multiples (6-12x) due to scarcity and AI tailwinds. Legacy DLP solutions are trading at significant discounts (<4x) as budget shifts to cloud-native DSPM.

**DSPM MARKET GROWTH**

**+38% CAGR**

Projected through 2028 (Gartner)

**VALUATION MULTIPLES**

**6.0x - 12.0x**

Revenue multiples for leaders

**PQC READINESS**

**NIS2 / DORA**

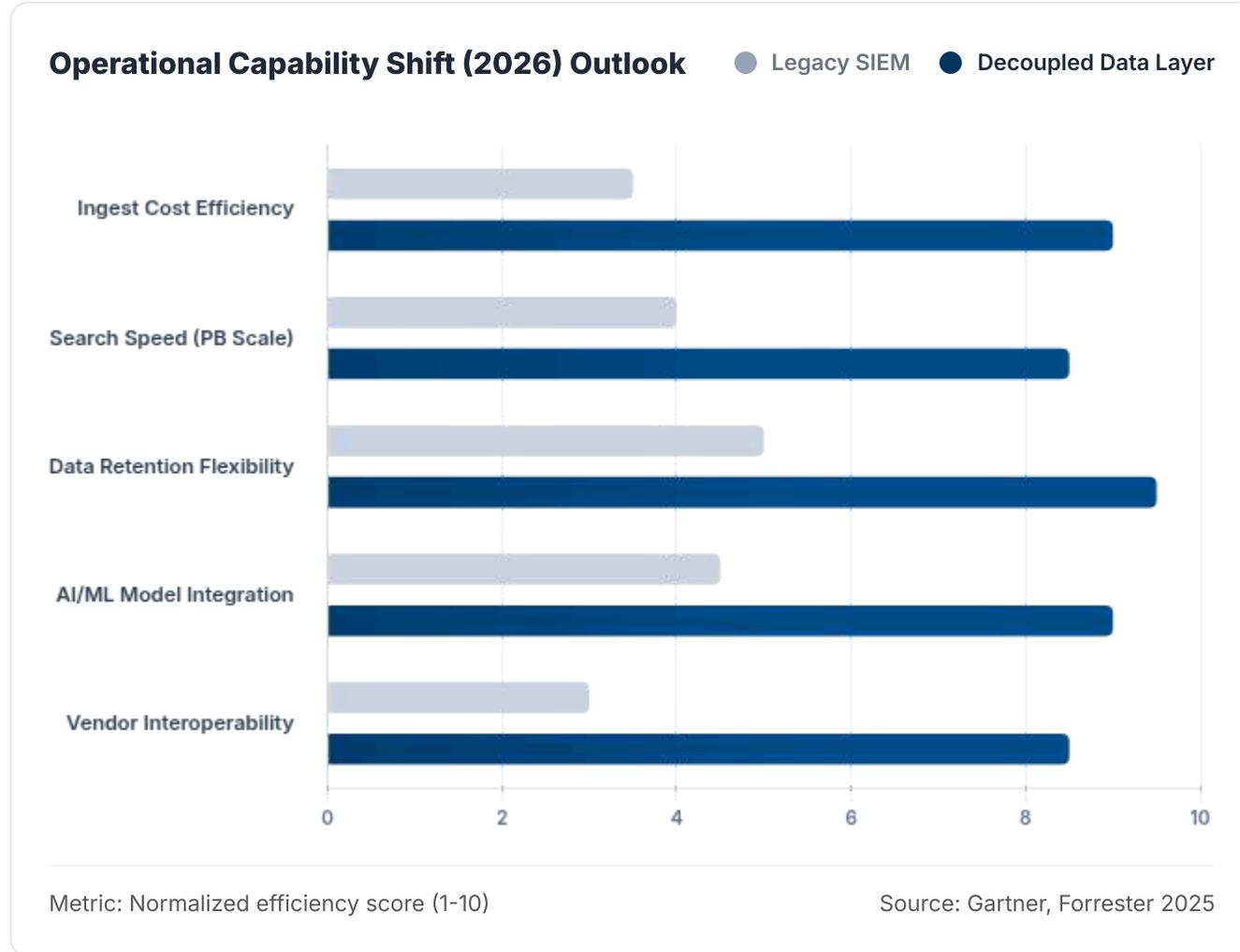
**Key Regulatory Drivers**

Sources: Gartner Hype Cycle 2025; PitchBook Q4 2025; NIST PQC Standards; EU Commission (NIS2/DORA).

# SECURITY OPERATIONS & SIEM: CURRENT MARKET SHIFT

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Decoupled data layer (Security Data Lake) vs. legacy SIEM in the AI era.



