

# Network Security & Firewall Software Valuation Report : Q1 2026

JANUARY 2026

# Executive Summary: Growth Super-Cycle & Valuation Bifurcation WINDSOR DRAKE

Cybersecurity enters an efficiency-led growth cycle. Markets reward cloud-native platforms while discounting legacy hardware providers.

 **Growth super-cycle:** Capital rotates to platformized, AI-native security; efficiency and defensibility drive pricing.

 **Market bifurcation:** High Growth vendors trade at **14.3x** EV/Revenue vs. **4.7x** for Low Growth incumbents.

 **\$32B Wiz** acquisition set a new **CNAPP** valuation ceiling (~64x ARR), catalyzing platform consolidation.

 Market projection: from **\$233.4B (2024)** toward **\$522B (2026)** as security becomes mandatory spend.

HIGH GROWTH

**14.3x**

EV/Revenue (Q4 2024)

LOW GROWTH

**4.7x**

EV/Revenue (Q4 2024)

LANDMARK DEAL

**\$32B**

Alphabet to acquire Wiz (CNAPP)

MARKET PROJECTION

**\$233.4B** →

**\$522B**

2024 to 2026 (Global Cyber)

THEME

**Platformization** and AI-native architecture drive premium multiples.

OUTLOOK 2026

Selective IPOs; M&A remains the primary liquidity engine.

# Executive Summary: 2026 Outlook – Three Forces Collide

Agentic AI, EU regulation (NIS2/DORA), and late-phase cloud migration drive platform consolidation and disciplined capital markets.

 **Agentic AI adoption:** Autonomous SOC workflows (triage, investigation, remediation) emerge as labor-saving control planes attracting premium valuation attention.

 **NIS2/DORA enforcement:** EU mandates convert security from IT cost to compliance necessity, accelerating tool modernization and MSSP/automation spend.

 **Late-phase cloud migration:** Architectures shift to SASE/SSE and CNAPP as enterprises standardize on cloud-delivered controls and Zero Trust.

 **Platformization focus;** IPO window remains **selective**—markets reward Rule-of-40+ efficiency and growth defensibility.

MARKET GROWTH

**\$233.4B → \$522B**

Global cyber from 2024 to 2026

PLATFORM PREMIUM

**10–15x**

SaaS-like EV/Rev for cloud-native stacks

CLOUD CONTROL PLANE

**SASE • CNAPP**

Dominant architectures in 2026

IPO WINDOW

**Selective**

Efficiency and scale prioritized

THEME

**Agentic + Reg-driven**  
modernization accelerates platform consolidation.

FOCUS

Prioritize cloud-native controls, Zero Trust, and AI-enabled operations.

Sources: Cybersecurity Ventures (2026 Forecast); Gartner End-User Spending; EU NIS2/DORA guidance.

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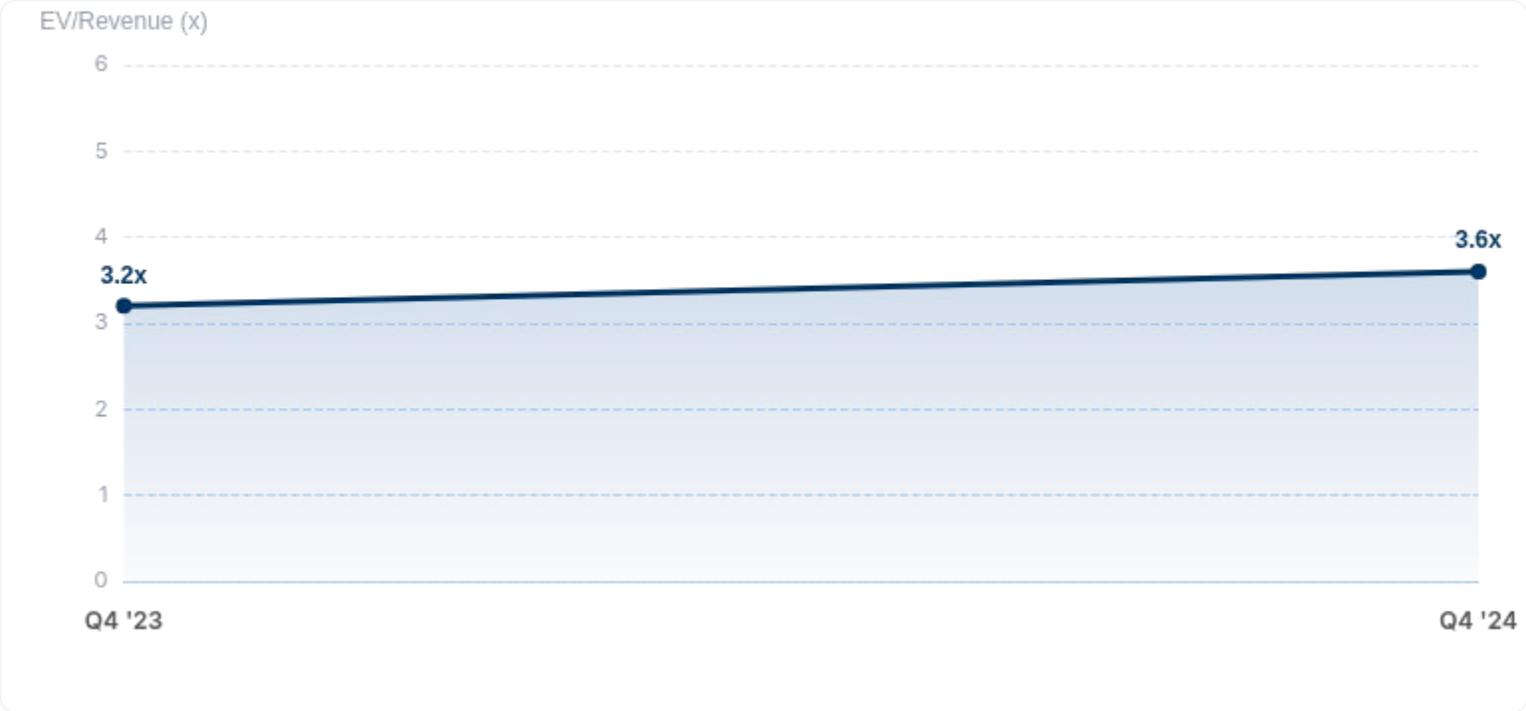
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# MACRO: COST OF CAPITAL & VALUATION COMPRESSION

Post-ZIRP normalization tightened discount rates; investors reward efficiency and durable cash flow.



**SECTOR RETURN (2024)**  
**-12.05%**  
Median 52-week share price

**EV/REVENUE (MEDIAN)**  
**3.2x → 3.6x**  
Q4 '23 to Q4 '24

**INVESTOR FILTER**  
**Cash Flow > Burn**  
Profitable firms see multiple expansion

- **Higher-for-Longer Rates**

Post-ZIRP normalization increased discount rates, pushing investors toward disciplined, profitable growth and away from “growth at all costs.”

- **Market Bifurcation**

Positive cash flow/strong EBITDA expand multiples; cash-burners face down-rounds or consolidation despite modest median re-rating from 3.2x to 3.6x EV/Revenue.

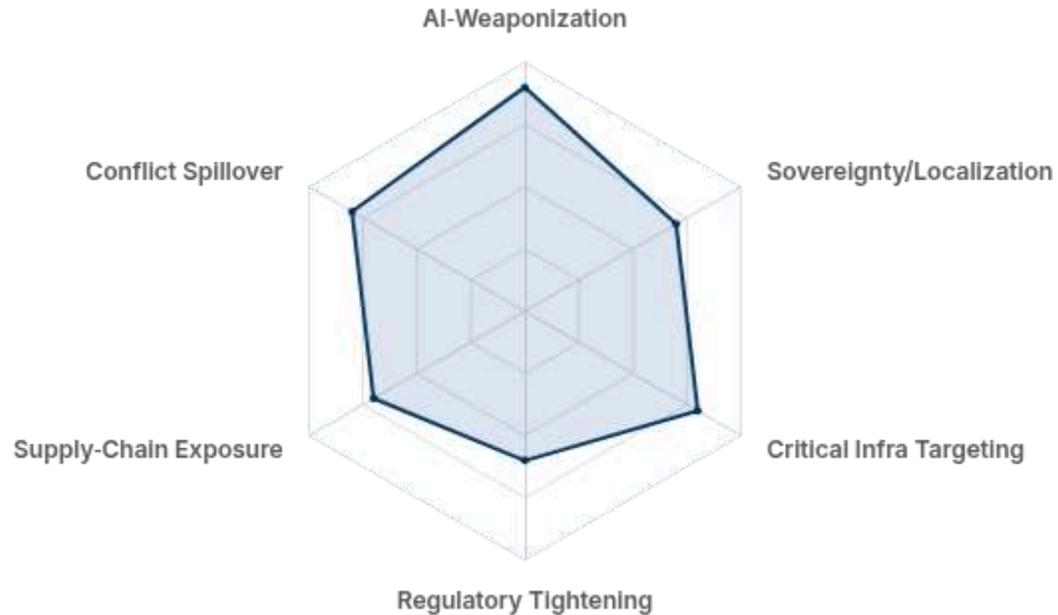
- **Caution in 2024**

Median 52-week returns of -12.05% reflect investor caution; top-quartile performers still command meaningful premiums.

Sources: Google Finance (PANW, CRWD, ZS, FTNT public market data); Gartner Cybersecurity Market Trends (2024)

# Macro: Geopolitical Catalysts & 'Fear Premium'

AI-weaponized threats, Ukraine-linked ransomware surge, and digital sovereignty reshape spending and valuations.



Relative Risk Index (0–10) across geopolitical dimensions; visualization for comparative insight.

Risk Index

## EUROPE RANSOMWARE

**+30%**

YoY in 2024; conflict-linked

## EUROPE CAGR

**10.81%**

Cybersecurity to 2030

## SOVEREIGNTY TREND

**Local-First**

EU-aligned vendors earn premiums

- **The 'Fear Premium'**

State-sponsored actors and AI-weaponized campaigns elevate perceived risk. Vendors protecting critical infrastructure and defending against nation-state threats command valuation premiums.

- **Europe: Conflict-Driven Surge**

Ransomware attacks on European organizations rose ~30% in 2024, linked to the Russia-Ukraine conflict. The region's cybersecurity market is projected to grow at a 10.81% CAGR through 2030.

