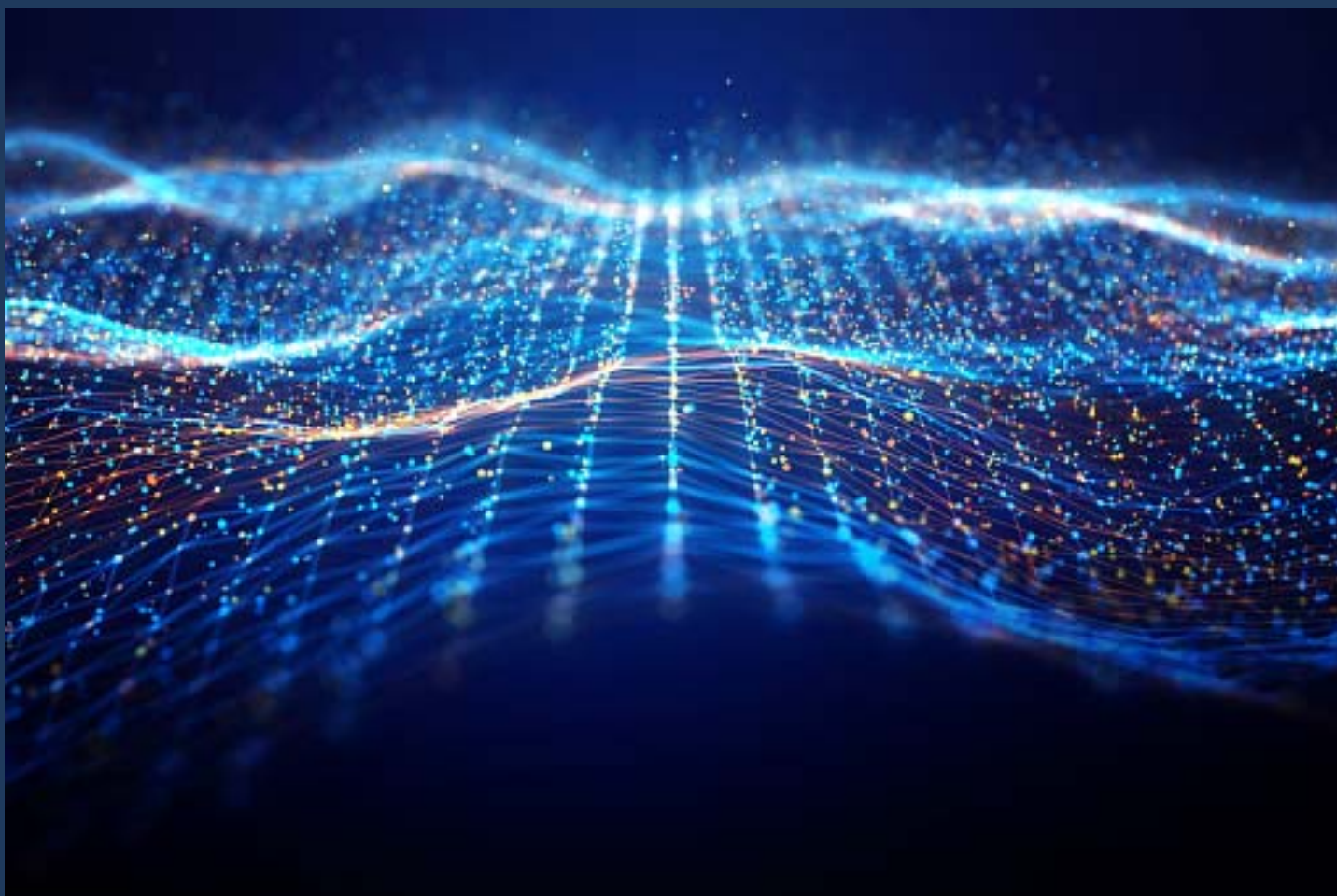


Activity and Trends

U.S. Cybersecurity Sector Recap



MARKET UPDATE

U.S. Cybersecurity Sector Recap

Q3 2025 Market Snapshot

U.S. M&A and PE

65 deals totaling **\$1.9B**

+14% in deal **count** vs Q2 '25

+305% in deal **value** vs Q2 '25

\$1.69B total deal **value** from largest five deals

U.S. VC

142 deals, **\$2.3B** in value

-18% in deal **count** vs Q2 '25

-19% in deal **value** vs Q2 '25

\$971M total from the largest five funding rounds

IPO

1 IPO in Q3 2025: Netskope at **\$908M**

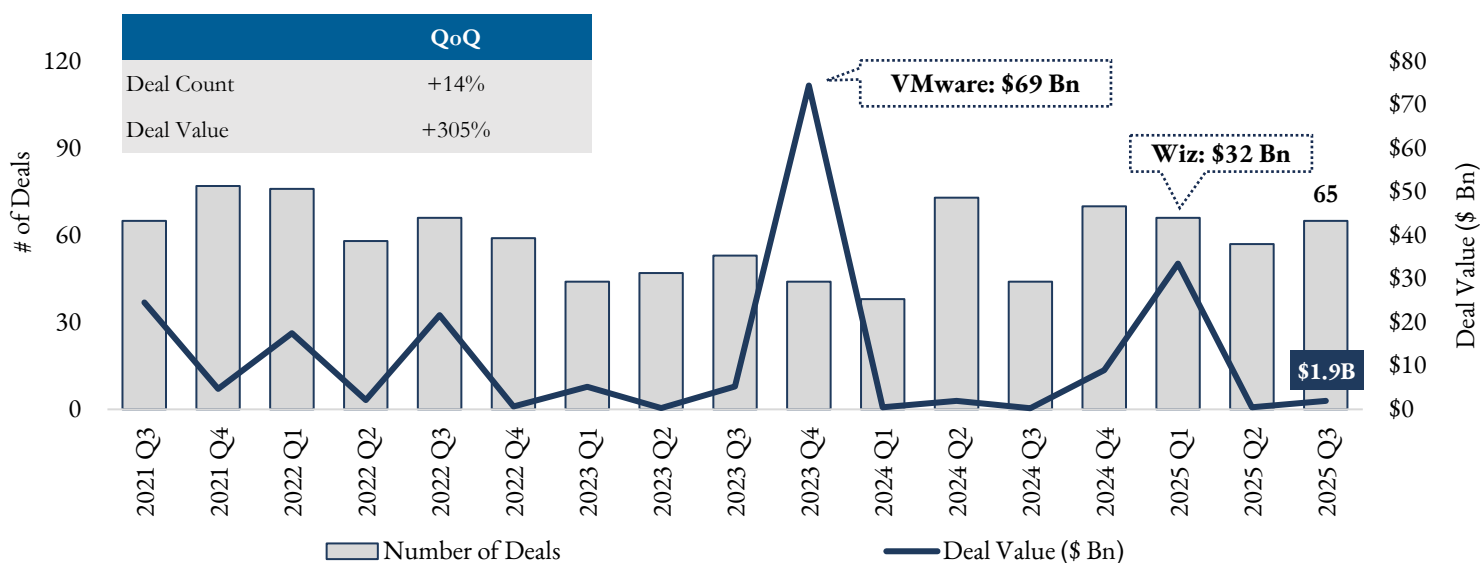
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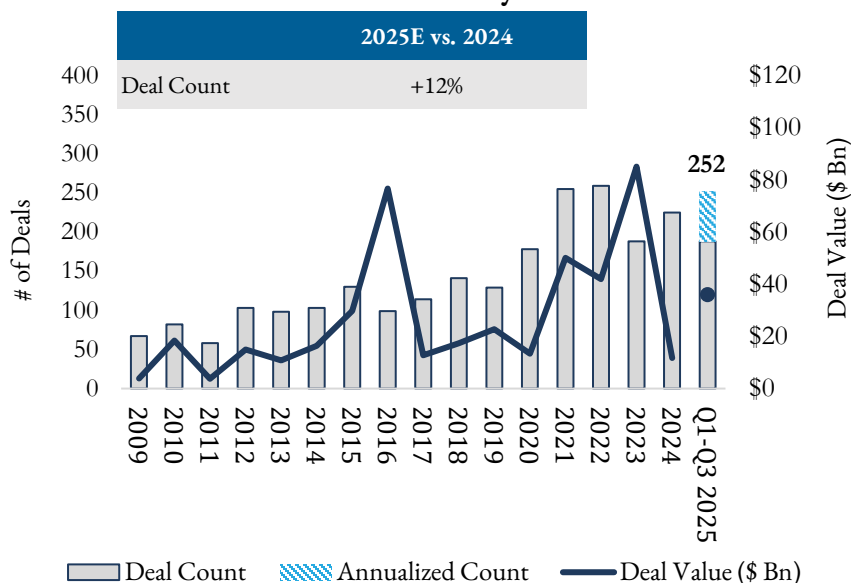
U.S. Cybersecurity M&A + PE Deal Activity