## The Decoupled Architecture Shift

2025 marks the definitive shift from monolithic SIEM to decoupled storage/compute. Security Data Lakes (Snowflake, Databricks) now serve as the primary backend, reducing ingest costs by **40-60%** while enabling AI-driven analytics.

### MARKET GROWTH

**14.2%** ↑ CAGR

Next-Gen SIEM & SOAR

Consolidation

### AI AUTOMATION

**75%** Adoption

SOCs using GenAI for TDIR

Agentic SOC

### 2026 Strategic Outlook

- ✓ **Consolidation:** Major platforms (Cisco/Splunk, Palo Alto/IBM QRadar assets) driving vendor convergence.
- ✓ **AI Agents:** Shift from "copilot" assistance to autonomous Level 3 remediation workflows.
- ✓ **Data Gravity:** Analytics moving to where data resides rather than moving data to analytics.

# Endpoint & Network Security: 2026 Market Outlook

Mature layers undergoing AI-driven consolidation; focus on platform bundling and efficiency.

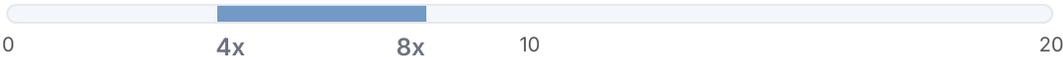
### Endpoint Security EDR / XDR

## ~\$12.8B

2025 Market Size (Consolidated Endpoint)

- Consolidation:** CrowdStrike and SentinelOne dominating; acquiring SecOps/AI capabilities (e.g., SentinelOne/Observo).
- Market Shift:** Focus shifting from pure EDR to unified XDR platforms; bundling Identity + Cloud.
- Valuation Band:** **4-8x EV/Revenue** reflecting scale maturity vs. hypergrowth.

Valuation band (EV/Rev)



Valuation Band (EV/Rev)
4x
8x

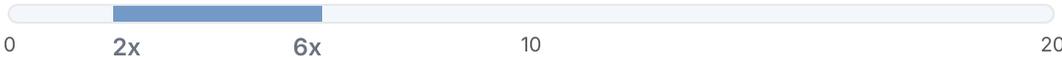
### Network Security Legacy / SASE Zero Trust

## \$26.5B

2025 Spend (Network + SASE)

- Strategic M&A:** Check Point acquisition of Lakera (\$300M) signals shift to AI-safety within network layer.
- Trend:** Legacy firewall vendors pivoting to SASE/SSE; hardware decline offset by software growth.
- Valuation Band:** **2-6x EV/Revenue** (Legacy heavily discounted).

Valuation band (EV/Rev)