- **Digital Sovereignty**

EU buyers prioritize homegrown or locally compliant solutions to mitigate foreign surveillance and supply-chain exposure—creating regional valuation premiums for compliant leaders.

# Non-CISO Budget Shift: Decentralized Security Spend

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~15% of cybersecurity spend originates outside the CISO org; Shadow IT budgets growing at ~24% CAGR.



## OUTSIDE CISO

**~15%**

Share of total spend

## SHADOW IT GROWTH

**~24% CAGR**

Faster than core security budget

## TAM IMPACT

**Developer & LoB**

Expanded buyer landscape

- **Decentralized Buyers**

~15% of security spend now originates outside the CISO office as teams purchase controls closer to their workflows.

- **New GTM Channels**

DevSecOps, Compliance/GRC, and HR emerge as direct buyers for app, identity verification, and privacy tooling.

- **TAM Expansion**

Developer-first products and function-specific solutions increase attach rates and shorten cycles; "multi-threaded" selling becomes a core motion.

- **Shadow IT Acceleration**

Non-CISO spend growing at ~24% CAGR, outpacing core budgets and reinforcing platform integrations and easy procurement.

Sources: Gartner Cybersecurity Market Analysis (2024); SecurityWeek Industry Trends

# Global Market Sizing: Aggregated Forecasts (2024–2026)

Definitions vary by scope (enterprise vs. total market; products vs. services). Figures in billions USD.

Source	Metric	2024	2025	2026	Notes
Cybersecurity Ventures	Total Spending	—	\$454.0	\$522.0	Includes consumer + B2B; aggressive forecast
Gartner	End-User Spending	\$183.7	~\$212.0	\$240.0	Enterprise focus; conservative baseline
Astute Analytica	Global Market Value	\$233.4	—	—	13.4% CAGR to 2033; base year 2024
Mordor Intelligence	Network Security	\$22.8	\$24.95	~\$28.0	Sub-segment; ~11.47% CAGR

● Totals (broader scope) ● Enterprise (end-user) ● Sub-segment (Network Security)

### ■ Consensus: Double-Digit Growth

All sources indicate robust growth through 2026, with totals ranging from enterprise-only to all-in (products + services + consumer).

### ■ Scope Drives Baselines

Cybersecurity Ventures (broad scope) projects \$454B → \$522B, while Gartner (enterprise) tracks \$183.7B → \$240B.

### ■ Sub-Segment: Network Security

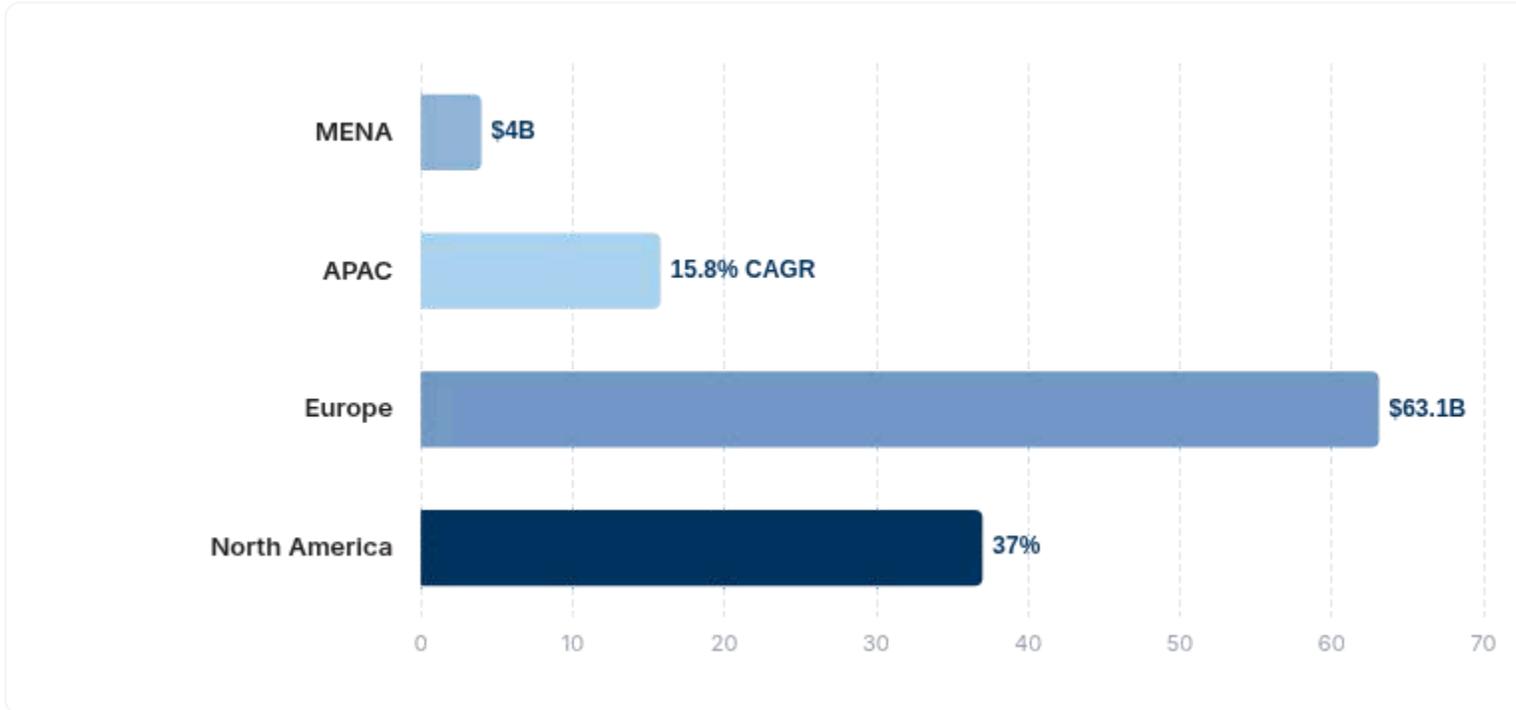
Mordor Intelligence shows Network Security growing from \$22.8B (2024) to ~\$28B (2026), reflecting the shift to cloud delivery (FWaaS/SASE).

Sources: Gartner Cybersecurity Forecast (\$233.4B → \$522B, 2024-2026); Cybersecurity Ventures Market Analysis

# REGIONAL GROWTH ENGINES & BUDGET PRIORITIES

North America scale, Europe's compliance surge (NIS2/DORA), APAC hypergrowth, and MENA modernization.

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EUROPE (2025)

**\$63.12B**

Compliance-led growth (NIS2/DORA)

APAC CAGR

**15.8%**

India & SE Asia digitization

MENA (2026)

**\$4.0B**

Energy/finance software spend

- **North America Scale**

~37% of 2024 global revenue; mature AI/Zero Trust adoption and resilient federal demand anchor budgets.

- **Europe's Compliance Wave**

NIS2/DORA mandates accelerate modernization across manufacturing, healthcare, and utilities—driving consolidation.

- **APAC Hypergrowth**

15.8% CAGR through 2033 led by India and Southeast Asia as cloud and AI workloads scale rapidly.

- **MENA Modernization**

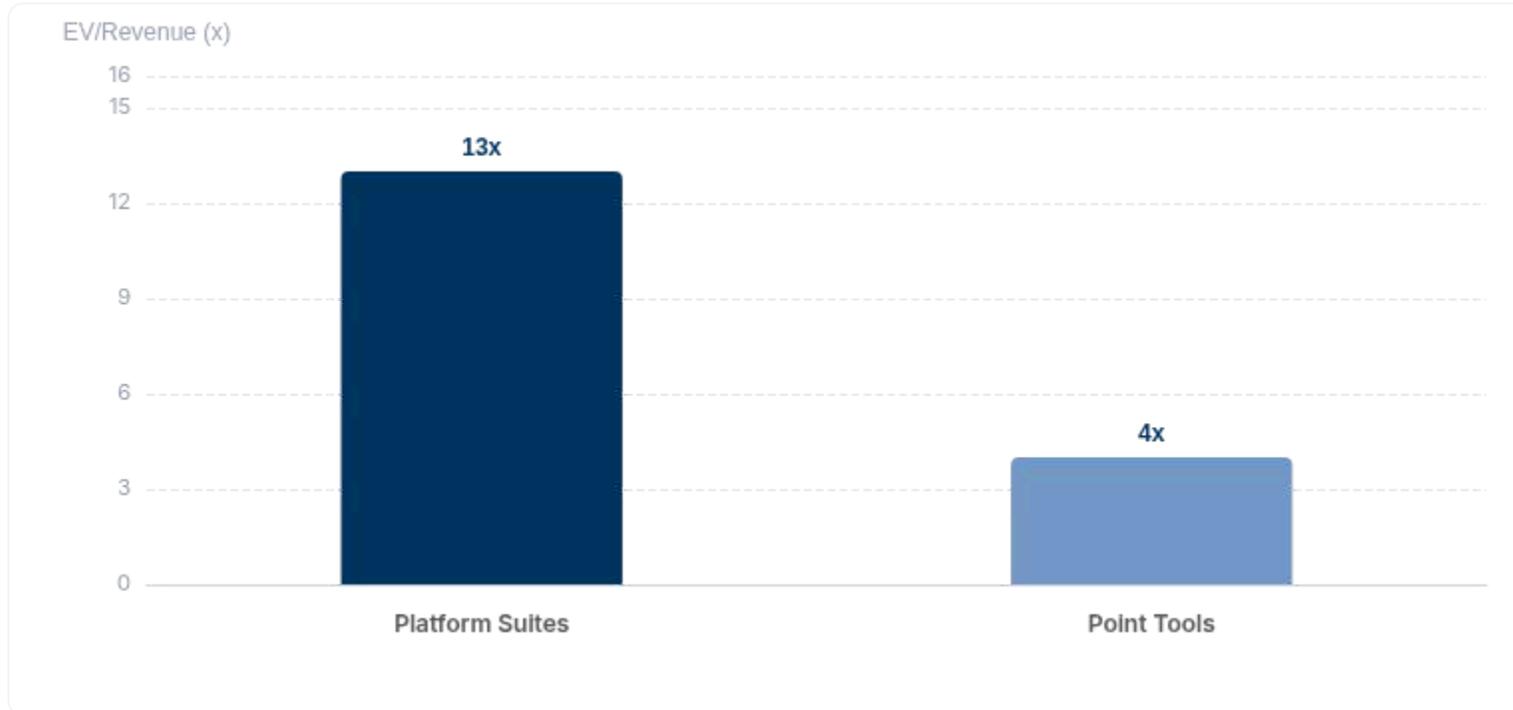
~\$4B spend in 2026 with a software-heavy mix to secure energy and financial digital transformation.

