

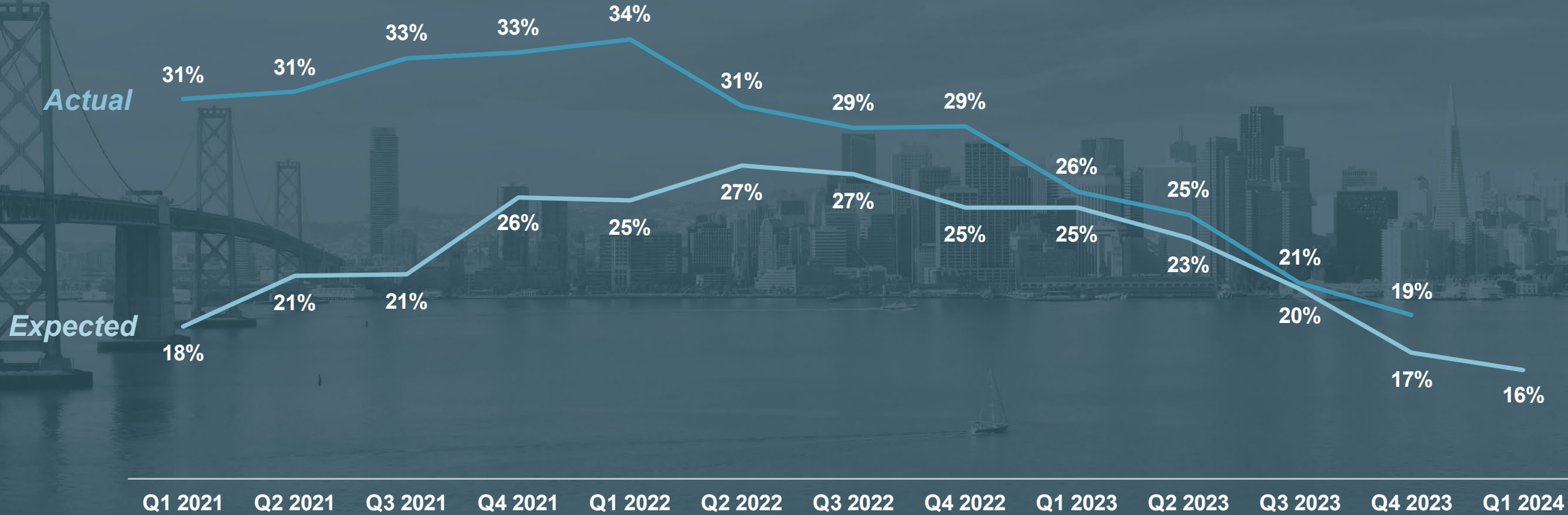
CYBERSECURITY CEO SUMMIT



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Last Year Was Tough for Everyone...

Security Revenue Growth

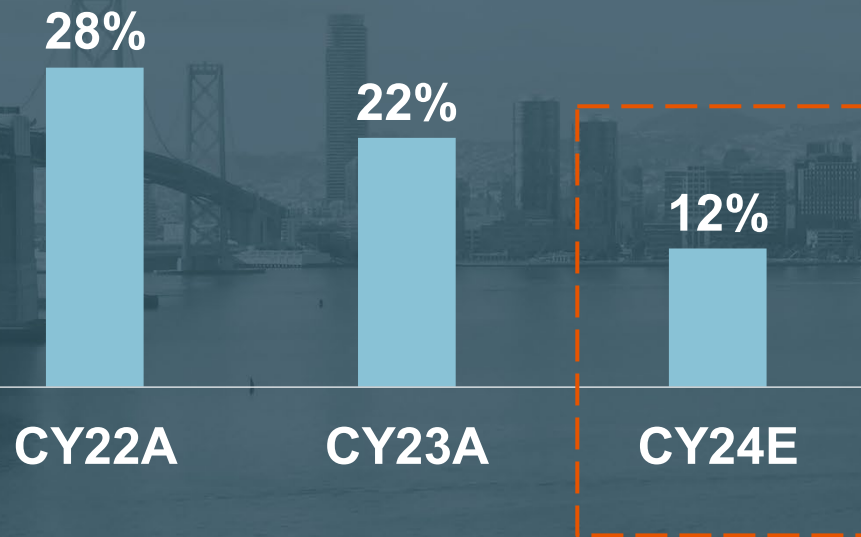


In CY23, the Security group delivered 22% YoY Revenue Growth vs. just 16% from Non-Security





Source: Capital IQ as of 04/30/2024
 N = 13 for Security median; N = 136 for Non-Security median; Non-Security includes public Application Software & Systems Software in US / Canada / Europe with market caps > \$1Bn