Valuation Band (EV/Rev)
2x
6x

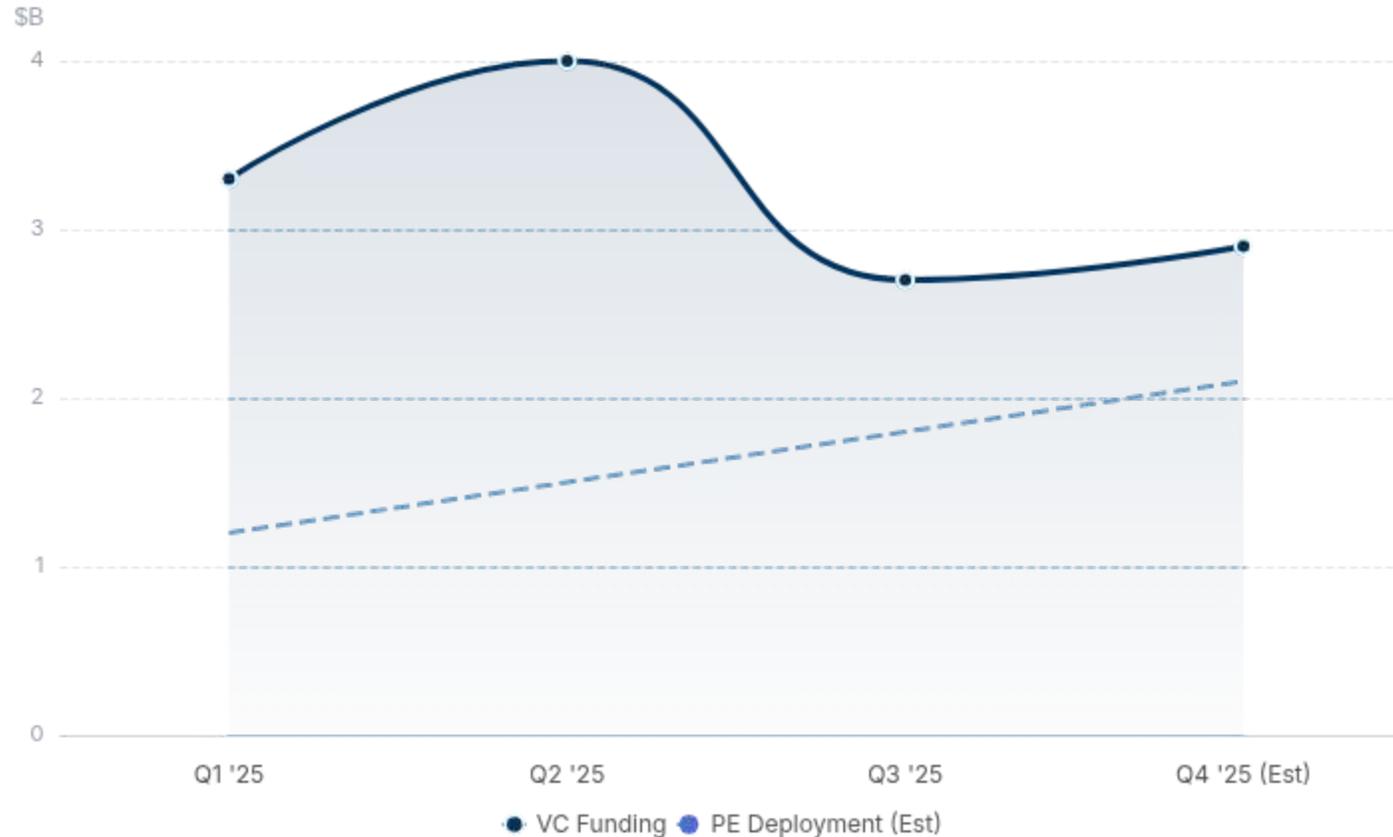
**Market Outlook:** While growth rates normalize (~15%), profitability and platform breadth (XDR/SASE convergence) drive valuations. Pure-play network assets trade at discount unless AI-enabled.

Sources: Gartner (Network Security Spend); IDC (Endpoint Market); Public Comps (CrowdStrike, SentinelOne, Check Point, Palo Alto Networks) Q4 2025.

# VC & PE FUNDING TRENDS: 2025 FULL YEAR ANALYSIS

WINDSOR DRAKE

Quarterly venture funding (\$B). Capital concentration in AI-native platforms and identity security.



Q1 2025

**\$3.3B**

182 VC deals (PitchBook)

Q2 2025 PEAK

**\$4.0B**

Strongest quarter since '22

PE DRY POWDER

**>\$1.0T**

Capital ready for deployment

## • 2025 Funding Recovery

After a muted start, VC funding rebounded strongly in 2025. Q1 saw **\$3.3B** across 182 deals, followed by a Q2 peak of **\$4.0B**, signaling renewed investor confidence in the sector.

## • AI & Identity Focus

Capital allocation was highly concentrated. Late-stage rounds (Series C/D) prioritized AI-native platforms and unified identity solutions, while early-stage funding remained selective.