Source: Gartner Regional Cybersecurity Spending Analysis (2024); SecurityWeek Market Trends

# Platformization: Consolidation Raises NRR & Valuation

WINDSOR DRAKE

Unified platforms outperform point tools: higher NRR and SaaS multiples; OpEx shift (SASE/SSE, FWaaS); compliance-driven budgets.



- **Consolidation → Higher NRR**

Integrating point tools into unified platforms increases product attach, driving expansion and sustained Net Revenue Retention.

- **OpEx Subscriptions Re-rate**

Cloud-delivered controls (SASE/SSE, FWaaS) shift spend from CapEx to OpEx, boosting ARR quality and supporting SaaS-like valuation multiples.

- **Compliance as Budget Catalyst**

Regulatory mandates (e.g., NIS2/DORA) prioritize platformized, auditable controls—accelerating migrations away from fragmented point solutions.

**NRR UPLIFT**

**100% → 115–120%**

Platform “land & expand” effects

**MULTIPLE PREMIUM**

**~12–15x vs 3–5x**

Platforms vs point tools (EV/Rev)

**OPEX SHIFT**

**SASE/SSE • FWaaS**

Predictable ARR favored

Sources: Gartner Platform Consolidation Trends (2024); Public company NRR benchmarks (CrowdStrike, Palo Alto Networks)

# NGFW & Network Security Transition (2026)

WINDSOR DRAKE

Hardware drag, FWaaS pivot, and valuation compression vs. SaaS platforms.

## Market Snapshot



FIREWALL MIX (2024)

**63.83%**

Hardware share of firewall market



APPLIANCE REVENUE

**-9.0% YoY**

Fortinet appliances, Q2 2024



SOFTWARE / FWAAS

**+7.8% ARR**

PANW Next-Gen Security growth



VALUATION BANDS (EV/REV)

Hardware 3-5x

SaaS 10-15x

Hardware compressed vs. SaaS/platform

Sources: Gartner; Astute Analytica; Company filings.

## What's Driving the Transition

### • Hardware Drag and CapEx Constraints

With 63.83% of the firewall market still hardware in 2024 and major vendors posting appliance declines (**Fortinet -9% YoY**), growth is shifting away from chassis-bound, CapEx-heavy deployments.

### • Software/FWaaS Outperformers

Virtual firewalls and Firewall-as-a-Service (FWaaS) align with SASE/SSE delivery. **Palo Alto Networks' Next-Gen Security ARR +7.8%** demonstrates successful decoupling from appliance cycles.

### • Valuation Compression vs. SaaS Premium

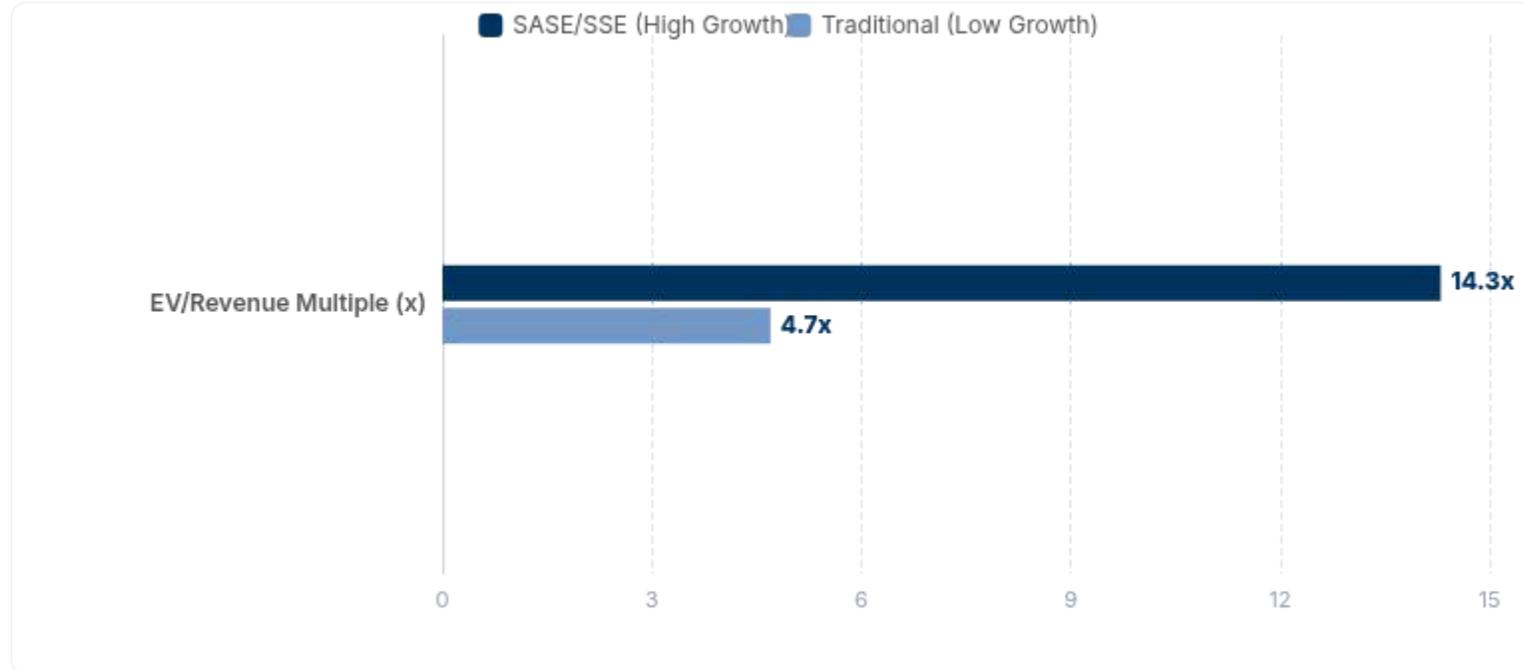
Hardware-centric models trade at **~3-5x EV/Revenue** due to lower predictability and supply risk, while cloud-native platforms with subscription revenue command **~10-15x** and higher NRR.

### • Implication for Legacy Vendors

Execute platform transitions toward SASE/SSE, FWaaS, and Zero Trust to unlock software multiples; maintain hardware for edge cases but optimize mix for recurring revenue.

# SASE/SSE & CNAPP: VALUATION DRIVERS

Grouped comparison highlights SASE/SSE “platform premium” vs. traditional network security; Wiz \$32B (~64x ARR) sets CNAPP bar.



- **Platform Premium**

High-growth cloud platforms (SASE/SSE) trade at ~14.3x EV/Revenue vs. ~4.7x for legacy/low-growth peers.

- **CNAPP Signal**

Alphabet’s \$32B Wiz acquisition (~64x ARR) underscores premium for integrated cloud security (CSPM, CWPP, CIEM).

- **Consolidation Tailwind**

Shift to single-vendor SASE (from ~30% in 2025 to ~50% by 2028) concentrates value in unified platforms with stronger NRR.

**SASE MARKET**

**\$2.4B**

Q3 2024 (Quarter)

**SINGLE-VENDOR SASE**

**50%**

Share by 2028 (30% in 2025)

**CNAPP CEILING**

**\$32B**

Wiz (~64x ARR)

# SASE vs. NGFW: Valuation Impact Matrix

Cloud-native SASE/SSE platforms vs. perimeter-based NGFW hardware. Revenue multiple ranges indicate premium for SaaS.

Metric	Legacy NGFW	SASE / SSE	Valuation Impact
Architecture	Perimeter-based; hardware appliances	Cloud-native; distributed edge PoPs	<div style="display: flex; align-items: center;"> <div style="border: 1px solid #0070C0; border-radius: 10px; padding: 2px 5px; margin-right: 5px;">SaaS 10–15x</div> <span style="margin: 0 5px;">VS</span> <div style="border: 1px solid #0070C0; border-radius: 10px; padding: 2px 5px; margin-left: 5px;">HW 3–5x</div> </div> <p>Cloud software commands premium multiples</p>
Scalability	Vertical scale (bigger boxes)	Elastic scale (horizontal in cloud)	<div style="border: 1px solid #0070C0; border-radius: 10px; padding: 2px 5px; margin-bottom: 5px;">Higher NRR</div> <p>Elasticity improves retention and upsell</p>
Deployment	CapEx heavy; logistics & lead times	OpEx subscription; rapid provisioning	<div style="border: 1px solid #0070C0; border-radius: 10px; padding: 2px 5px; margin-bottom: 5px;">Subs valued 2–3x</div> <p>Predictable revenue drives multiple uplift</p>
Security Model	Implicit trust inside perimeter	Zero Trust: "never trust, always verify"	<div style="border: 1px solid #0070C0; border-radius: 10px; padding: 2px 5px; margin-bottom: 5px;">Budget priority</div> <p>Zero Trust alignment sustains growth</p>
Overall Multiple	Hardware-centric businesses	Cloud-native SaaS platforms	<div style="display: flex; align-items: center;"> <div style="border: 1px solid #0070C0; border-radius: 10px; padding: 2px 5px; margin-right: 5px;">~3–5x</div> <span style="margin: 0 5px;">VS</span> <div style="border: 1px solid #0070C0; border-radius: 10px; padding: 2px 5px; margin-left: 5px;">~10–15x</div> </div> <p>SASE/SSE trade at SaaS-like ranges</p>

## Platformization Drives Premiums

Single-vendor SASE/SSE and cloud security platforms win budgets, reduce tool sprawl, and secure SaaS-like multiples.