...and CY24 Guidance Is Tepid

YoY Revenue Growth



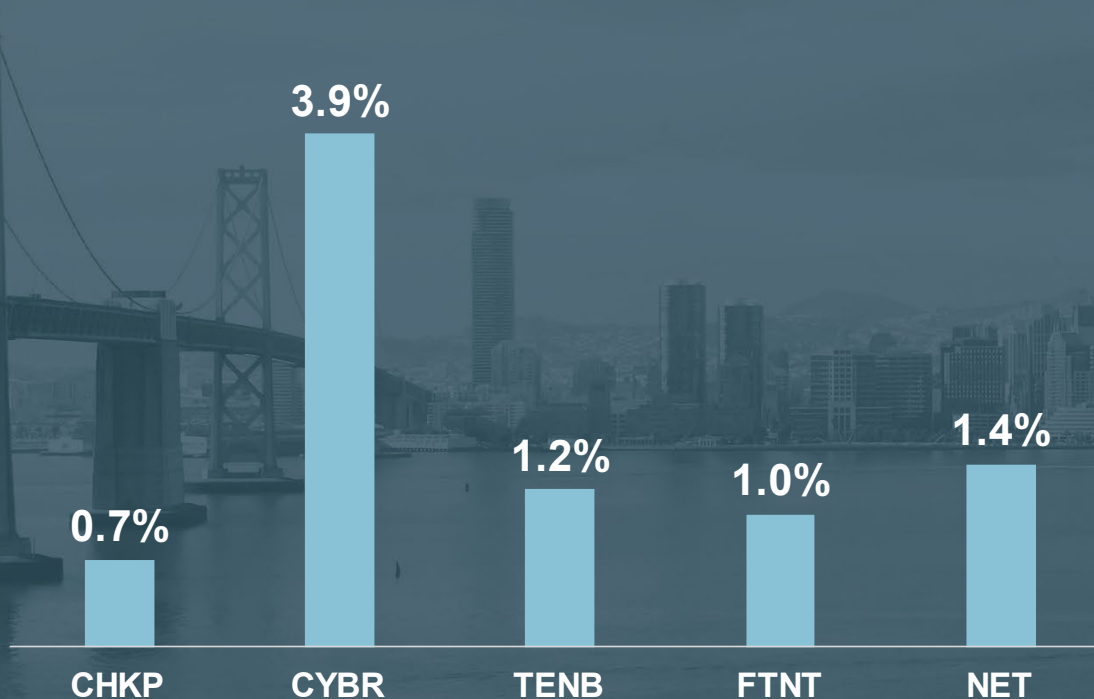
Largest Changes in Revenue Growth

	CY23A	CY24E
	22%	11%
	22%	12%
	47%	31%
	41%	25%

Some conservatism, but also macro pressures, continued focus on profitability, and pricing changes

But Early Q1 Results Provide Some Reason for Optimism

% Revenue Beats



“...Checks speak to a healthy but moderating environment in 1Q...cyber [is] still better than broader software...” (1)

“...Cybersecurity spending environment was stable this quarter, with commentary generally more optimistic over future trends relative to recent quarters...” (2)

“...Industry environment is mixed but more stable than a year ago...” (3)

Source: Capital IQ as of 05/2/2024

- 1) Jefferies, “Cyber Preview: Moderating But Healthy Environment, CYBR Top Pick,” 04/17/2024
- 2) Goldman Sachs, “Check Point (CHKP): Durability of >10% new business growth key for 2H24,” 04/24/2023
- 3) William Blair, “Cybersecurity 2024 First-Quarter Preview,” 04/23/2024

And Security Continues to Outperform

LTM Price Performance

47%



20%



Security

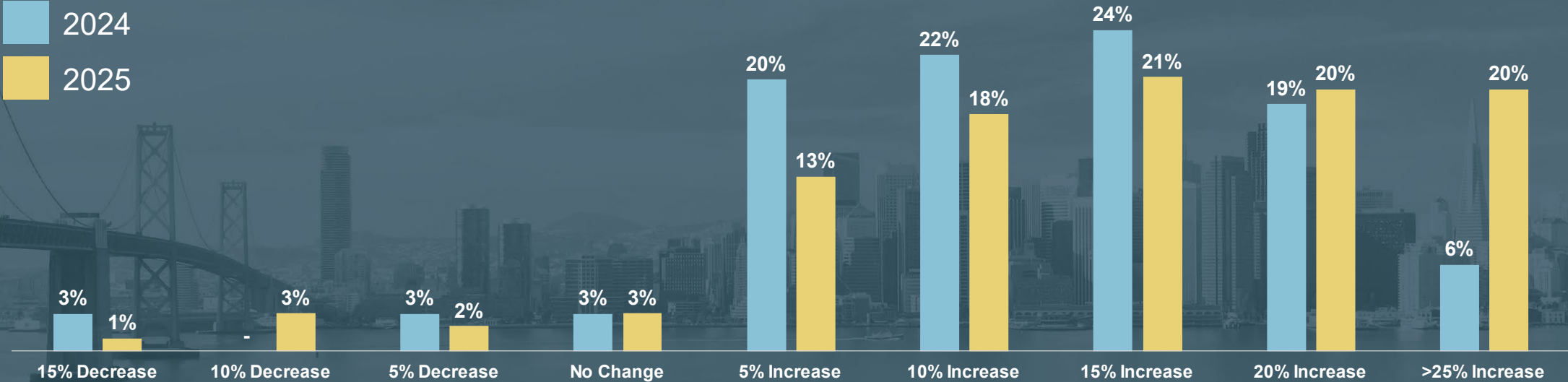
Non-Security

Source: Capital IQ as of 04/30/2024

N = 13 for Security median; N = 136 for Non-Security median; Non-Security includes public Application Software & Systems Software in US / Canada / Europe with market caps > \$1Bn