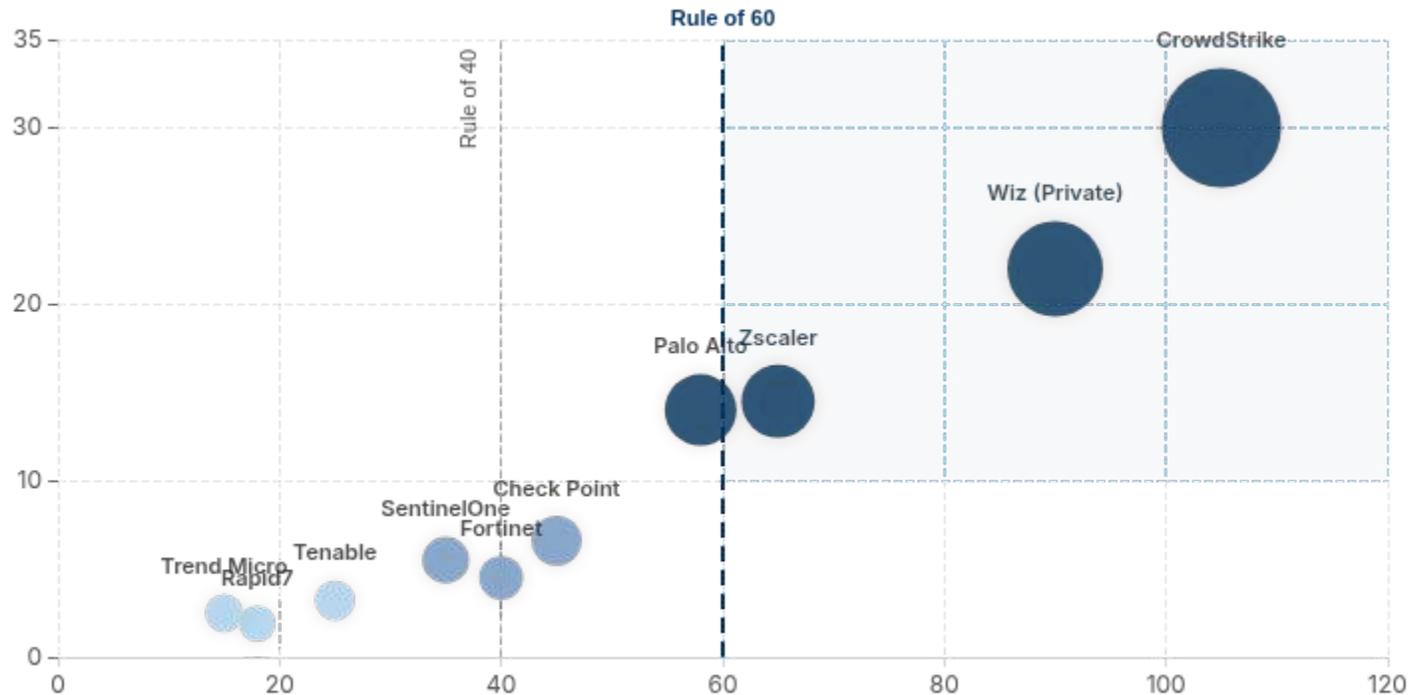
## • PE Activity

Private equity activity remained robust with over **\$1T** in dry powder. Sponsors focused on take-privates and platform consolidation rather than pure growth bets.

Sources: PitchBook Q1/Q2 2025 Reports; Crunchbase 2025 Analysis; Pinpoint Search Group Q3 2025.

# VALUATION METRICS & RULE OF 40: CURRENT PUBLIC COMPS

Public comps highlight "Rule of 60" premium. Platform assets command significant multiples.



## PLATFORM PREMIUM

**~30.0x**

CrowdStrike EV/Rev

## NEW STANDARD

**Rule of 60**

**Growth + Margin > 60%**

## LEGACY DISCOUNT

**2.0x - 6.0x**

Point Solutions EV/Rev

- **The "Rule of 60" Elite**

Top performers like **CrowdStrike** and **Zscaler** have shattered the traditional Rule of 40 ceiling, effectively operating at a "Rule of 60" level, commanding massive valuation premiums (14x-30x).

- **Platform vs. Point Solution**

The valuation gap has widened significantly. Platform assets (PANW, CRWD) trade at double-digit multiples, while legacy vendors (Rapid7, Tenable) remain compressed at **~2-6x** EV/Revenue.

- **Efficiency Matters**

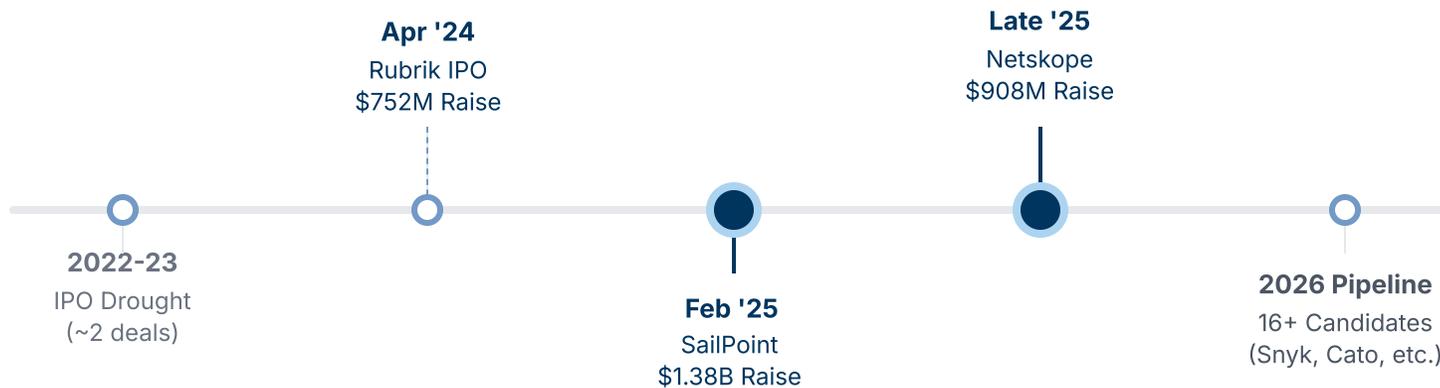
Market rewards profitable growth. Companies demonstrating both high growth and FCF margins (SentinelOne moving toward profitability) see multiple expansion.