## OpEx Predictability

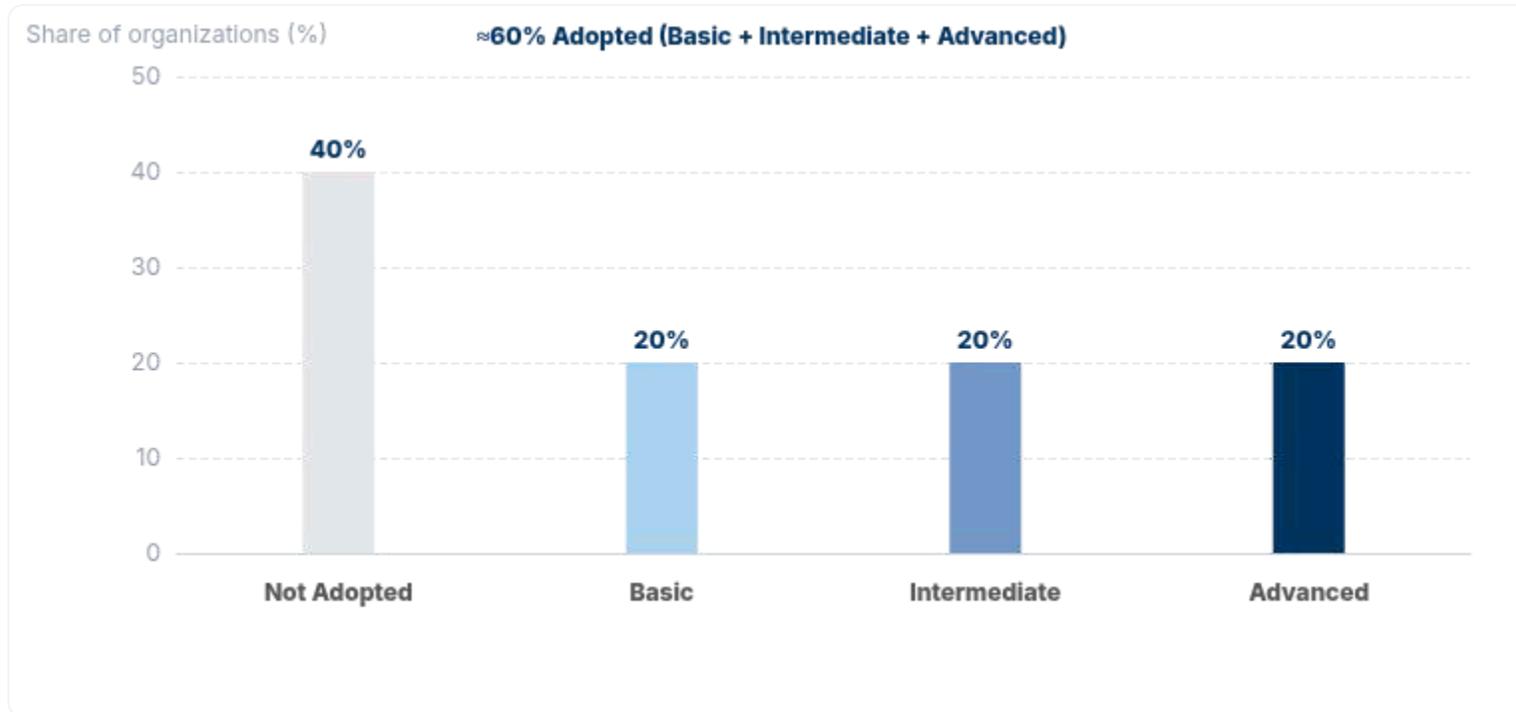
Subscription revenue is valued 2–3x over one-time hardware sales, boosting EV/Revenue multiples.

## Zero Trust As Baseline

Zero Trust adoption makes cloud-native access control the default, while perimeter models face structural headwinds.

# ZERO TRUST ARCHITECTURE: 2025 BASELINE, 2026 IMPLICATIONS

ZTA is table stakes: market at \$45.05B (2025), 17.2% growth; ≈60% of organizations adopt by end-2025.



● Not Adopted ● Basic ● Intermediate ● Advanced

## MARKET SIZE (2025)

**\$45.05B**

Zero Trust Security

## GROWTH

**17.2%**

Projected 2025 growth rate

## ADOPTION BY 2025

**≈60%**

Organizations implementing ZT

- **Baseline, Not a Differentiator**

Zero Trust has become mandatory architecture; vendors without credible ZT capabilities see valuation discounts.

- **Identity-Aware Proxy vs. VPN**

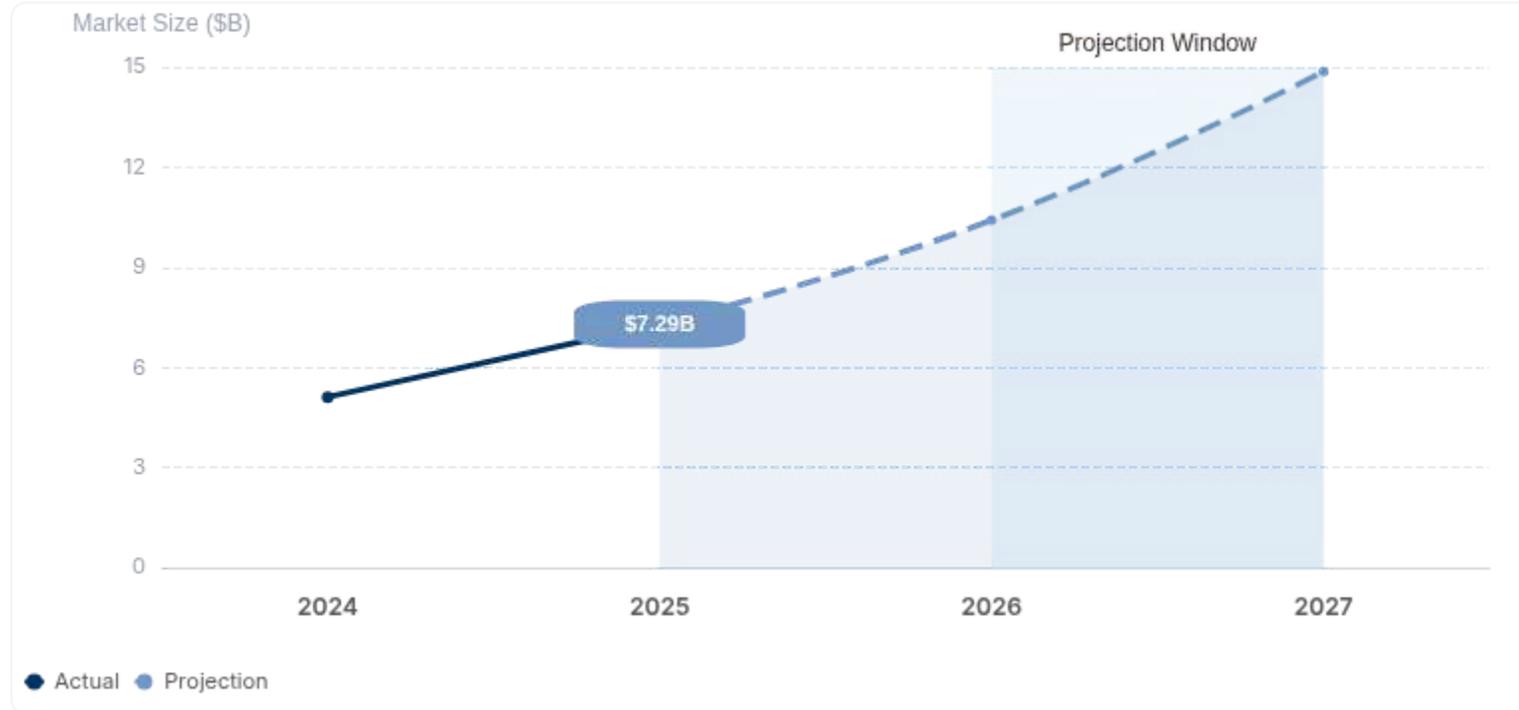
True ZT requires continuous, identity-aware access (per-request verification). Legacy VPN concentrators fail to meet ZT standards.

- **Platform Alignment**

ZT value accrues to cloud-delivered platforms (SASE/SSE, IAM/ITDR) that unify identity, policy, and inspection at the edge.

# Agentic AI & SOC Automation

42.80% CAGR to \$7.29B (2025); autonomous triage, investigation, and remediation redefine SOC efficiency.



## MARKET CAGR

**42.80%**

Projected growth rate

## 2025 MARKET SIZE

**\$7.29B**

Agentic AI in cybersecurity

## SOC OUTCOME

**Autonomous L2/L3**

Triage • Investigate • Remediate

- **From GenAI to Agentic AI**

Agentic AI acts, not just writes. It executes tasks end-to-end (policy changes, patching, threat hunting) without constant human prompts.

- **Agentic SOC Economics**

Autonomous triage, investigation, and remediation unlock labor replacement leverage, compressing meantime-to-respond and SOC costs.

- **Valuation Decoupling**

Early leaders price on disruption potential, not current revenue—reflecting platform attach, durable margins, and data advantages.