Security Will Continue to Grow

Strong Security Spend Outlook: % Planning to Increase Spend



Growing Threat Landscape

1 in 3

Breaches Identified by Internal Security

277

Days to Identify and Contain Data Breach

\$9.5M

Avg. Cost of U.S. Data Breach

72%

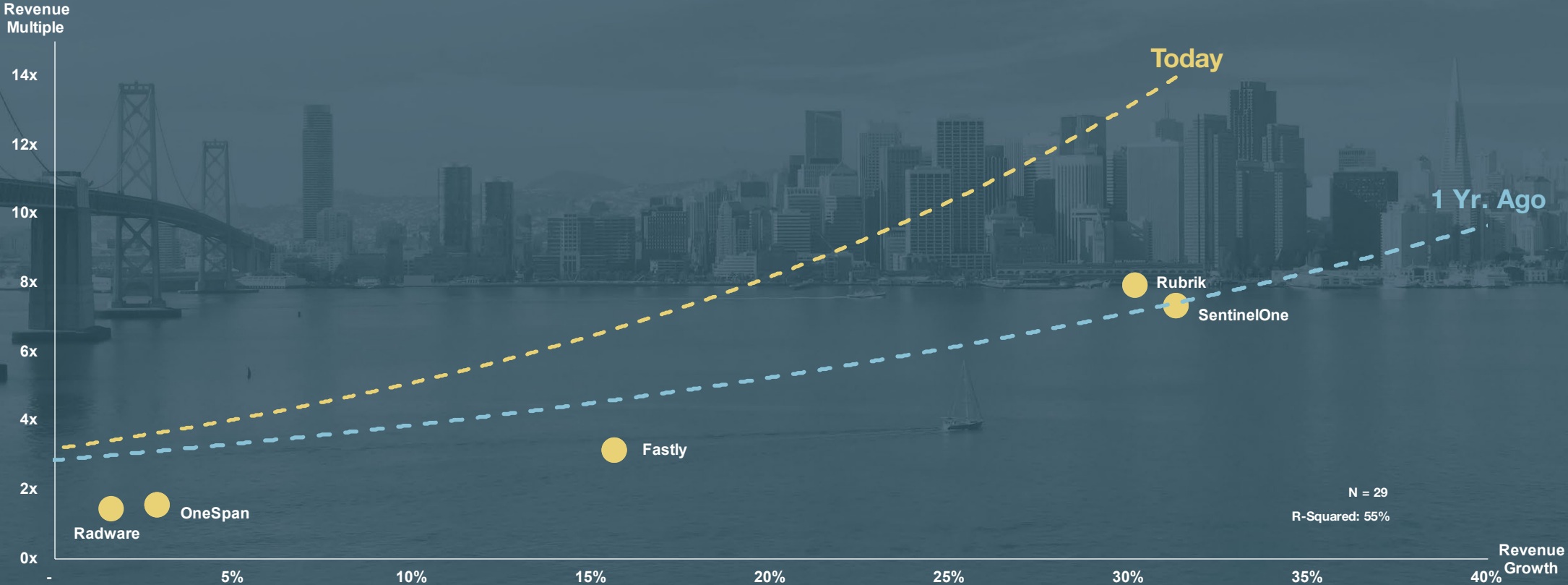
2023 YoY Increase in Data Compromises

Sources: PSC 2024 CISO Survey Question: As compared to your 2023 cybersecurity budget, how will your budget change in 2024 and 2025? N = 108; IBM 2023 Cost of a Data Breach Report; World Economic Forum

Public Valuations Have Rebounded Since Last RSA

CY24E Multiples Are Still Correlated to Growth

But unprofitable names trade at a ~55% discount



Source: Capital IQ as of 04/30/2024; N = 28 for broader public Security comps set
Note: 1 Yr. Ago regression is based on CY23E Revenue Growth and CY23E Revenue Multiples

 Negative uFCF in CY23A

Companies Continue to Focus on uFCF Margin...

NTM uFCF Margins



Source: Capital IQ as of 04/30/2024
 N = 13 for Security median; N = 136 for Non-Security median; Non-Security includes public Application Software & Systems Software in US / Canada / Europe with market caps > \$1Bn

...Which Is Helping Drive Increases in Revenue Multiples

NTM Revenue Multiples



Source: Capital IQ as of 04/30/2024

N = 13 for Security median; N = 136 for Non-Security median; Non-Security includes public Application Software & Systems Software in US / Canada / Europe with market caps > \$1Bn