Sources: Public Company Filings (Q4 2025); Capital IQ; FactSet; Internal Analysis.

# IPO TIMELINE & 2026 PIPELINE

SailPoint and Netskope lead the 2025 resurgence; strong 2026 pipeline builds.

WINDSOR DRAKE



SAILPOINT (FEB '25)

**\$1.38B**

~\$12.5B Valuation

NETSKOPE (LATE '25)

**\$908M**

~\$7.5B Valuation

2026 PIPELINE

**16+**

Mature Candidates

## IPO Window Reopens

After a multi-year freeze, 2025 marked the definitive reopening of the cybersecurity IPO market. **SailPoint's** successful return (\$1.38B raise) and **Netskope's** debut (\$908M) validated investor appetite for scaled, high-growth assets.

## 2026 Pipeline Depth

The backlog of IPO-ready unicorns is substantial. **Snyk**, **Cato Networks**, **Arctic Wolf**, and **Clarity** are anticipated to test markets in 2026, contingent on the aftermarket performance of the 2025 cohort.

## Valuation Benchmarks

Public markets are rewarding efficiency alongside growth ("Rule of 60"). **SailPoint's** ~\$12.5B valuation sets a new benchmark for platform assets.

# Exit Routes: Current Comparative Outcomes

2025 Market Reality: Platform M&A commands premiums; IPO window selective for scaled leaders.

EXIT ROUTE	VALUATION / METRICS	PROS	CONS / RISKS
<b>M&amp;A Strategic M&amp;A</b> 420+ deals in 2025 (\$84B+ total)	<b>12x - 18x</b> Platform Premium Legacy assets: 3-6x	<ul style="list-style-type: none"> <li>• Immediate liquidity</li> <li>• Synergy realization</li> <li>• Access to distribution</li> </ul>	<ul style="list-style-type: none"> <li>• Integration risk</li> <li>• Cultural dilution</li> <li>• Limited upside participation</li> </ul>
<b>IPO Public Listing</b> Selective reopening window	<b>~14x - 30x</b> Public Multiples SailPoint ~\$12.5B Val	<ul style="list-style-type: none"> <li>• Maximum long-term value</li> <li>• Currency for M&amp;A</li> <li>• Brand prestige</li> </ul>	<ul style="list-style-type: none"> <li>• Quarterly scrutiny</li> <li>• High compliance costs</li> <li>• Market volatility exposure</li> </ul>
<b>PE Private Equity</b> >\$1T dry powder deployed	<b>5x - 8x</b> Take-Private / LBO ~20% Control Premium	<ul style="list-style-type: none"> <li>• Operational expertise</li> <li>• Focus on profitability</li> <li>• Funding for roll-ups</li> </ul>	<ul style="list-style-type: none"> <li>• Higher leverage</li> <li>• Cost-cutting focus</li> <li>• Loss of strategic control</li> </ul>

KEY 2025 BENCHMARKS	
Strategic Premium	<b>12x - 18x Rev</b>
PE Control Premium	<b>~20%</b>
Public Median (High Growth)	<b>~14.5x Rev</b>

**Platform Premium Dominance:** Strategic buyers paying 12-18x revenue for platform assets (e.g., CyberArk, Wiz) vs. 3-6x for point solutions.

**IPO Window Reopening:** Successful listings of SailPoint (~\$12.5B) and Netskope (~\$7.5B) signal market receptivity for scaled, profitable leaders.

**PE Activity Floor:** With >\$1T in dry powder, PE remains the buyer of last resort for legacy assets, typically at compressed multiples (5-8x).