- **Deal count:** Q3 2025 is up +14% from last quarter, a sign that the market is becoming more active, driven by managed & IT services that help organizations to outsource their cybersecurity needs, which has become increasingly important as the industry struggles with talent shortage.
- **Deal value:** In Q3 2025, deal value is up significantly from last quarter with several deals in the \$500 Mn - \$1 Bn range, though there were no deals above \$1 Bn.
- **Palo Alto Networks/CyberArk Announcement:** Announced at the end of July, Palo Alto reached an agreement with CyberArk for a \$25 Bn acquisition, the deal expected to close in 2026. This acquisition is the logical evolution of Palo Alto's platformization strategy, which drove 14 acquisitions since 2019.

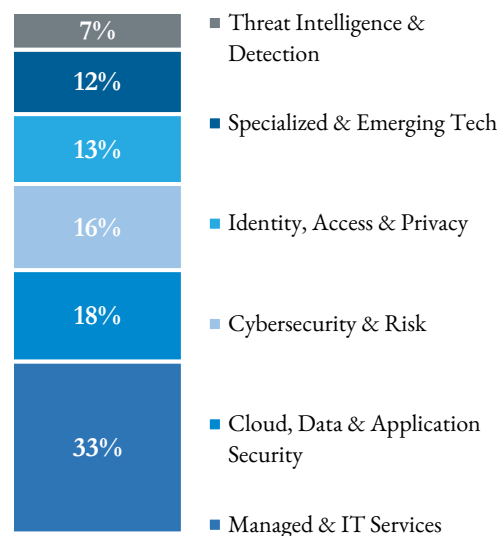
Quarterly U.S. Cybersecurity M&A + PE Deal Activity