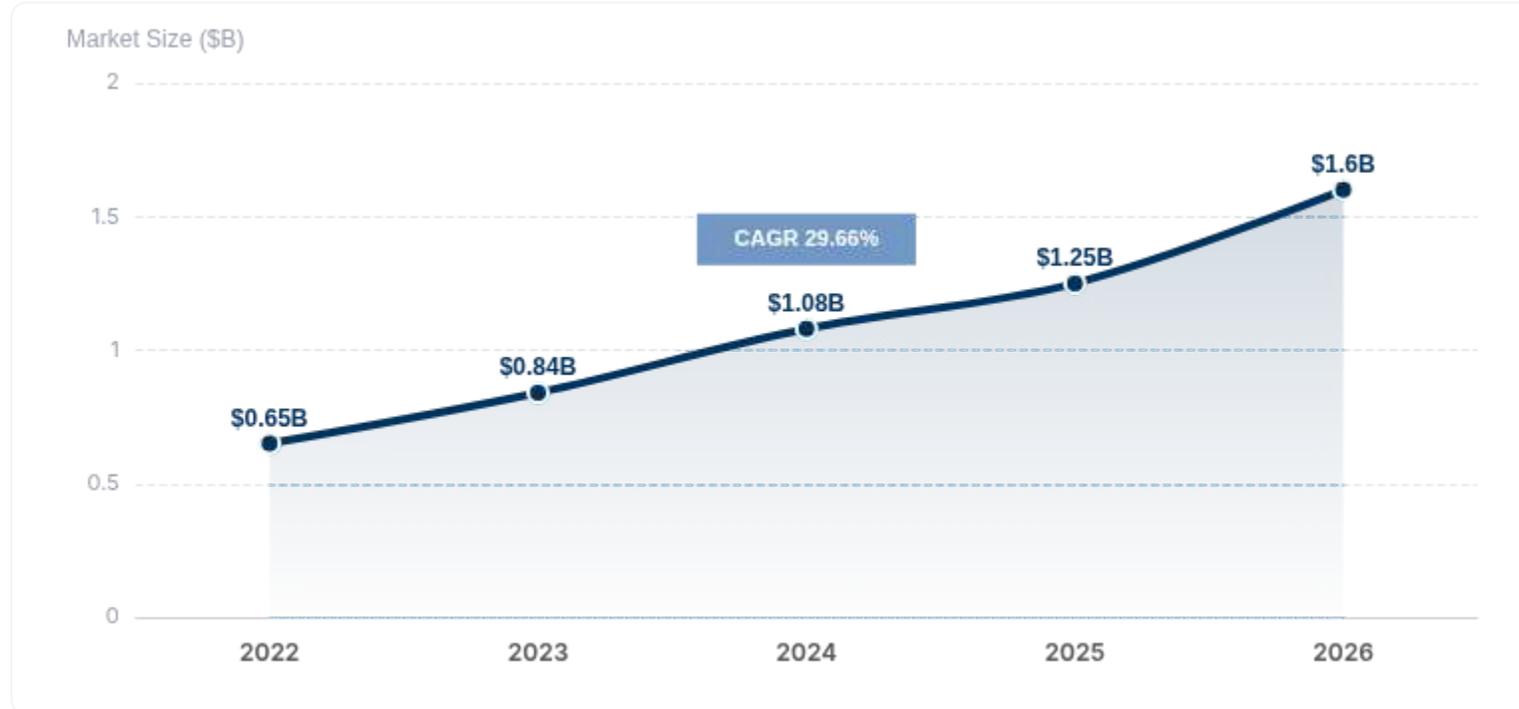
- **Assumptions**

Projection shading illustrates forward view assuming the same 42.80% CAGR beyond 2025; values are indicative.

# API & APPLICATION SECURITY: MARKET & M&A SIGNALS

WINDSOR DRAKE

29.66% CAGR drives market to \$1.6B by 2026. Strategic scarcity is accelerating platform tuck-ins to complete CNAPP.



**MARKET SIZE (2025)**  
**\$1.25B**  
API Security

**GROWTH RATE**  
**29.66% CAGR**  
Through 2026

**M&A SIGNAL**  
**High Scarcity**  
Best-of-breed targets

- **Strategic Scarcity Drives M&A**

Limited independent leaders in API security are commanding attention. Platforms are prioritizing tuck-ins to accelerate time-to-market.

- **CNAPP Completion Play**

Buyers (e.g., Palo Alto Networks, CrowdStrike) seek API visibility and protection to complete CNAPP suites and extend DevSecOps reach.

- **Valuation Implications**

Despite a smaller TAM, strategic relevance and attach to cloud security platforms support premium revenue multiples for category leaders.

Source: Mordor Intelligence API Security Market (29.66% CAGR; \$1.25B by 2025); M&A deal analysis

# Net Revenue Retention (NRR) Benchmarks & Valuation Impact

NRR is the strongest correlate to SaaS valuation multiples in cybersecurity.

Cohort / Metric	NRR	Valuation Signal	Notes
Best-in-Class (Public Leaders)	120%+	Top revenue multiples	Leaders (e.g., CrowdStrike, Zscaler) consistently trade at premium valuations.
Private Company Median	101%–102%	Neutral / baseline	Indicates minimal expansion; upsell/cross-sell motion underdeveloped.
Target Range (Premium Seekers)	110%–115%	Positive re-rating	Demonstrates effective “land-and-expand” with strong expansion revenue.
Step-Up Impact	100% → 110%	+~5 pts growth	Moving from flat to +10% net expansion can lift growth trajectory by ~5 pts.

### ■ NRR >120% Correlates with Premiums

Vendors above 120% NRR consistently command the highest EV/Revenue multiples; NRR is a leading indicator of durable growth.

### ■ Land-and-Expand is Critical

Expansion revenue from cross-sell and upsell motions (platform attach) is the primary driver of sustained NRR uplift.

### ■ Efficiency Flywheel

Higher NRR improves growth efficiency, supporting faster payback and margin expansion—key for re-rating toward “premium” cohorts.

**BEST-IN-CLASS**  
**120%+**  
Premium multiple zone

**PRIVATE MEDIAN**  
**101–102%**  
Baseline expansion

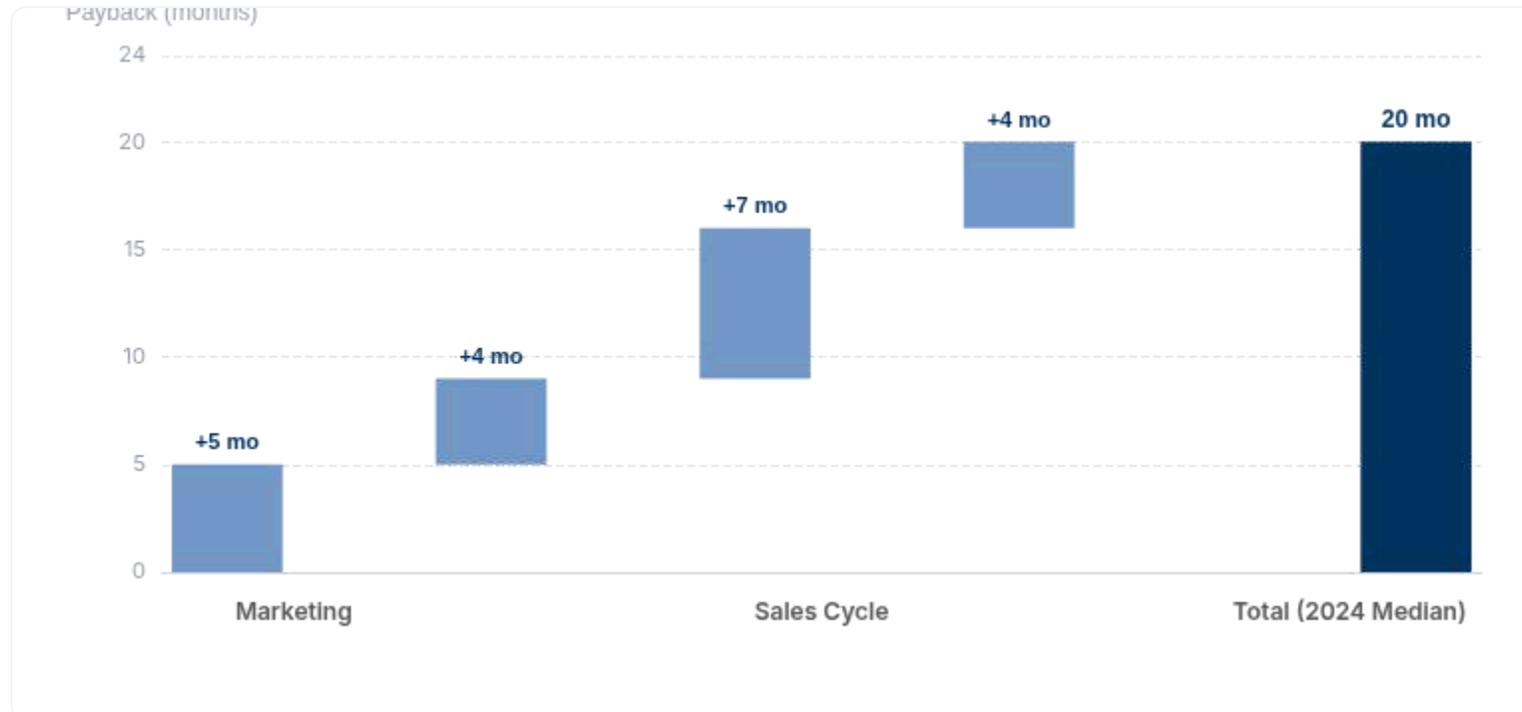
**STEP-UP EFFECT**  
**+~5 pts**  
100% → 110% NRR

Sources: CrowdStrike, Palo Alto Networks, Zscaler public filings (FY 2024); Gartner SaaS Benchmark Study

# CAC PAYBACK: GTM EFFICIENCY BENCHMARKS

WINDSOR DRAKE

2024 median worsened to 20 months; targets <12 mo (SMB/Mid) and <18 mo (Enterprise). Waterfall shows illustrative component contributions.



2024 MEDIAN

**20 months**

Payback period

TARGET (SMB/MID)

**< 12 mo**

Efficient payback goal

TARGET (ENTERPRISE)

**< 18 mo**

Efficient payback goal

- **What Drives Payback**

Illustrative components: Marketing, SDR/BDR, Sales cycle, and Onboarding stack to the 2024 median (20 months).

- **AI-Native GTM Advantage**

Automating SDR workflows and enabling self-serve/PLG motions reduces acquisition costs and shortens payback periods.

- **Path to Premium Multiples**

Efficient CAC payback, paired with strong expansion (NRR), correlates with top-tier valuation outcomes.

Sources: Public cybersecurity companies' earnings reports (2024); Gartner GTM Efficiency Benchmarks

# Margins & Rule of Efficiency (2025 Premium Targets)

WINDSOR DRAKE

Efficiency benchmarks guiding valuation: Gross Margin, Growth, NRR, CAC Payback, and Rule of 40.

Metric	Benchmark	Premium Target (2025)	Investor Signal
Gross Margin (GM)	Target 75–80%+	80%+	Software leverage; <b>&lt;65% = services-heavy</b>
Revenue Growth	~19–21% median	>30%	Primary driver of EV/Revenue
NRR (Net Revenue Retention)	~101–102% median	115–120%+	Stickiness; land-and-expand
CAC Payback	~20 months (2024)	<12 mo SMB • <18 mo Ent	GTM efficiency, unit economics
Rule of 40	<20 typical	>40	<b>“Golden” efficiency metric</b>

**Premium** indicates thresholds associated with higher valuation multiples.

## Why margins matter

Maintaining GM at 75–80%+ signals scalable software. **<65%** typically reflects services/inefficient cloud costs and is discounted.