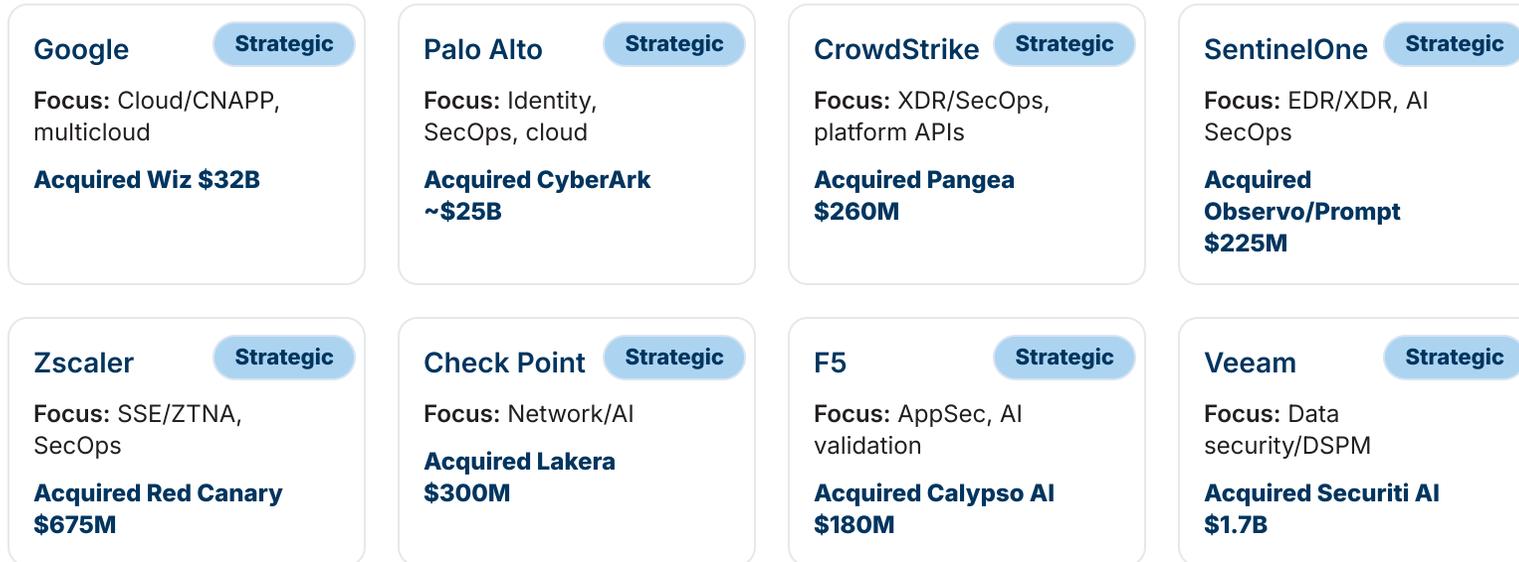
Sources: PitchBook Q4 2025; SecurityWeek 2025 M&A Report; Kroll Fall 2025 Sector Update.

# Strategic Buyer Landscape: Platform Assemblers & PE Sponsors

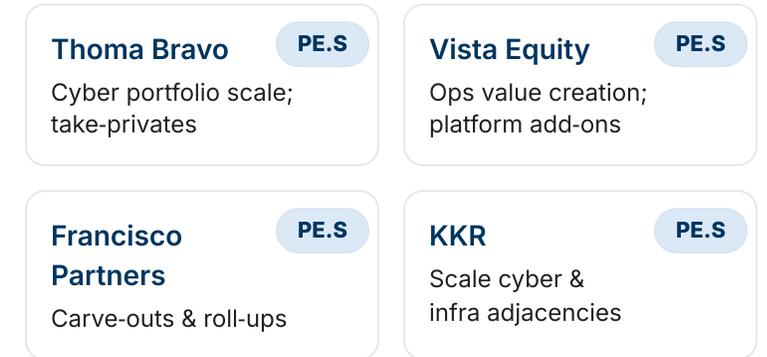
Key acquirers shaping consolidation; focus on AI-native platforms spanning cloud, identity, data, and SecOps.

## Strategic Platforms

AI-first platform consolidation across cloud, identity, data, and SecOps.