Annual U.S. Cybersecurity M&A + PE Deal Activity



U.S. Cybersecurity M&A + PE Deals by Subsector Q3 2025

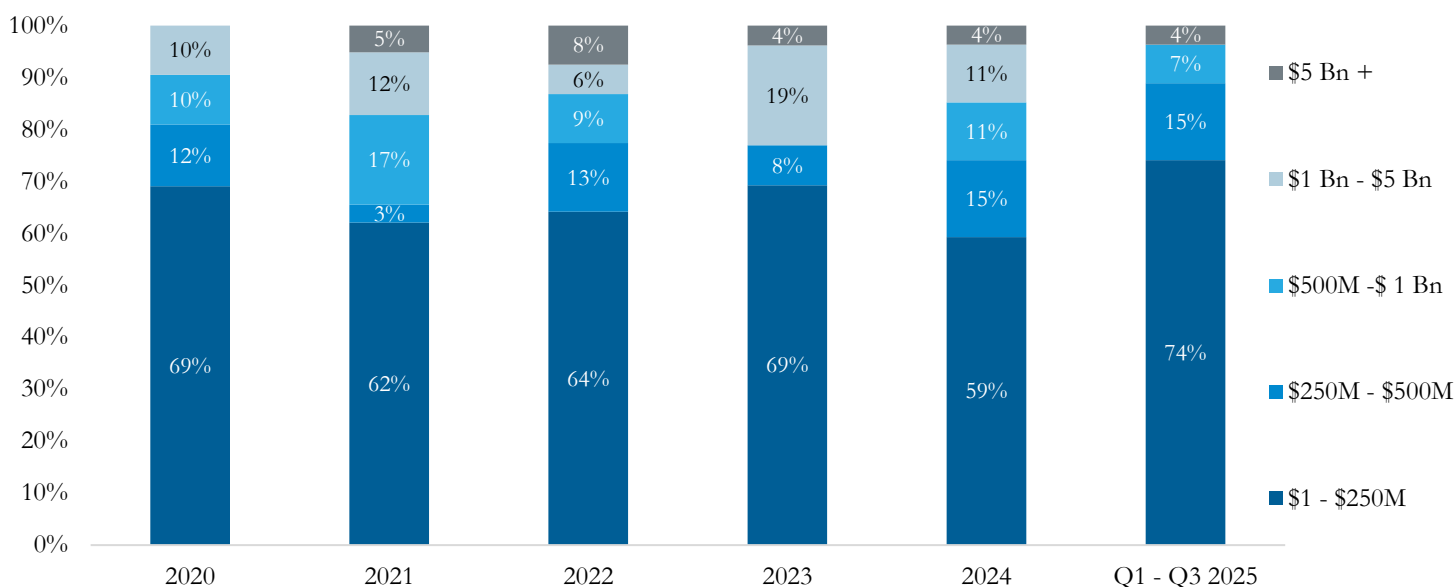


Source: PitchBook, U.S. Only, Deals Announced/Completed from 1/1/2020 through 9/30/2025.

U.S. Cybersecurity M&A + PE Deal Size

- Through Q3 2025 there were no deals between \$1 Bn to \$5 Bn, this was a stark contrast to 2024 where that bucket made up 11% of the market. Nonetheless, the focus on generative and agentic AI capabilities could drive larger deals in the future while smaller deals might occur more frequently as the cybersecurity industry continues its path to rapid consolidation through merger and acquisitions.

U.S. M&A + PE Cybersecurity Deals by Size



Note: Percentages calculated from deals with disclosed values.