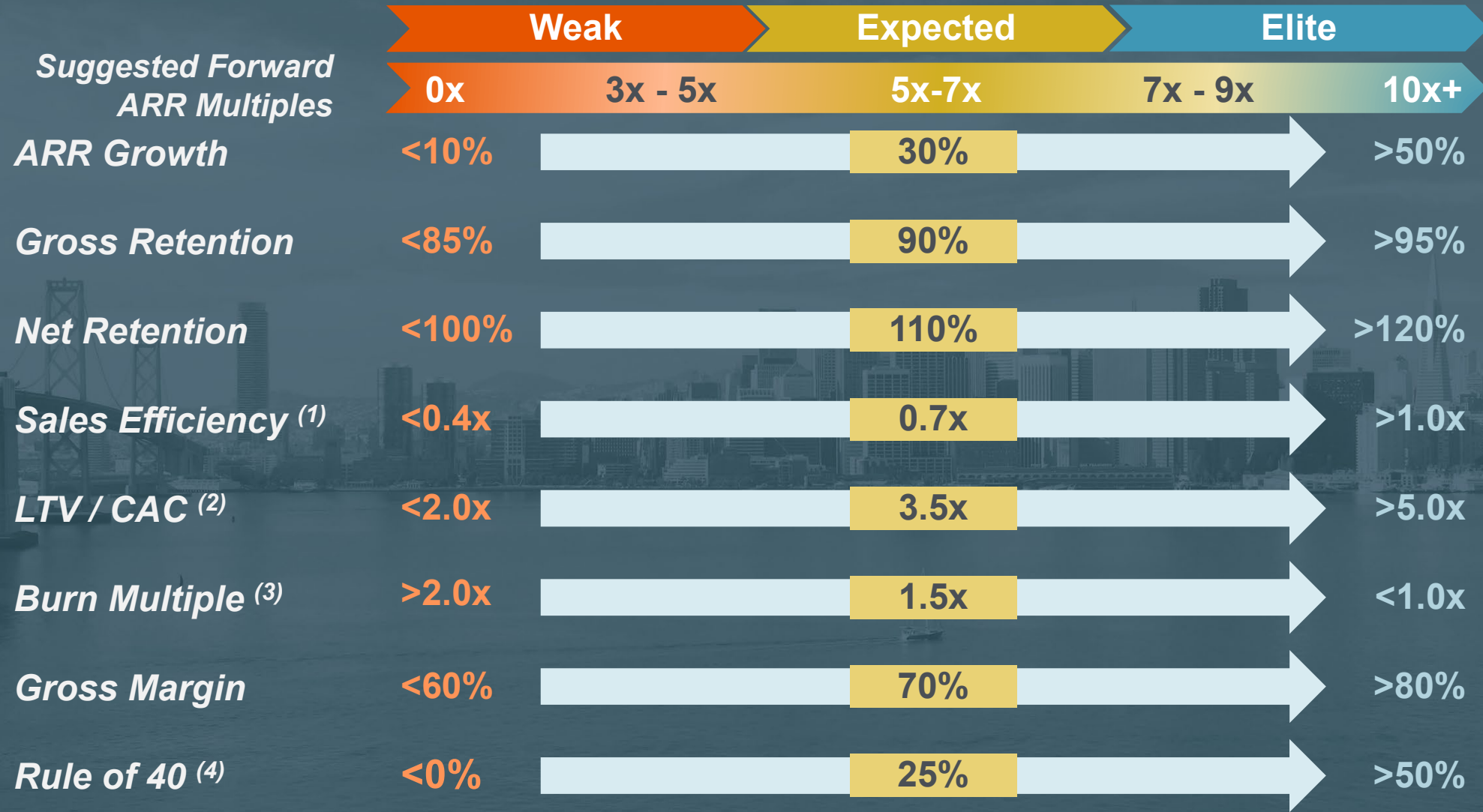
Growth Is Worth More Than Profitability, but FCF Is More Important Than It Has Been in the Last 5 Years

Relative Importance of Growth vs. uFCF Margin in Security



Note: Trading data as of April in a given year; Graph plots X, where correlation between revenue multiple and Growth * X + uFCF Margin is the highest; N is between 17 and 33 for broader public Security comps set public at a given time
Source: Capital IQ as of 04/18/2024

Great Tech Isn't Enough. Metrics Really Matter



Source: Piper Sandler & Co.

1) Net New ARR / Total S&M

2) Net New ARR * Gross Margin / Gross Churn / Total S&M

3) Burn Multiple = Adj. uFCF / Change in ARR

4) Rule of 40 = Revenue Growth Rate + uFCF Margin

M&A Deal Activity Is and Will Remain Higher & Multiples Are Holding Fairly Steady

Security M&A Deals in North America, Europe, and Israel



Source: 451 Research as of 04/30/2024

Yes, There Are Outliers...