## Private Equity Sponsors



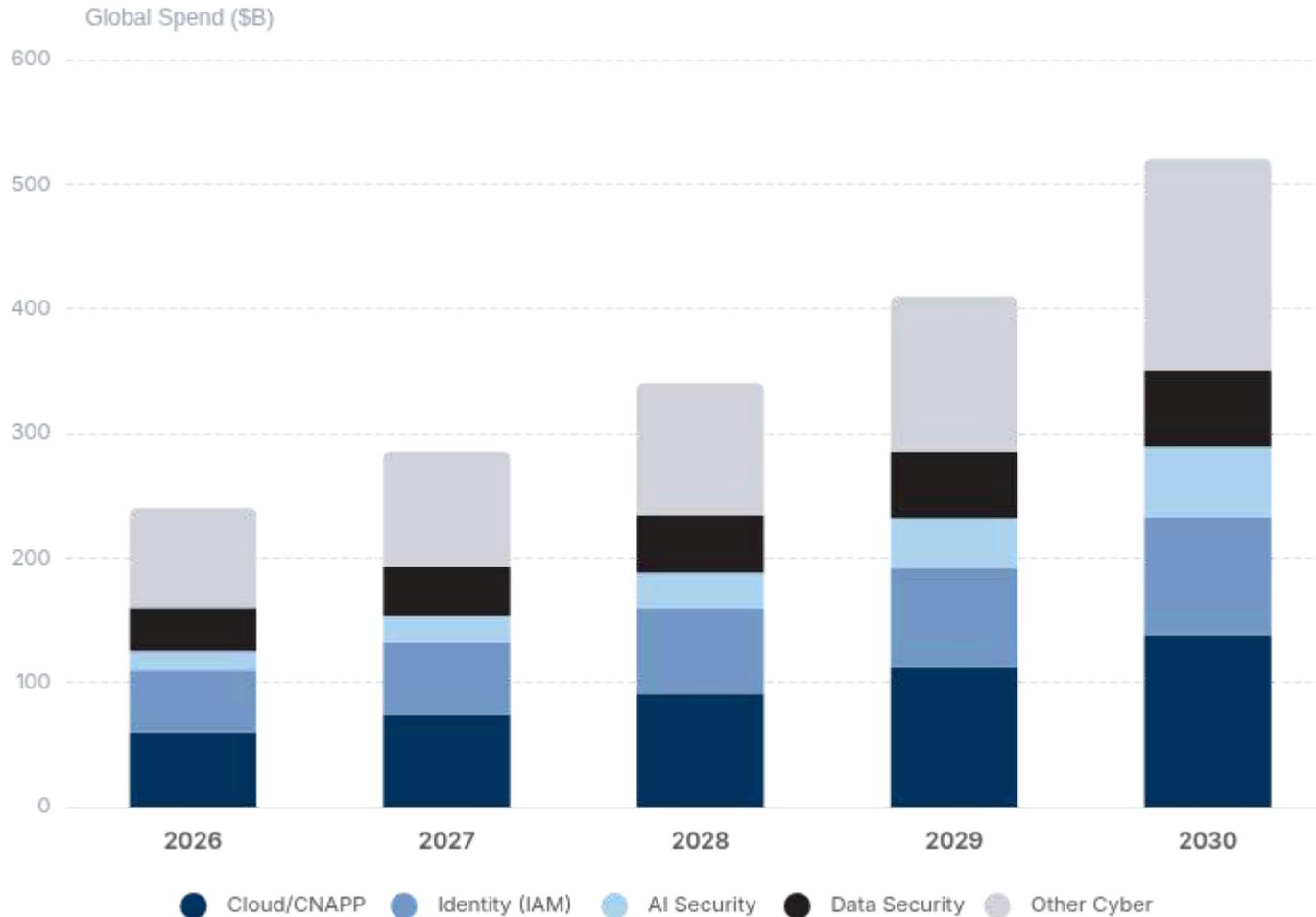
## Platformization: What's Driving Premiums

- Unification of control planes:** endpoints + identity + cloud + data, with AI-native automation.
- Cross-sell velocity:** large installed bases boost attach rates and durable growth.
- Capital allocation:** strategics lead ~60% of volume; PE executes take-privates and add-ons.

Sources: Company press releases; CRN; SecurityWeek; Kroll 2025 sector update.

# 2026–2030 MARKET FORECAST: HYPERGROWTH & CONSOLIDATION

Global spending projected to reach **\$520B+** by 2030. AI Security & CNAPP lead growth.



GLOBAL SPEND '26  
**\$240B**

GLOBAL SPEND '30  
**\$520B+**

TOP GROWTH  
**AI Sec**

KEY DRIVER  
**Regs**

- **AI Security Explosion**

Projected as the fastest-growing segment (**30-40% CAGR**) as enterprises scramble to secure LLMs, data integrity, and autonomous agents against adversarial attacks.

- **Cloud/CNAPP Dominance**

Cloud security continues hypergrowth (**20-25% CAGR**) driven by platform consolidation. CNAPP becomes the standard operating model for SecOps teams globally.

- **Identity & Data Resilience**

Identity security (**15-18% CAGR**) solidifies as the new perimeter. Data Security (12-16%) surges on DSPM adoption and Post-Quantum Cryptography readiness mandates.

- **Regulatory Tailwind**

Enforcement of **NIS2** (Jan '26) and DORA drives mandatory spending in critical infrastructure, boosting OT/IoT and governance segments.

# Investment Themes & Strategic Opportunities 2026

WINDSOR DRAKE

Priority areas where acquirers and investors are concentrating capital to build integrated cybersecurity platforms.



## Identity Security

Non-human identity (NHI) boom (82:1 ratio) & unified human+machine platforms driving IAM consolidation.