Largest U.S. Cybersecurity M&A + PE Deals in Q3 2025

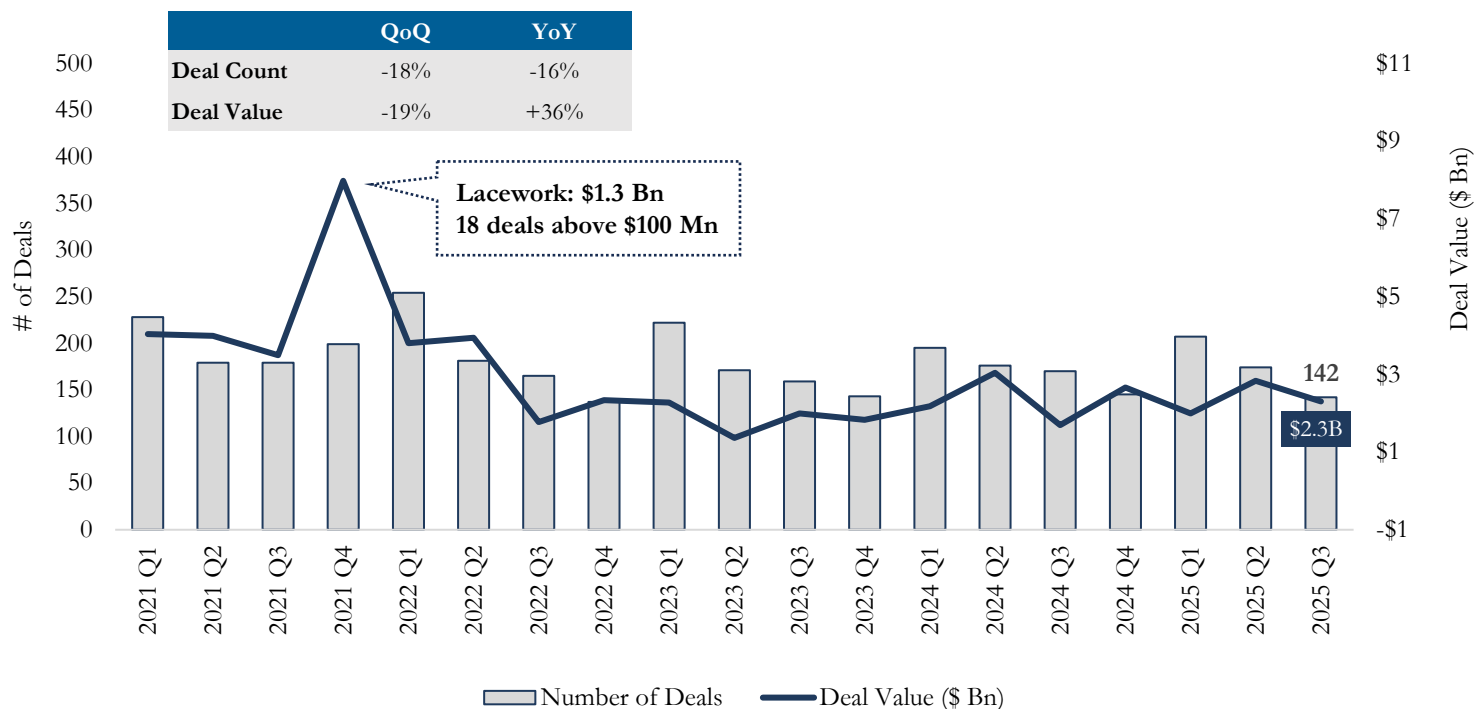
Date	Acquiror	Target	Deal Value (\$ Mn)	Deal Description
July	paloalto® NETWORKS	PROTECT AI	\$675	The acquisition will help Palo Alto Networks accelerate its commitment to securing the next generation of technology infrastructure, a landscape increasingly defined by the rapid proliferation of AI.
September*	CHECK POINT™	Lakera	\$300	The acquisition will help the company to set a new standard in cyber security, becoming able to deliver a full end-to-end AI security stack designed to protect enterprises as they accelerate their AI journey.
September	SentinelOne®	Prompt™	\$275	The deal is part of SentinelOne's strategy to extend its AI-native Singularity™ Platform to secure the rapidly growing use of generative (GenAI) and agentic AI in the workplace.
September	CROWDSTRIKE	pangea	\$260	The acquisition will help CrowdStrike Holdings to secure AI use and development across the enterprise and pioneer the category of AI detection and response.
September*	f5®	Calypso AI	\$180	Together with CalypsoAI, F5 aims to redefine enterprise AI security, enabling organizations to securely scale while mitigating risks, simplifying compliance, and delivering high-performance AI workflows.

Source: PitchBook, U.S. Only, Deals Announced/Completed from 1/1/2020 through 9/30/2025.

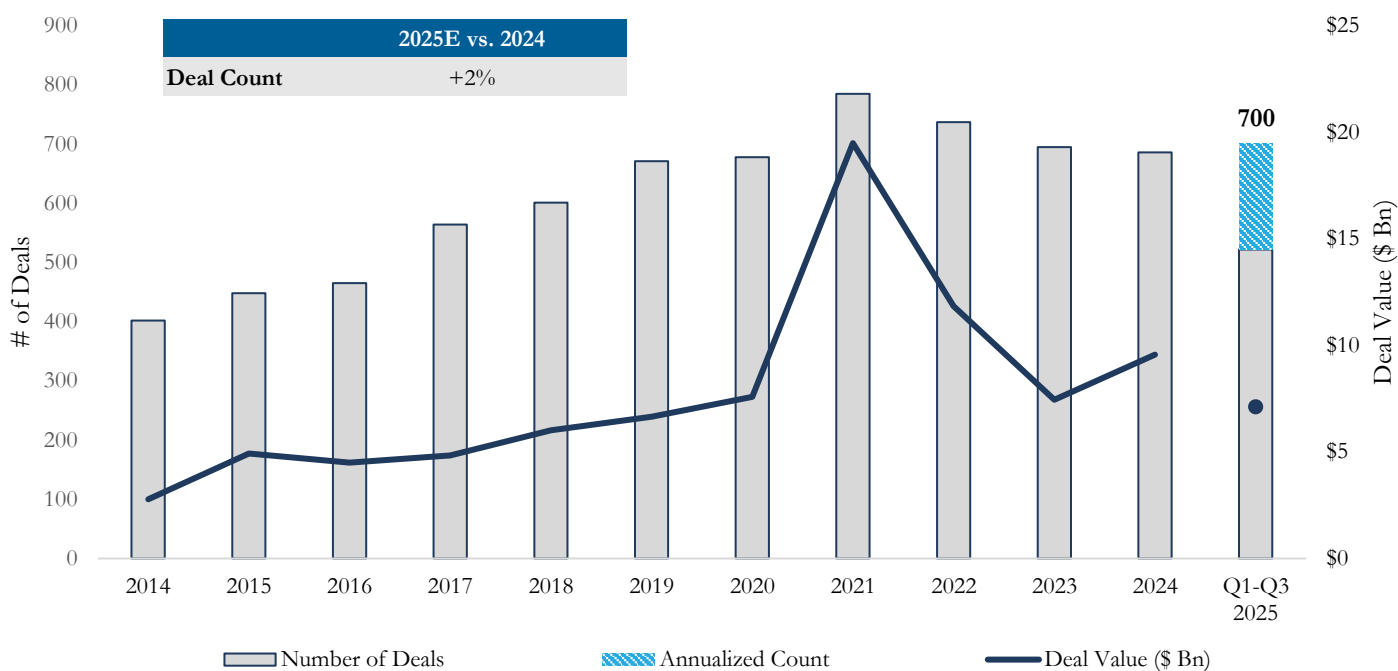
U.S. Cybersecurity VC Deal Activity

- Deal count has been decreasing for the second consecutive quarter, but expected deal count for the full year 2025 is projected to be up 2% from 2024 driven by a strong Q1 2025.