## Premium 2025 targets

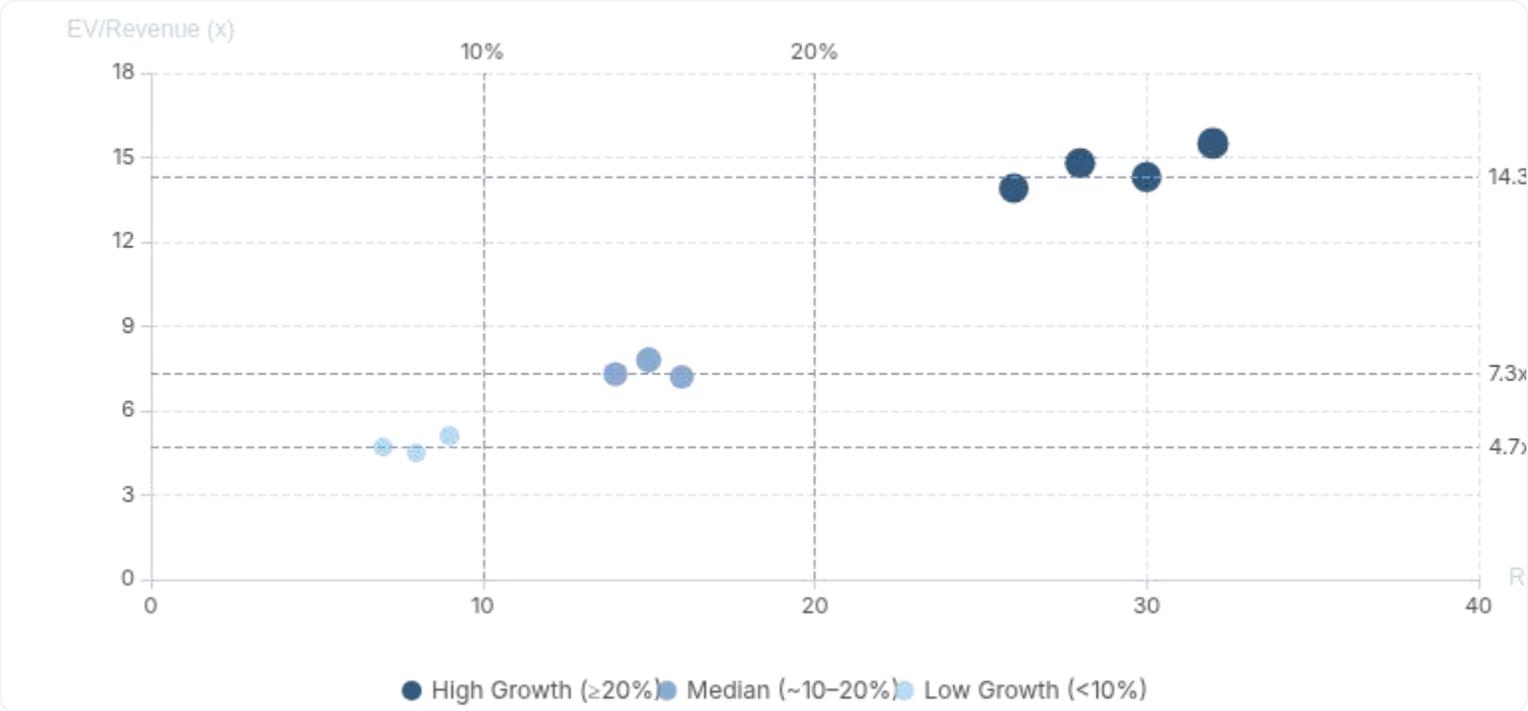
Growth >30%, NRR 115–120%+, GM 80%+, CAC Payback <12 mo (SMB), <18 mo (Enterprise), Rule of 40 >40.

## Valuation linkage

Meeting or beating these thresholds correlates with top-quartile EV/Revenue multiples and improved resilience in higher cost-of-capital markets.

# PUBLIC MARKETS: VALUATION DIVERGENCE (Q4 2024)

Scatter: EV/Revenue vs. Revenue Growth (illustrative positioning). High Growth >20% at 14.3x; Low Growth <10% at 4.7x; median 7.3x.



- Quadrant Positioning**

Up-and-right (higher growth, higher multiple) reflects premium names; down-and-left reflects legacy/low growth vendors.

- Reference Thresholds**

Guide lines at 20% growth and 14.3x / 7.3x / 4.7x show the valuation split.

- Drivers**

NRR, platform breadth, cloud-native delivery, and AI leverage sustain premium multiples relative to peers.

**HIGH GROWTH (>20%)**  
**14.3x**  
EV/Revenue

**INDUSTRY MEDIAN**  
**7.3x**  
EV/Revenue

**LOW GROWTH (<10%)**  
**4.7x**  
EV/Revenue

**PREMIUM VS. MEDIAN**  
**+3.0x**  
Growth efficiency premium

Sources: Google Finance (public cybersecurity equities, Dec 31 2025); Company earnings reports; Gartner Market Analysis

# Platform Leaders: PANW vs. Zscaler vs. Fortinet

Comparative positioning and valuation posture across leading network and cloud security platforms.

## Comparative Snapshot

### Palo Alto Networks

Platformization

Strata

Prisma

Cortex

Valuation: Premium

### Zscaler

Pure-play Cloud

SSE/ZTNA

Cloud-native

Valuation: High SaaS

### Fortinet

Appliance-heavy

NGFW/Appliances

SASE Pivot

Valuation: Discount

Note: Premium/High/Discount reflect relative EV/Revenue posture vs. peers and growth cohorts.

## Strategic Positioning & Valuation Drivers

- PANW: Platformization Premium**

Spans network (Strata), cloud (Prisma), and SOC (Cortex) at scale. Broad attach across pillars and "consolidation" wins support a premium multiple versus the industry median.

- Zscaler: Pure-play Cloud, Zero Cannibalization**

Cloud-native SSE/Zero Trust architecture with no legacy hardware to protect. Structural advantages in recurring revenue and NRR sustain high SaaS valuation multiples.

- Fortinet: Hardware Exposure Compresses Multiple**

Despite strong profitability and a large installed base, appliance cyclicality and lower software mix drive a discount to cloud peers. Continued SASE/FWaaS mix-shift is key to re-rating.

- Investor Lens**

Market rewards growth efficiency and defensible, cloud-delivered control planes. Platform breadth and AI-aligned roadmaps are decisive factors behind premium EV/Revenue positioning.

Source: Google Finance (PANW, ZS, FTNT); Company 10-K/Q filings (FY 2024); Investor presentations

# Public Market Valuation Multiples by Growth Profile (Q4 2024)

Revenue and EBITDA multiples reflect market bifurcation by growth cohort.

Growth Profile	EV / Revenue	EV / EBITDA	Notes
<b>High Growth</b> ≥ 20% YoY	<b>14.3x</b>	<b>37.0x</b>	Platform premium
<b>Medium Growth</b> 10%–20% YoY	<b>13.7x</b>	<b>37.0x</b>	Solid fundamentals
<b>Low Growth</b> < 10% YoY	<b>4.7x</b>	<b>14.9x</b>	Legacy compression
<b>Industry Median</b> All cyber	<b>7.3x</b>	<b>22.3x</b>	Blended benchmark

● EV/Revenue indicates growth premium    ● EV/EBITDA indicates profitability premium

## ■ Growth Drives Multiples

High and medium growth cohorts command double-digit EV/Revenue, reflecting scarcity of efficient growth and platform breadth.

## ■ Legacy Compression

Low-growth, hardware-exposed or point-solution vendors are discounted on long-term disruption and lower recurring revenue mix.

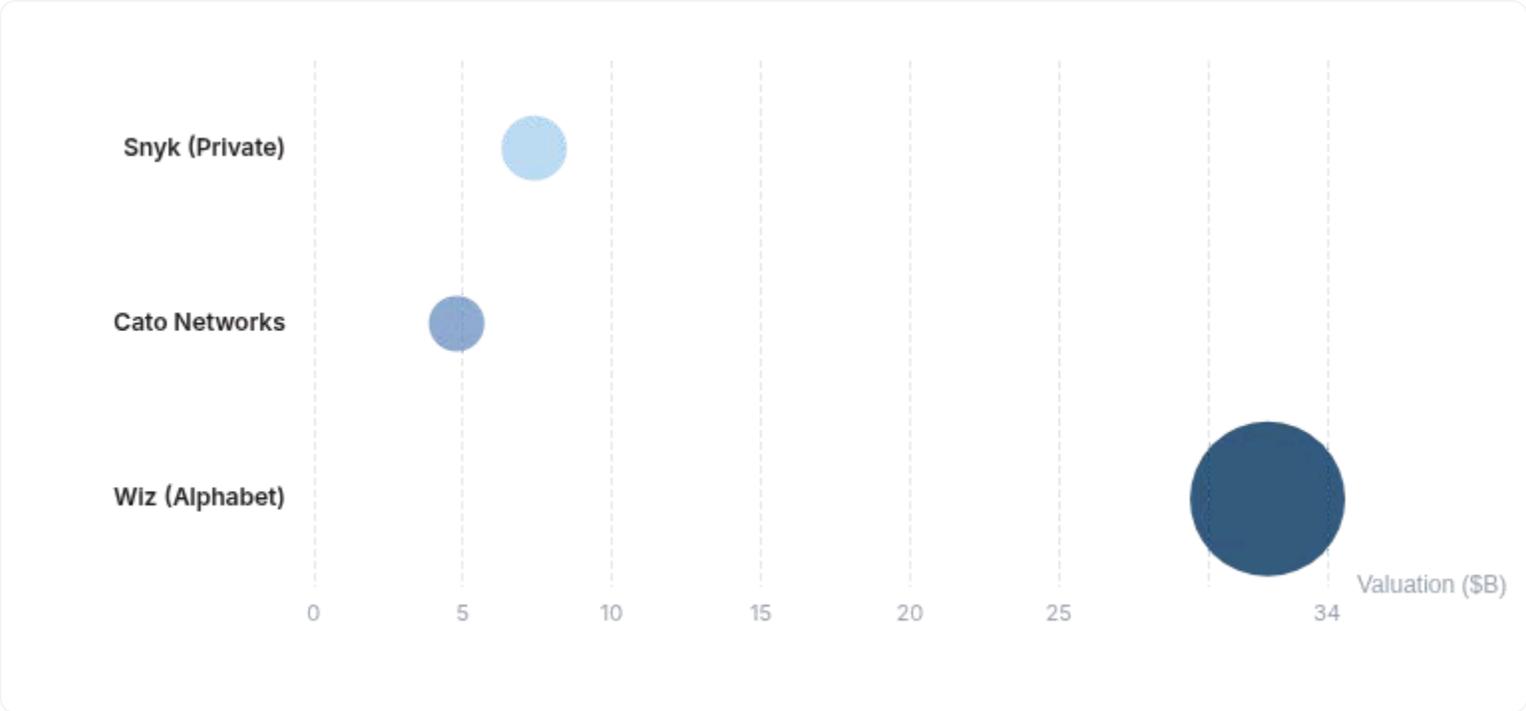
## ■ Market Baseline

Industry medians (7.3x EV/Rev; 22.3x EV/EBITDA) mask the widening spread between platform leaders and legacy incumbents.