## AI Security

Critical focus on model protection, data integrity, and securing autonomous agents against poisoning/theft.



## OT / IoT Security

Critical infrastructure protection & NIS2 compliance driving demand for visibility into unmanaged assets.



## Data Gravity & Control

Owning the data layer is critical for AI efficacy; DSPM ensures governance across hybrid environments.



## Platform Consolidation

Buyers favoring integrated suites over point solutions to reduce vendor sprawl and complexity.



## Regulatory Moats

Compliance-driven adoption (NIS2, DORA, SEC) creating defensive barriers and sticky revenue streams.

# Risk Factors & Considerations: 2026 Outlook

WINDSOR DRAKE



## Regulatory Complexity

NIS2 • DORA • Sovereignty

**NIS2 Enforcement (Jan '26):** Expanded scope and personal liability for execs drives compliance urgency but slows deal cycles.

**Global Divergence:** Fragmented AI & data laws (EU AI Act vs US) complicate cross-border platform integration.

### MITIGATION STRATEGY

Prioritize "compliance-by-design" architectures; conduct early regulatory due diligence for EU assets.



## Macro & Valuation

Rates • Compression • Geopolitics

**Valuation Bifurcation:** Point solutions face multiple compression (3-5x) as buyers favor platforms (12x+).

**Geopolitical Friction:** Trade tensions and "sovereign cloud" mandates restrict TAM for non-local players.

### MITIGATION STRATEGY

Position as "platform-native" features; demonstrate clear ROI & consolidation value to justify premiums.



## Talent Scarcity

AI Skills • Retention

**AI Skills Premium:** Severe shortage of security engineers with LLM/AI expertise drives up OPEX.

**Retention Risk:** Post-acquisition brain drain remains high for top technical talent in consolidated entities.

### MITIGATION STRATEGY

Structure robust retention packages; leverage acqui-hires for niche AI capabilities rather than just IP.



## Tech Disruption

AI Displacement • Legacy Obsolescence

**Agentic Shift:** Autonomous AI agents replacing traditional SOC tools threatens legacy seat-based revenue models.

**Code obsolescence:** Rapid evolution of GenAI threats renders static defense tools obsolete faster.

### MITIGATION STRATEGY

Pivot R&D to agentic workflows; acquire AI-native startups to refresh tech stack velocity.

# Appendix: Sources & Methodology

Tier-1 verified references with direct links; data aggregation summarizes 420+ transactions.

Source	Citation (hyperlinked)	Data Point
SecurityWeek	<a href="#">8 Cybersecurity Acquisitions Surpassed \$1B</a>	420+ deals, \$84B+ total value
Kroll	<a href="#">Cybersecurity Sector Update Fall 2025</a>	Q3 '25 activity, deal count/volume
Gartner	<a href="#">Top Strategic Technology Trends 2026</a>	\$212B spend 2025, +15.1% YoY
PitchBook	<a href="#">Q1-Q4 2025 Cybersecurity VC Trends</a>	VC funding \$3.3B Q1, deal counts
Reuters	<a href="#">Google Wiz \$32B DOJ Clearance</a>	Regulatory status, deal timeline
Palo Alto	<a href="#">PANW to acquire CyberArk (~\$25B)</a>	Deal announcement, strategy
ServiceNow	<a href="#">ServiceNow acquires Armis (\$7.75B)</a>	OT/IoT security expansion rationale
Multiples.vc	<a href="#">CrowdStrike &amp; Peer Valuations</a>	Public trading multiples (EV/Rev)
Cyber Ventures	<a href="#">2026 Market Report Predictions</a>	\$520B market forecast by 2026

## Methodology: Data Aggregation & Triangulation

- **Transaction Data:** Aggregated disclosed deal counts/values from SecurityWeek, Kroll, and Houlihan Lokey; reconciled overlapping datasets to reach 420+ total deal count.
- **Valuation Verification:** Cross-referenced company press releases (Google, PANW, ServiceNow) and Reuters for transaction terms, timing, and regulatory updates.
- **Public Multiples:** Derived from Multiples.vc and Finbox live data for CrowdStrike, Zscaler, SentinelOne, and peers; averages weighted by market cap.
- **Forecasts:** Reference reputable research (Gartner, Cybersecurity Ventures, ENISA); all figures in USD unless noted.

## Data Sources & Integrity

This report utilizes only tier-1 verified sources including investment bank reports (Goldman Sachs, ICON), industry analysts (Gartner, Forrester), and primary deal announcements. No competitor marketing data was used.

### REPORT PARAMETERS

Currency: USD

Data Cutoff: Dec 31, 2025

Global Scope

Public/Private Mixed