Quarterly U.S. Cybersecurity VC Activity



Annual U.S. Cybersecurity VC Activity



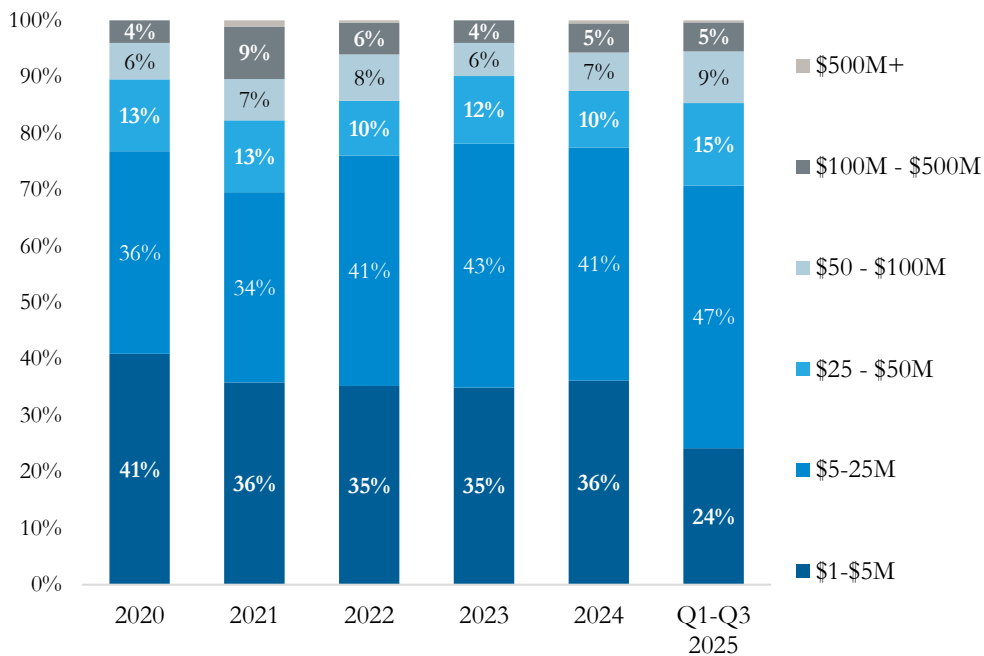
Source: PitchBook, U.S. Only, Deals Announced/Completed from 1/1/2020 through 9/30/2025.

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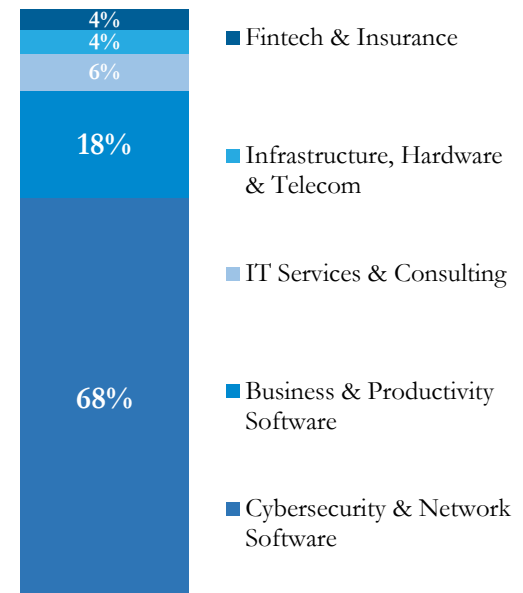
U.S. Cybersecurity VC Deal Size

- Since 2020, deal count below \$5 Mn is down 41%, showing that investors are moving away from small deals.
- Most VC deals concentrate in the network software arena, which covers products that control access, monitor activity, detect/respond to threats, and enforce policy across networks, cloud, endpoints, apps, and data.