ND
Mar-2024




\$350M ⁽¹⁾
Mar-2024






\$550M ⁽²⁾
Nov-2023




\$320M ⁽³⁾
Oct-2023




\$265M ⁽⁴⁾
Sept-2023

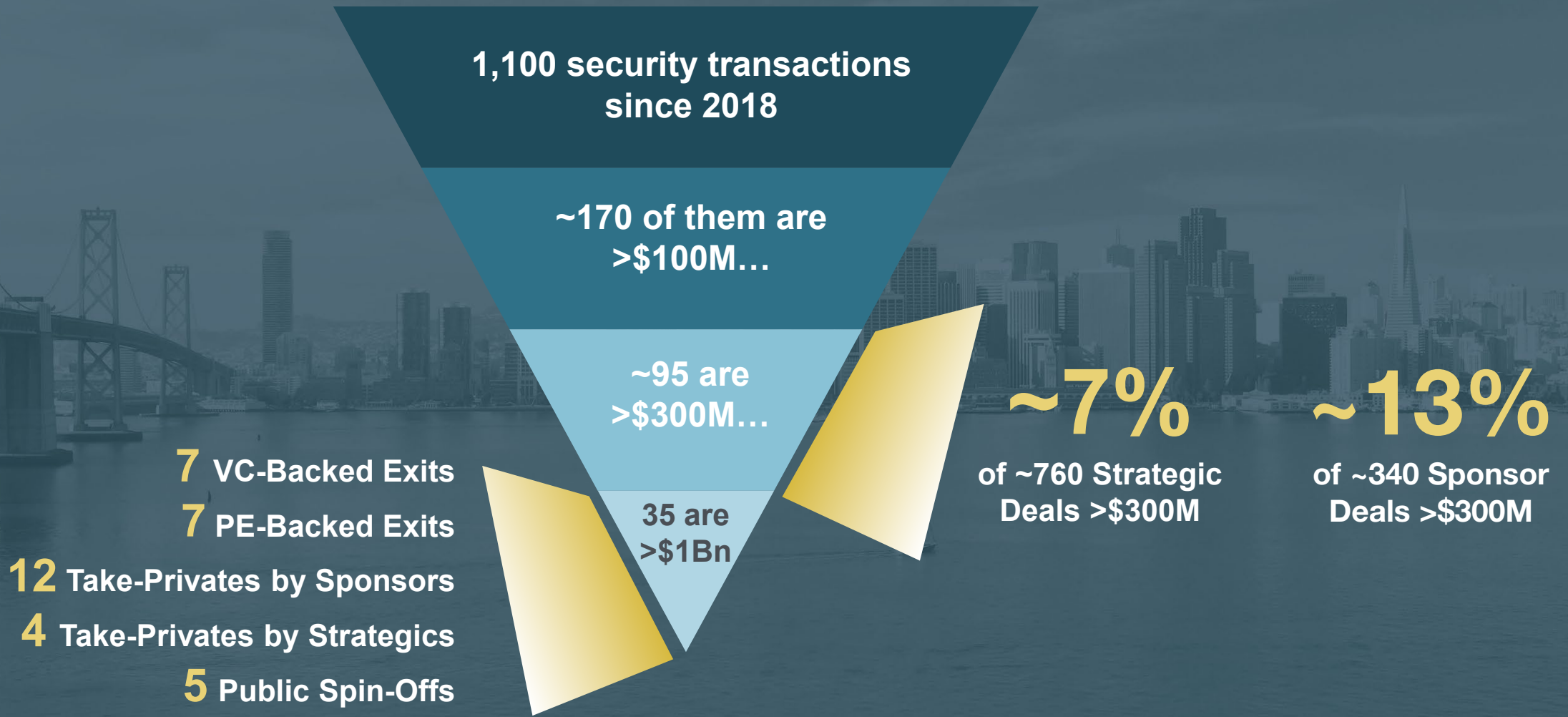
ND
Jul-2023




\$160M ⁽⁵⁾
Mar-2023

1) Bloomberg; Cash deal
2) PANW 10Q; Includes ~\$440M cash and ~\$110M in equity awards
3) PANW 10Q; Includes ~\$250M in cash and ~\$70M in equity awards
4) TENB PR; Includes ~\$240M cash and ~\$25M in equity awards
5) 451 Research as of 04/01/2024

...But These Are the Exception, Not the Rule. Massive Exits Will Remain Unlikely



Source: 451 Research as of 03/29/2024

VC-Backed Exits: Duo Security, Cylance, Shape, Verafin, Venafi, Auth-0, Armis; PE-Backed Exits: Checkmarx, Thycotic, Barracuda, WatchGuard Technologies, Archer, Imperva, Forcepoint G2CI; Take-Privates by Sponsors: Darktrace, Imperva, Sophos, Forescout, Proofpoint, McAfee, Mimecast, SailPoint, Ping Identity, ForgeRock, KnowBe4, Sumo Logic; Take-Privates by Strategics: Avast, Carbon Black, HashiCorp, Mandiant; Public Spin-Offs: Symantec, RSA Security, Forcepoint, McAfee Enterprise, FireEye

Later Stage Companies Are Pushing Out Fundraising to Grow into Their Peak Valuations



Source: Pitchbook as of 04/24/2024; '2021 Unicorns' refer to companies in the US, Canada, or Europe within Cybersecurity that raised equity at a post-valuation greater than \$1Bn between 2018 - 2021

When IPOs Do Return, We Expect They Will Be Larger and Closer to Rule of 40

Software IPOs by Vintage Band ⁽¹⁾

	2015	2018	2021	2024
Revenue (\$M)	\$123	\$195	\$241	\$300+
Growth %	42%	41%	37%	
FCF Margin %	(1.5%)	(5.9%)	0.5%	
Rule of 40 ⁽¹⁾	32%	33%	42%	40%+
Sales Efficiency ⁽²⁾	0.5x	0.6x	0.8x	
N =	15	39	76	

Source: Capital IQ, Pitchbook as of 03/27/2024

Note: Vintage consists of IPOs during the listed year along with IPOs during Y-1 and Y+1

1) Rule of 40 = Growth Rate + uFCF Margin

2) Sales Efficiency = (Current Year Revenue – Last Year Revenue) / Total S&M Spend

Takeaways from the Rubrik IPO

Observations

- FY25E Financial profile: ~\$1Bn Subscription ARR; ~25% ARR growth, Unprofitable, 133% NRR ⁽¹⁾
- Proven category leader
- Enterprise-focused customer base
- Complex story: transition to subscription and data management to security

Lessons Learned

- Investor demand for growth IPOs is healthy—scarcity value exists
- Strong, consistent KPIs are critical
- Lack of profitability still impacts valuation
- Investors are okay with complexity and are expecting better days for enterprise

Who's next?