Sources: Google Finance (Q4 2024 public market data); High Growth: 14.3x vs Low Growth: 4.7x EV/Revenue analysis

# PRIVATE MARKETS: WIZ BENCHMARK & LATE-STAGE TRENDS

Bubble size represents valuation as deal size proxy; positions highlight late-stage repricing and strategic ceilings.



**WIZ (ALPHABET)**  
**\$32.0B**  
~64x ARR strategic ceiling

**CATO NETWORKS**  
**\$4.8B**  
\$200M+ ARR; ~59% growth

**SNYK**  
**\$7.4B**  
Down from \$8.5B

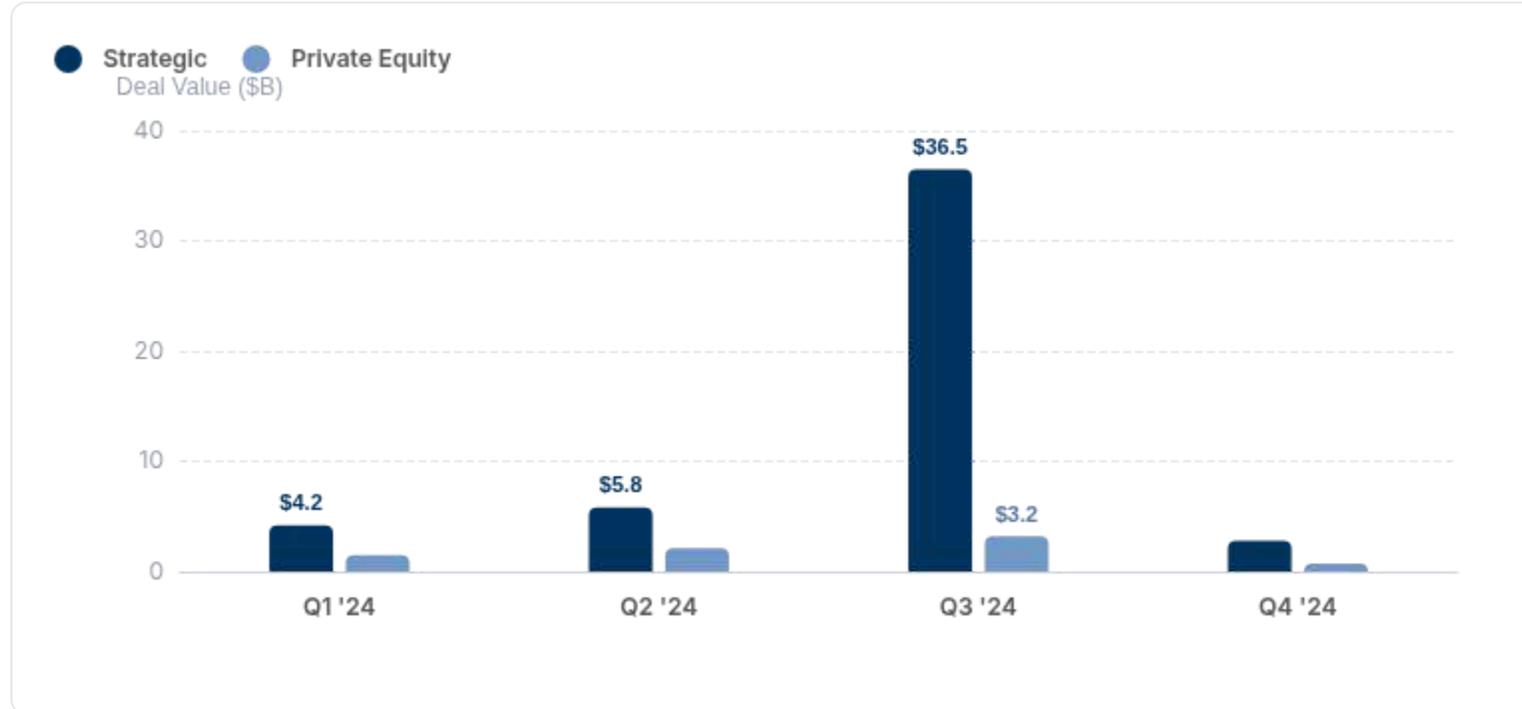
- Strategic Ceiling & Scarcity**  
Alphabet’s agreement to acquire Wiz for **\$32B** implies **~64x ARR**, setting an outlier benchmark for CNAPP/cloud security platforms.
- Selective Repricing & Efficiency**  
Late-stage assets re-rate on efficiency: **Cato Networks** holds **~\$4.8B** on strong growth/scale, while **Snyk** compresses from **\$8.5B** to **\$7.4B**.
- Agentic SOC: Early-Stage Premium**  
Seed/Series A agentic SOC pricing centers on team and technology, aligned to autonomous triage, investigation, and remediation theses.

Sources: Wiz acquisition (\$32B, ~64x ARR); PitchBook late-stage valuations; SecurityWeek M&A analysis

# M&A LANDSCAPE: BUYER MIX OVER TIME

Strategic buyers dominate 2024 volume (>90%), driven by platform consolidation mega-deals.

WINDSOR DRAKE



Q4 2024 VALUE

**\$3.5B**

Disclosed transactions

YOY CHANGE

**+80.9%**

Q4 value growth

FY 2024 TOTAL

**>\$50.7B**

Pure-play cyber ~\$28B

## • Strategic Dominance Trend

Strategic acquirers (e.g., Google, Cisco, PANW) accounted for ~90% of disclosed deal value in 2024, utilizing balance sheet cash to consolidate platforms (SASE, CNAPP).

## • Private Equity Floor

PE activity shifted to middle-market "buy-and-build" strategies, providing a valuation floor (\$1B-\$5B range) but lagging in mega-deal volume compared to 2022-2023.

## • Q4 Normalization

Following a massive Q3 (anchored by outlier mega-deals), Q4 volume normalized to **\$3.5B**, signaling a digestion period before the 2025 pipeline reopens.

Sources: Solganick Cybersecurity M&A Update (Q4 2024); SecurityWeek (2024 Deal Totals); Houlihan Lokey Cybersecurity Market Update (Q4 2024). \*Q3 spike includes announced mega-deals.

# Mega-Deals & Market Shaping (2024–2025)

WINDSOR DRAKE

Six landmark transactions redefining platform consolidation across cloud, SecOps, networking, and data.

**Alphabet (Google)**

\$32B

**Wiz**

CNAPP

Cloud security dominance; resets category ceiling (~64x ARR).

**Cisco**

\$28B

**Splunk**

SecOps / Data

Owns security data plane; fuels AI-driven operations.

**HPE**

\$14B

**Juniper**

AI Networking

Converges networking and security; SASE/SSE competitiveness.

**IBM**

\$6.4B

**HashiCorp**

Cloud Infra

Automates cloud infrastructure; enables Zero Trust policy.

**Thoma Bravo**

\$5.3B

**Darktrace**

AI / ML

PE take-private to optimize operations; AI-centric detection.

**Mastercard**

\$2.7B

**Recorded Future**

Threat Intelligence

Expands data intelligence footprint beyond payments.

# IPO Pipeline (2025–2026): Cato • Snyk • Claroty

Selective window favors efficient, scaled leaders; founders weigh strategic exits vs IPOs.

WINDSOR DRAKE

Company	Segment	Status/Timing	Est. Valuation	Readiness / Notes
Cato Networks	SASE	2025/26 Ready	~\$4.8B	\$200M+ ARR, ~59% growth; prioritizing profitability optics before listing.
Snyk	AppSec/DevSecOps	Pushed to 2026	~\$7.4B	Needs operating leverage; revenue scale (~\$278M) vs burn tolerance in current rate regime.
Claroty	OT/IoT Security	Targeting 2025	~\$3.5B	"Critical infrastructure" premium; regulatory tailwinds in energy, transport, health.

Notes: Values based on disclosed reports; pipeline timing subject to market conditions.

**Most Anticipated SASE IPO:** Cato Networks aligns with platformization and strong growth; likely benchmarked against Zscaler/SSE leaders.

**Efficiency Mandate:** IPO window is selective—investors prioritize Rule-of-40 efficiency, durable NRR, and path to profitability.

**Strategic Exit vs IPO:** Alphabet–Wiz (\$32B) reset cloud security ceilings; many high-growth vendors see superior risk-adjusted outcomes via strategic sale.