U.S. Cybersecurity VC Deals by Size



Q1-Q3 VC Deals by Subsector



Largest U.S. Cybersecurity VC Deals in Q3 2025

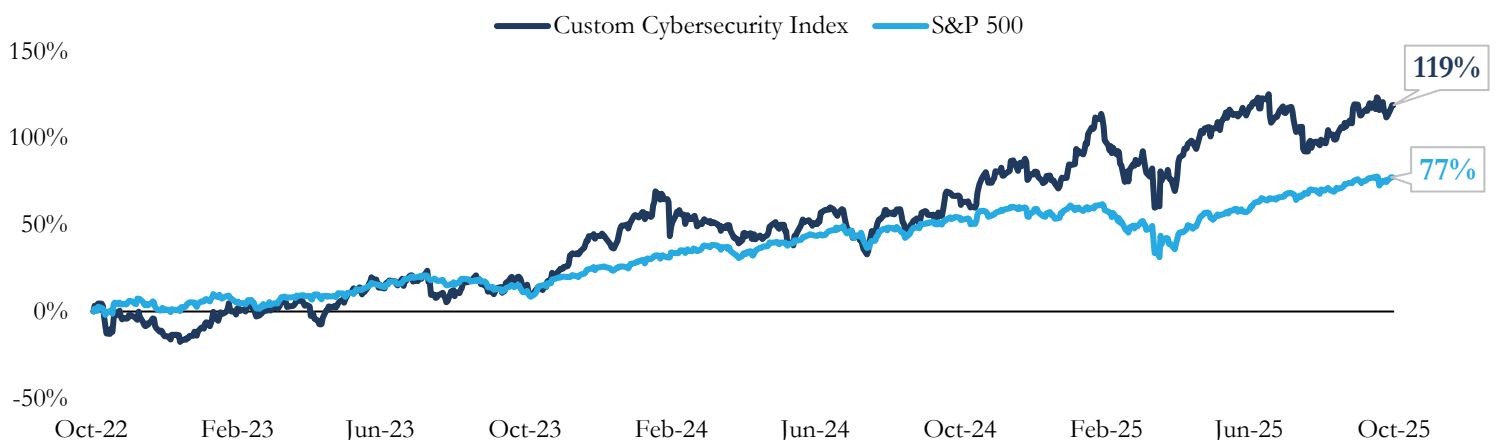
Date	Lead Investor(s)	Target	Deal Value (\$ Mn)	Company Description
September	Ribbit Capital	 ID.me	\$340	Developer of an identity platform designed to make group affiliation verification secure. The company's platform streamlines authentication.
August	Kohlberg Kravis Roberts	 ONTIC	\$230	Developer of a protective intelligence platform designed to provide actionable insights for early threat detection.
July	Wellington Management	 Vanta	\$150	Developer of a compliance management platform designed to automate risk management, security audits, and vendor assessments.
July	Founders Fund, Lux Capital	 ARMADA	\$131	Developer of an edge computing platform designed to revolutionize connectivity, computing, and artificial intelligence tools.
August	General Atlantic	 incode	\$120	Developer of an end-to-end omnichannel identity platform designed to offer a frictionless customer experience at every point of contact with a consistent level of security across multiple channels.

Source: PitchBook, U.S. Only, Deals Announced/Completed from 1/1/2020 through 9/30/2025.

Public Company Financials

Company	Vertical	EV (\$ Bn)	Market Cap (\$ Bn)	TTM Sales (\$ Bn)	Price (10/21)	Price as % of 52-Week High	EV / Free Cash Flow	EV / Revenue
 paloalto NETWORKS	Diversified	\$135.0	\$143.0	\$11.5	\$213.8	98.2%	37.9x	11.7x
 CROWDSTRIKE	Extended Detection & Response	\$122.0	\$126.1	\$4.8	\$502.5	97.7%	117.5x	25.3x
 CLOUDFLARE	Network Security	\$74.0	\$74.5	\$2.1	\$213.7	93.6%	307.9x	36.0x
 FORTINET	Network Security	\$61.3	\$64.9	\$5.0	\$84.7	73.9%	30.2x	12.2x
 zscaler	Cloud Security	\$47.1	\$48.9	\$2.9	\$308.9	97.6%	59.8x	16.2x
 Gen	Consumer & SMB	\$24.8	\$16.8	\$3.9	\$27.2	84.6%	18.4x	6.3x
 CYBERARK	Identity Access Management	\$24.3	\$24.9	\$1.5	\$504.3	98.1%	115.2x	16.3x
 CHECK POINT	Network Security	\$18.3	\$21.2	\$2.3	\$197.3	84.5%	15.9x	7.9x
 okta	Identity Access Management	\$16.1	\$17.3	\$3.1	\$300.6	87.6%	16.0x	5.2x
 okta	Identity Access Management	\$13.6	\$15.5	\$2.4	\$87.8	69.0%	15.3x	5.5x
 VARONIS	Data Security	\$6.4	\$6.8	\$0.7	\$60.7	95.9%	51.2x	8.9x
 TREND	Cloud Security	\$5.9	\$7.4	\$1.5	\$52.2	65.9%	17.1x	4.1x
 SentinelOne	Extended Detection & Response	\$5.2	\$6.0	\$0.9	\$17.6	58.8%	-	5.8x
 Qualys	Vulnerability Analytics	\$4.2	\$4.8	\$0.6	\$131.6	63.9%	16.8x	7.2x
 tenable	Vulnerability Analytics	\$3.7	\$3.7	\$0.9	\$30.2	58.3%	14.5x	4.3x
 BlackBerry	Endpoint Security	\$2.9	\$2.9	\$0.7	\$5.0	82.1%	-	4.1x
 RAPID7	Vulnerability Analytics	\$1.7	\$1.2	\$0.7	\$19.0	30.9%	9.4x	2.3x
 securnet	Cybersecurity Services	\$1.5	\$1.5	\$0.5	\$236.0	83.6%	-	3.4x
 radware	Network Security	\$0.8	\$1.1	\$0.2	\$26.3	85.2%	14.6x	3.4x
 nccgroup	Cybersecurity Services	\$0.7	\$0.7	\$0.5	\$2.1	87.0%	-	1.4x
 OneSpan	Identity Access Management	\$0.5	\$0.6	\$0.2	\$15.8	78.3%	9.6x	2.3x
 F-Secure	Endpoint Security	\$0.5	\$0.3	\$0.2	\$1.9	76.7%	17.5x	3.3x
 Telos	Network Security	\$0.4	\$0.5	\$0.3	\$6.8	92.3%	-	1.6x
 Mitek	Identity Access Management	\$0.4	\$0.4	\$0.2	\$9.5	64.4%	7.5x	2.5x
 W / T H secure	Endpoint Security	\$0.3	\$0.3	\$0.1	\$2.0	97.8%	-	2.5x

Cybersecurity Companies Outperform S&P 500 Index in Past Three Years



Sources: ICON, Bloomberg and Capital IQ as of 10/21/2025; Custom Cybersecurity Index includes companies in table, market capitalization weighted.