1Password

ARCTIC WOLF

ARMIS

AXONIUS

BeyondTrust

CATO NETWORKS

mimecast

netskope

ninjaOne

onetrust

OPTIV

proofpoint

Recorded Future

RELIAQUEST

SailPoint

SAVIYNT

snyk

TANIUM

VECTRA

WIZ

1) Rubrik FYE 1/31; Renaissance Capital 04/19/2024

VC Spend Is Back In-Line With Pre-2021 Levels

Security VC Investments in North America, Europe, and Israel

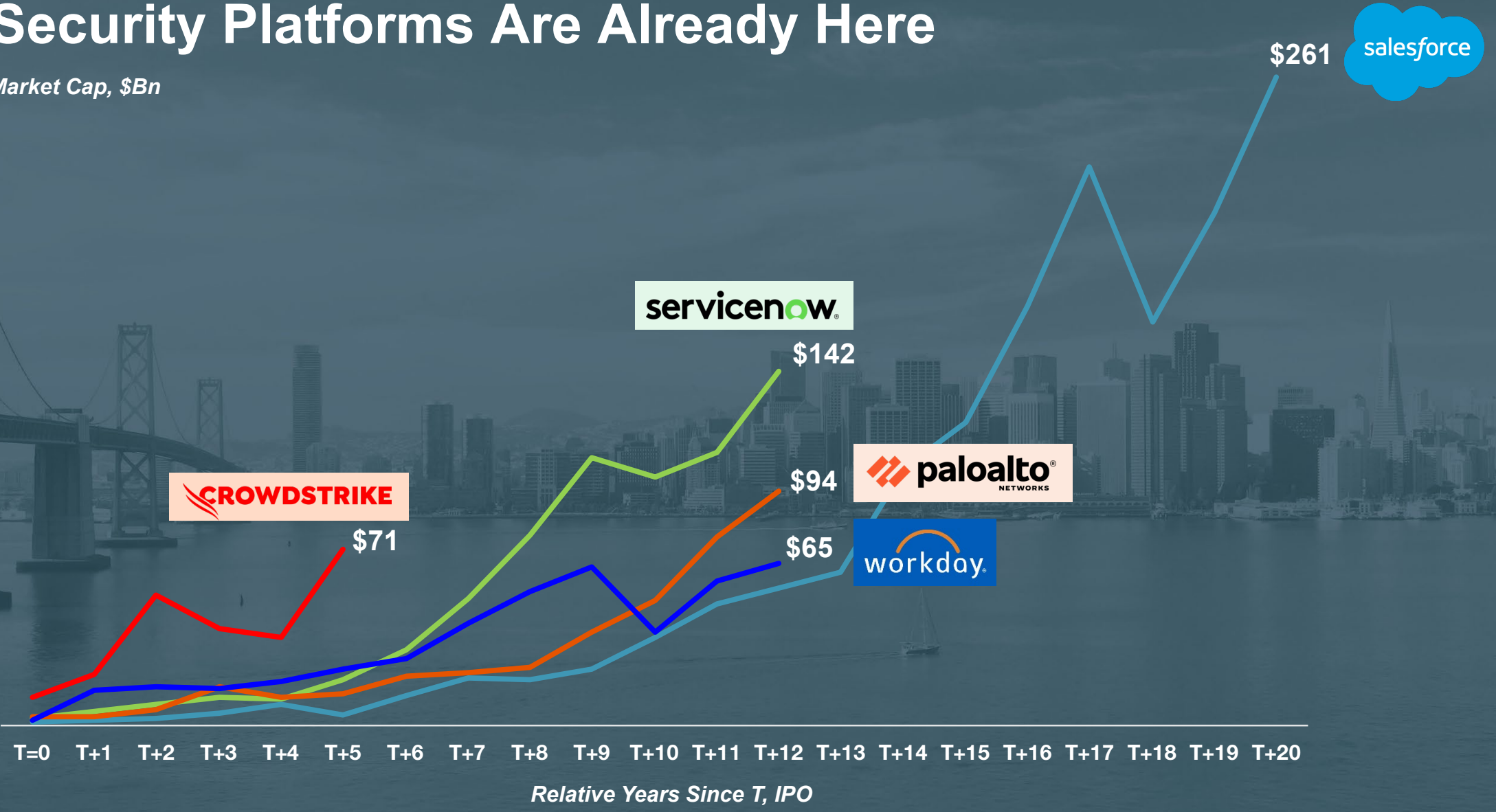


In 2023, total Series C+ deals declined ~40% YoY and ~55% since peak in 2021

Source: Pitchbook as of 03/27/2024

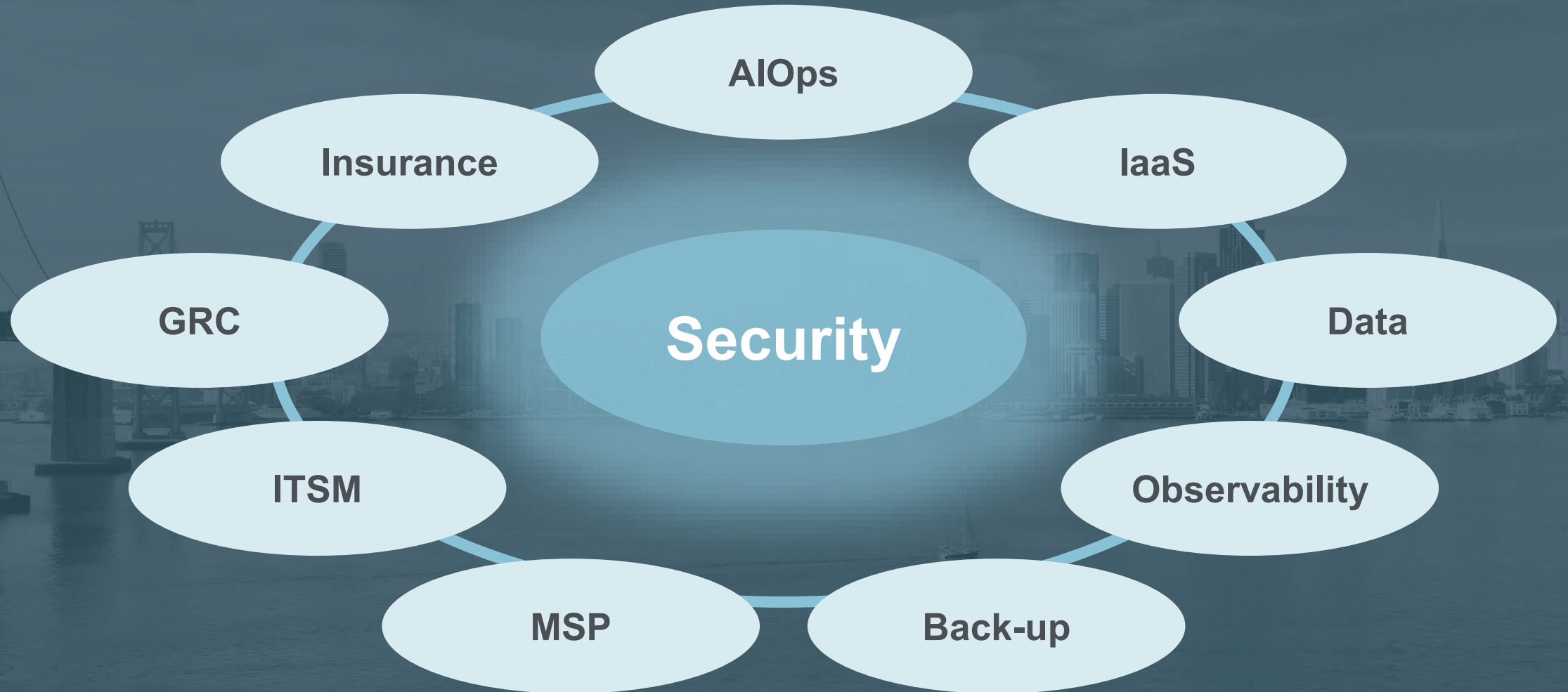
Security Platforms Are Already Here

Market Cap, \$Bn



Source: Capital IQ as of 04/30/2024

The Expanding Security Ecosystem



10 Predictions for the Security Market

- 1 Sales efficiency is king
- 2 Private-to-private consolidation will accelerate
- 3 Private Equity is a major force in security and a potential value maximizing option
- 4 Series C and above rounds are rare—and the requirements are increasingly hard
- 5 You can rarely exit too early
- 6 Security companies of scale will be well-received when IPO markets re-open
- 7 Security is increasingly consumed as a service and will be for the foreseeable future
- 8 Categories driving M&A: Data security, identity convergence, and AI
- 9 SMB market is still underappreciated in security
- 10 Security is insulated and a growth market for the foreseeable future

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2024 CISO Survey Report

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Piper Sandler CISO Survey

Designed to Get a Pulse of Cybersecurity Concerns, Capability Needs, Consolidation Trends and Spending

110+

Survey Responses

95%

CIO, CISOs, CSOs & IT Directors

~50/50

Private Equity & Public Ownership Split

Piper Sandler Cybersecurity is tapping into its deep network of CISOs and other senior security decision-makers to survey the community's budgets, focus areas, needs and strategies