SASE

AppSec

OT/IoT

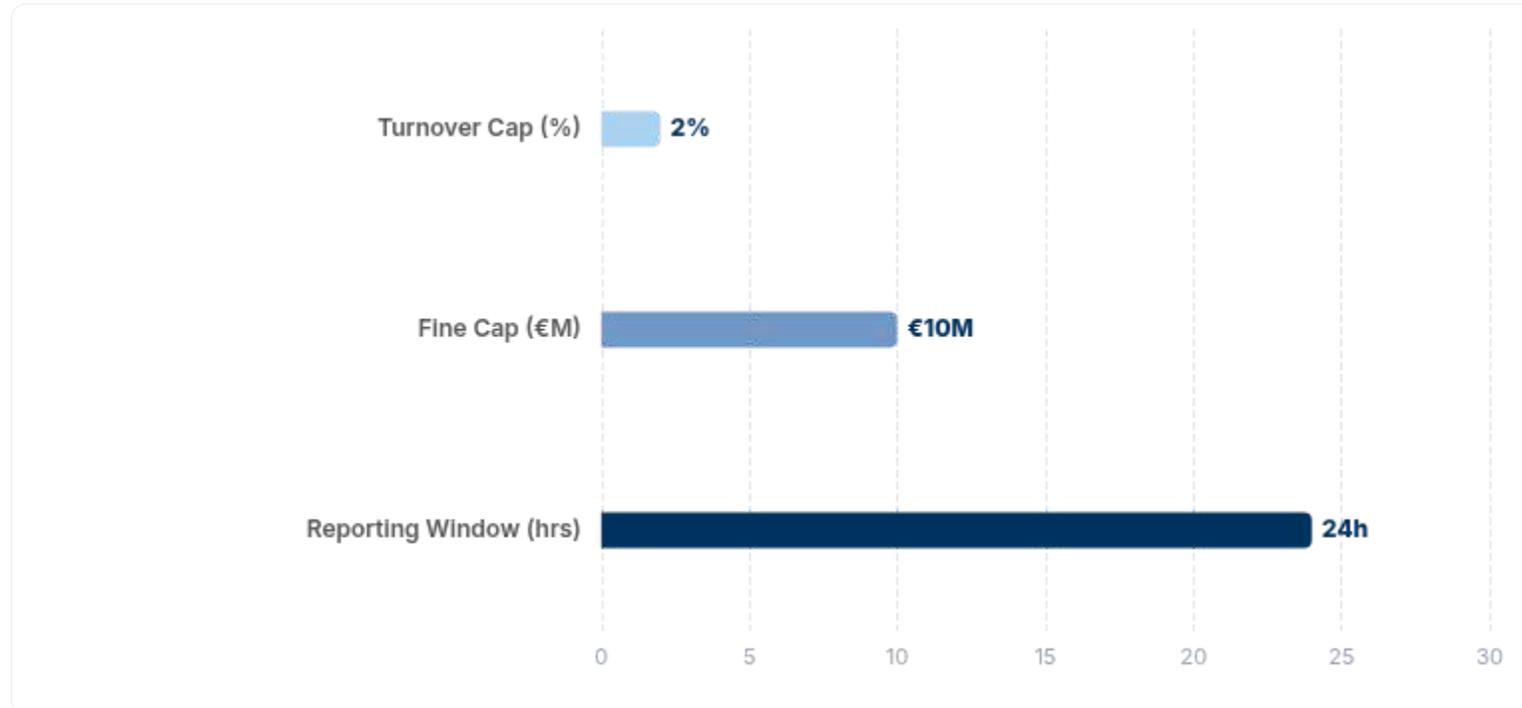
Sources: PitchBook IPO Pipeline Data; Company announcements; SecurityWeek Market Analysis

# EUROPE FOCUS: NIS2/DORA REGULATORY PUT

Mandated cybersecurity spend drives platform and automation demand across EU critical sectors.

NIS2: Enforcement Jan 2026

DORA: Enforcement Jan 2026



## ENFORCEMENT

**Jan 2026**

NIS2 / DORA timelines

## INCIDENT REPORTING

**24 hours**

Initial notification requirement

## BUDGET SHIFT

**Hiring → Tech/MSSPs**

ENISA 2025 investment trend

- **Regulatory “Put” on Spend**

NIS2 and DORA mandate cyber controls for essential/important entities, effectively guaranteeing baseline security investment regardless of macro cycles.

- **Penalties Elevate Priority**

Non-compliance fines up to €10M or 2% of global turnover push boards to prioritize compliance-aligned controls and reporting.

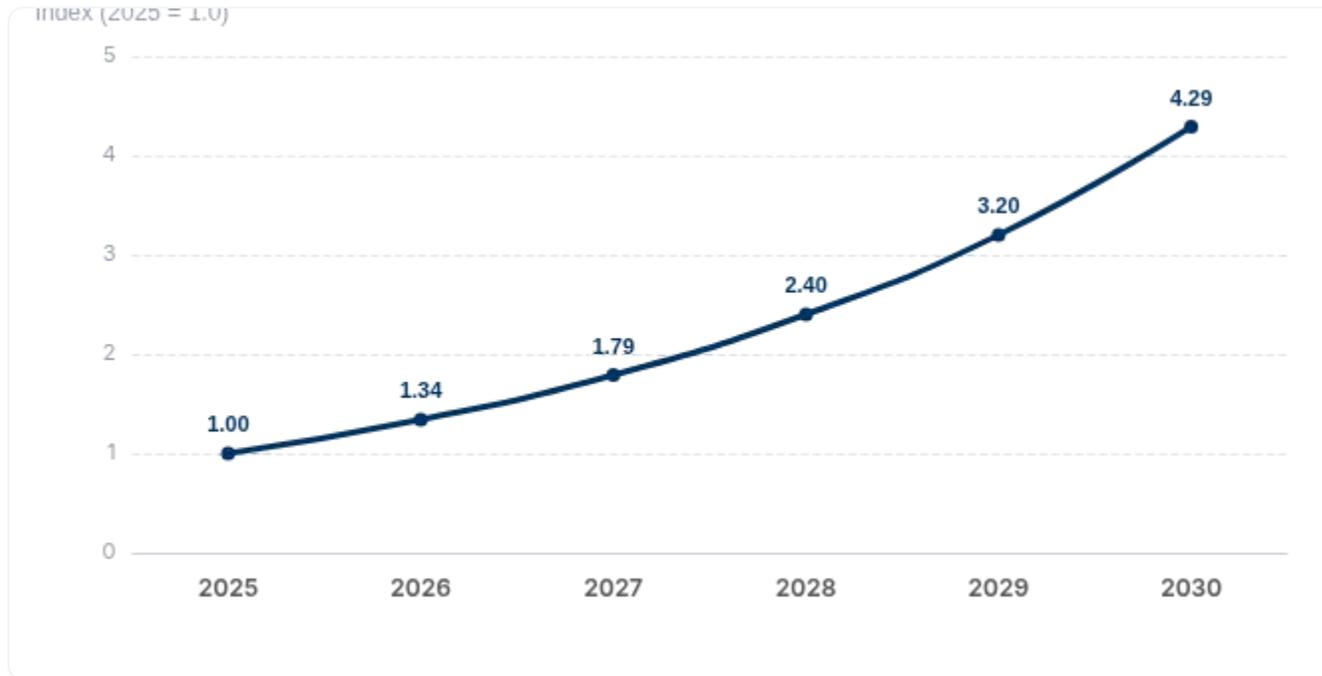
- **Automation & EU Premiums**

24-hour reporting drives SOAR/SOC automation and MSSP demand; EU-aligned/sovCloud vendors often earn valuation premiums due to sovereignty requirements.

Sources: European Commission NIS2 Directive; European Commission DORA Regulation; Gartner European Cybersecurity Spending

# AGENTIC AI FRONTIER: 2026–2030

Autonomous security agents move beyond copilots to act: patch, enforce policy, and hunt threats.



CAGR TO 2030

**33.83%**

Cyber Agentic AI growth

TRAJECTORY

**4.29x**

Index lift (2025 → 2030)

MARKET MOTION

**Acqui-hires '25/'26**

Early-stage team buys

- **Beyond Copilots → Autonomous Action**

Agentic AI executes changes: patching vulnerabilities, enforcing least-privilege policy, and conducting proactive threat hunting with minimal human handoffs.

- **Incumbent Integration**

Microsoft, CrowdStrike, and Palo Alto are embedding agentic workflows into existing platforms to reduce SOC labor and improve MTTR.

- **Talent-Driven M&A**

Expect an acqui-hire wave in 2025/2026 as platforms buy early-stage teams to accelerate agent architectures and prevent disruption.

# Founder Takeaways: 2026 Playbook

Prioritize platform fit, operational efficiency, and agentic outcomes to earn premium valuations.



**Build platforms, not features:** Align with **SASE/SSE** and **CNAPP** ecosystems; design for consolidation and high attach/NRR.



**Efficiency is king:** Treat **Rule of 40+** as the gate; improve **NRR** and **CAC payback** to unlock multiple expansion.



**Position for the Agentic future:** Deliver **autonomous, labor-saving** outcomes (Agentic SOC) vs. tools that only assist humans.

WINDSOR DRAKE

## PLATFORM FIT

### SASE • CNAPP

Prioritize integrations that raise attach and retention.

## EFFICIENCY GATE

### Rule of 40+

Pair growth with margin discipline.

## LAND & EXPAND

### NRR 115–120%+

Drive expansion and stickiness.

## AGENTIC SOC

### Autonomous Actions

Triage, investigate, remediate with minimal human load.

## GO-TO-MARKET

Target multiple buyers (CISO + DevOps + Compliance) to capture the non-CISO spend.

## VALUATION SIGNAL

AI-native platforms earn premium multiples; legacy features trade at discounts.

# Works Cited & Data Sources

WINDSOR DRAKE

Category	Source / Publisher	Report / Link
Market Research	Gartner	<a href="#">Forecast: Information Security &amp; Risk Management 2024-2028</a>
Market Research	Cybersecurity Ventures	<a href="#">2025 Cybersecurity Almanac</a>
Market Research	Mordor Intelligence	<a href="#">Network Security Market Size &amp; Share Analysis (2024-2029)</a>
Market Research	Astute Analytica	<a href="#">Global Network Security Market Analysis</a>
M&A & Financials	Solganick & Co	<a href="#">Cybersecurity M&amp;A Update – Q4 2024</a>
M&A & Financials	Houlihan Lokey	<a href="#">Cybersecurity Market Update – Winter 2025</a>
M&A & Financials	SecurityWeek	<a href="#">2024 Cybersecurity M&amp;A Roundup</a>
Public Markets	Google Finance	<a href="#">PANW, CRWD, ZS, FTNT Historical Data (Q4 2024)</a>
Regulatory	European Commission	<a href="#">Directive (EU) 2022/2555 (NIS2)</a>
Regulatory	European Commission	<a href="#">Regulation (EU) 2022/2554 (DORA)</a>

## ■ Methodology Note

This report aggregates primary financial data from public filings (10-K/10-Q) and secondary market research. Market sizing represents a consensus view normalized to exclude consumer-grade antivirus where noted.

## ■ Valuation Date

All public market multiples (EV/Revenue, EV/EBITDA) and stock price performance metrics are calculated as of market close **December 31, 2025**, unless otherwise specified.

## ■ Data Integrity

M&A transaction values reflect disclosed deal terms. Undisclosed terms are estimated based on revenue multiples of comparable transactions in the same quarter.