U.S. Cybersecurity Trends

M&A Dealmaking: Consolidation and platformization remains the key theme driving M&A activity. Segments such as identity, cloud security, and data security are consolidating at faster speeds due to strong customer momentum and current large players like Palo Alto and Google having the capabilities to acquire smaller players. Many experts and brokers alike predict that this sort of consolidation will lead to a strong end to 2025 as well as into 2026.

Venture Capital: Q3 2025 was the slowest quarter for VC in the year but annually is on track to be the strongest funding year since 2022. Balance across development stages with pre-seed/seed, early, and later stage categories each accounting for a third in terms of deal count suggests a healthy pipeline of both early innovation and scaling opportunities in the future.

IPO: Jefferies notes the IPO window continued to reopen in Q3, with successful listings (e.g., Chime, Figma) and revived pipelines. PitchBook also characterizes 2025 as a “normalization of down rounds” with ongoing bifurcation—strong performers raising at higher valuations—conditions that typically pull crossover investors back toward high-quality growth assets during Q3.

Industry Growth: Cybersecurity continues to project positive high single digit to low double-digit growth year over year. The rise of social engineering attacks by deepfakes and bots suggest that the fundamentals of this industry remain strong in both the short term and long term. Though in the short-term macro headwinds may mute deal volume, the momentum behind the industry will persist.



August 28, 2025

“There’s ongoing vendor consolidation. [There’s definitely] preference to have to deal with fewer vendors, not more. [For example,] I think we’re continuing to see more MDR providers leaning into the Microsoft ecosystem even more as their sources of telemetry and things along those lines just due to the sheer predominance of customers that already have a Microsoft 365 account or something along those lines that’s enabled with those technologies.”

–VP of Strategy for TeamLogic



July 10, 2025

“The concept of managed security operations will probably be one of the fastest growing markets into the Global 2000 companies over the next 12-24 months. A lot of that is being driven by some key criteria. One, the lack of talent in the industry. You look at North America, where you’ve got over 1.6 million cybersecurity jobs open, it is very difficult for organizations to be able to staff people, so I think that’s one.”

– Former MSSP expert at Palo Alto



October 7, 2025

Many customer environments today are fragmented. Some enterprises rely on 40 or 50 cybersecurity vendors, while others manage 100 or even 200 solutions...Many organizations are becoming more self-aware...consolidation is reducing fragmentation through mergers, acquisitions, and integrated platforms.

– Adrian Hia, Managing Director, APAC, Kaspersky



August 21, 2025

“From what we’ve tracked at Dataprise, I’d say overall pipeline and inquiry volume has probably grown roughly 15%-25% quarter over quarter. The biggest jumps are, like I said before, MDR, pen testing, compliance-focused solutions, which individually are driving much of that growth.”

– Sales Director, Dataprise

Strategic Legal Counsel for the Cybersecurity Industry

Headwinds

- ✓ **Cybersecurity M&A deals likely to increase due to industry wide consolidation.**
- ✓ **Rising threat intensity will keep cybersecurity a priority across public and private sectors globally.**
- ✓ **AI-driven risk and identity security are the spending hot spots.**
- ✓ **Regulatory frameworks and rate cuts is likely to improve transaction and exit environment.**

The Rising Cost of Cybercrime will Drive Near and Long-Term Growth: Critical Start reports the total cost of cybercrime attacks may reach \$8 trillion, equivalent to \$25,000 per person just in the U.S.

GenAI Overlap with Cybersecurity Expected to Grow: SentinelOne reports that the global generative AI cybersecurity market is projected to reach \$40.1 billion by 2030, growing at a 33.4% CAGR from \$7.1 billion in 2024, driven by increasingly complex cyber threats and expanding attack surfaces. Furthermore, AI lowers the threshold for skill advancement among moderately proficient attackers, eliminating the need for affiliation with threat actor collectives thus resulting in an increase of solo or small-group hacking activities.

SASE, SecOps, and Cloud: CFRA expects demand strength tied to the firewall refresh cycle and newer offerings (SASE, SecOps, Cloud) to materialize toward the end of 2025 and H1 2026; they flag identity maturation and platform momentum among key vendors.

Uptick in Enterprise Use of AI/ML: Zscaler data from the first half of 2025 shows that enterprise use of AI/ML tools has increased over 3,000% this year compared to last year. This means organizations are being exposed to new levels of security vulnerabilities at unprecedented speeds.

Military and Defense Sector Investment: The White House budget for civilian cybersecurity is \$13 billion in 2025, an increase of 10.2% over \$11.8 Bn allocated in 2024. The U.S. military will receive about \$30 billion in cybersecurity funding in fiscal 2025, included in the budget is \$3.0 billion in total funding for Cybersecurity and Infrastructure Security Agency (CISA) to improve national critical infrastructure cybersecurity response.

Upcoming Rate Cuts: The Fed cut 25 bps in September and any sources project another two cuts in 2025, which could mean lower financing costs, lift valuations, and boost PE transactions and IPO activity that will become macroeconomic tailwinds for cybersecurity.

Digital Sovereignty: Many countries are introducing new regulatory frameworks in response to evolving cybersecurity threat landscapes. For example, in the EU policies such as the Network and Information Systems Directive (NIS2), the Digital Operational resilience Act (DORA), and the EU Data act will fuel funding, adaptation, and innovation in cybersecurity. China has also been actively promulgating regulations for data sovereignty, strengthening personal data protection through the implementations of compliance audits and working on special mechanisms to facilitate cross-border data transfer.

Key Developments in Cybersecurity Law

DECEMBER 10, 2024

The **Cyber Resilience Act (CRA)**, an EU regulation for “products with digital elements” (hardware, software, services) requiring cybersecurity-by-design, mandatory security updates and incident-reporting obligations, went into effect at the end of 2024, with major obligations beginning by December 2027.

JANUARY 17, 2025

The **Digital Operational Resilience Act (DORA)**, a sweeping EU regulation for the financial sector, went into effect, establishing uniform ICT-risk management, third-party ICT provider oversight, incident-reporting and resilience-testing requirements for banks, insurers, investment firms and key ICT service providers.

FEBRUARY 20, 2025

The **SEC** announced the creation of the **Cyber & Emerging Technologies Unit (CETU)**, a dedicated unit focused on cyber-related misconduct and emerging technologies. This is just part of the SEC’s continued focus on cybersecurity enforcement, as announced in its 2025 examination priorities, which were released in late 2024.

MAY 19, 2025

The bipartisan **TAKE IT DOWN Act** passed. The new U.S. law, which targets online non-consensual intimate imagery and “deepfakes” posted by covered online platforms, empowers individuals to notify a platform if content is published without their consent and requires platforms to remove the content within 48 hours.

JUNE 6, 2025

President Trump signed **Executive Order 14306**, which amended cybersecurity EOs issued by previous presidents. Key changes made by the EO included focusing sanctions authority on foreign cyber threats, removing certain software-attestation requirements for government contracts, and narrowing digital identity mandates.

OCTOBER 1, 2025

The **Cybersecurity Information Sharing Act (CISA)** of 2015, was allowed to expire at the end of September 2025, a casualty of the political battle over government funding. CISA’s legal protections are vital to enabling private-sector organizations to share threat data, both within the industry and with the government. The current Continuing Resolution (CR) bill may give it at least a brief return to life and allow congress to reconsider renewal once the government is back to normal operations.

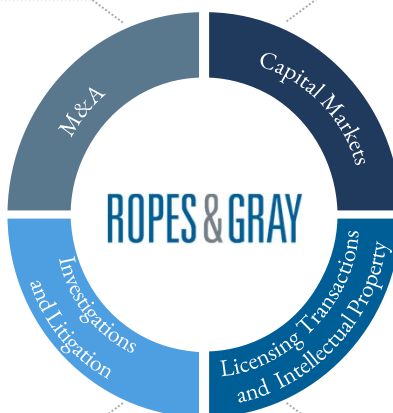
U.S. Cybersecurity Trends

M&A

Our global M&A team has the depth and breadth to successfully guide you through the full spectrum of corporate transactions— from carve-outs and spin-offs to double plays, strategic additions, leveraged buyouts, company sales, and global take-privates.

INVESTIGATIONS AND LITIGATION

From early-stage enterprises to Fortune 50 companies, our team has been engaged to provide privacy and cybersecurity compliance and counseling, incident preparedness and response, corporate transactional guidance, and regulatory investigations and litigation.



CAPITAL MARKETS

Our capital markets team regularly represents issuers, underwriters, and private equity sponsors in their most complex transactions, including Up-C IPOs, block trades, convertible note offerings, debt financings, and other capital raising transactions.

LICENSING TRANSACTIONS AND INTELLECTUAL PROPERTY

Our intellectual property team delivers end-to-end support for market leaders and innovators, advising on complex licensing arrangements, strategic collaborations, technology transfers, and other IP-driven transactions.

Highlights of Our Experience

 <p>Represented H.I.G. Capital on its investment in AgileBlue, an AI-powered cyber security company.</p>	 <p>Represented GI Partners and TA Associates in a majority strategic growth investment in Egnyte, a provider of secure content collaboration and governance solutions.</p>	 <p>Represented Berkshire Partners in its investment (alongside existing investor Court Square Capital Partners) in Thrive, a provider of cybersecurity, cloud, and IT managed services.</p>
 <p>Represented Crosspoint Capital Partners and Bain Capital in their \$900 million acquisition of ExtraHop, a cybersecurity company providing AI-based network intelligence.</p>	 <p>Represented Haveli Investments in its acquisition of AppViewX, a network management software company.</p>	 <p>Represented Crosspoint Capital Partners in its \$870 million take-private acquisition of Absolute Software (TSX:ABST), a cybersecurity company.</p>
 <p>Represented Bain Capital Tech Opportunities in its \$190 million growth investment in Blackpoint Cyber, a leading cybersecurity company focused on providing managed service providers with technology to protect their customers from online threats.</p>	 <p>Represented McAfee in its \$740 million IPO, in the sale of its Enterprise business for \$4 billion to Symphony Technology Group, and in its \$14 billion sale to an investor group.</p>	 <p>Represented Haveli Investments in its \$350 million acquisition of ZeroFox, a provider of software-as-a-service-based external cybersecurity solutions.</p>

Our Commitment

250+ M&A lawyers	150+ Years of practice history	16 Offices to support deals	14 Consecutive years on A-list of elite firms
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