~20%

>10,000 Employees

~80%

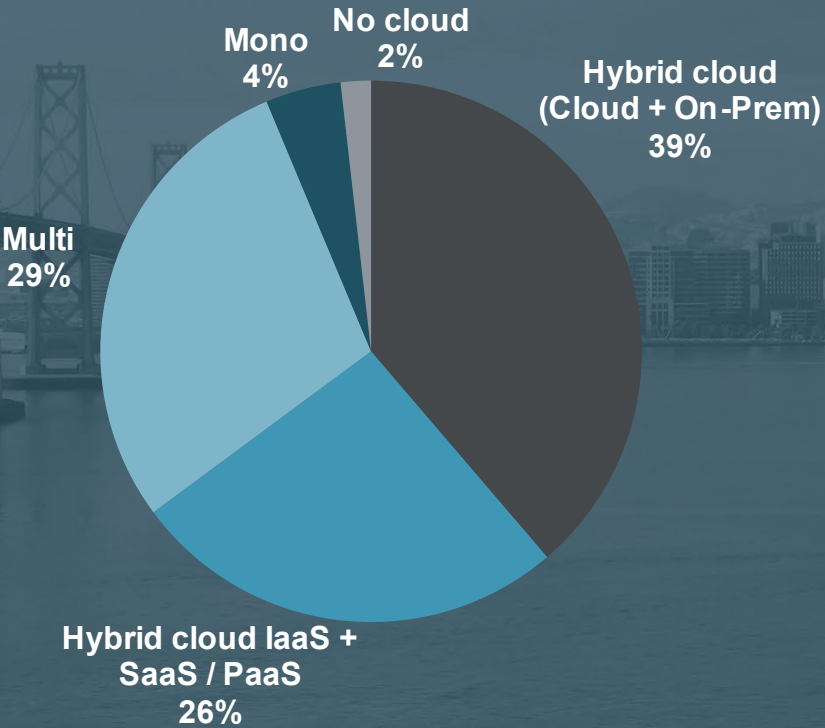
>1,000 Employees

55%

Technology Industry

Cloud & Cloud Usage Shift to Cloud Continues

Cloud Mix



Distribution of Workloads (1)

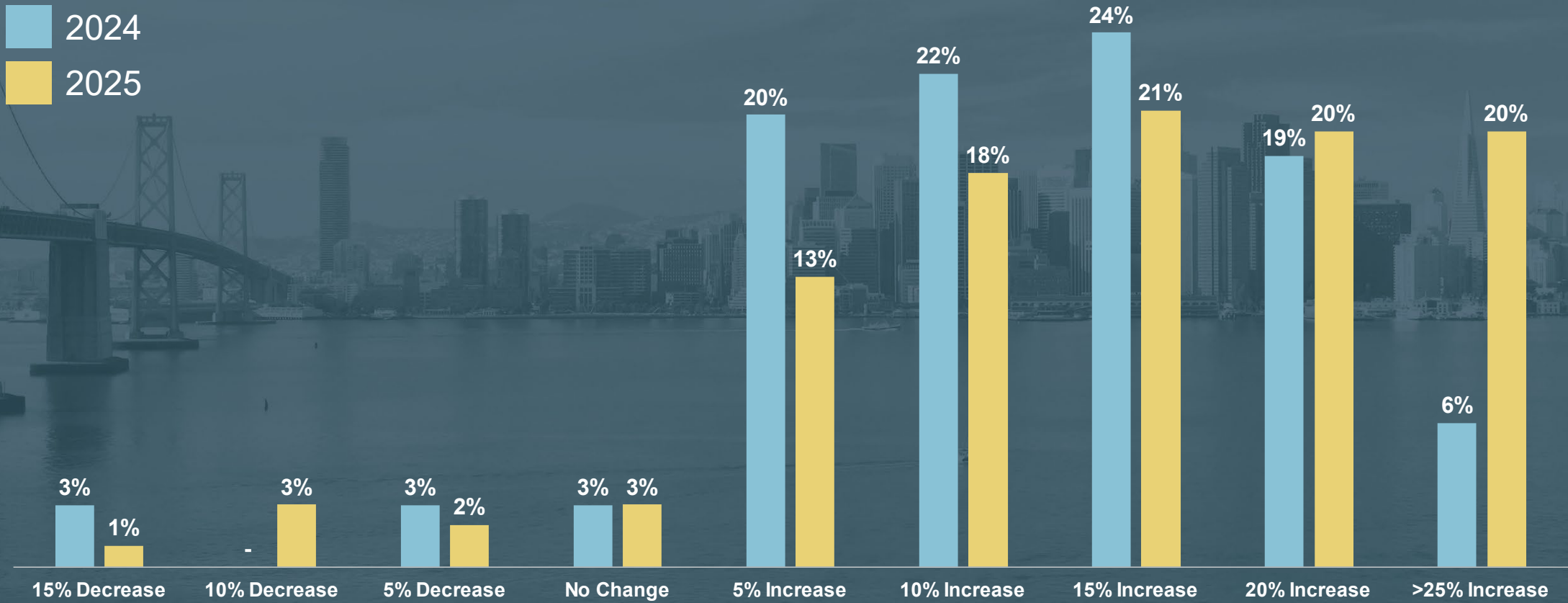
	3 Yrs Ago	Present	In 3 Yrs
On Premise	40%	30%	25%
Private Cloud	25%	40%	40%
Public Cloud	25%	29%	30%

Survey Questions: (1) Is your company mono or multi cloud?; (2) Where do your critical workloads reside?; N = 111
 (1) Median responses

Budget: Spending

Security Spending is Expected to Increase

Expected Budget Change vs. 2023 Budget



Survey Question: As compared to your 2023 cybersecurity budget, how will your budget change in 2024 and 2025?; N = 108

Budget: Security Categories

Cloud & Data Security Still Dominate Security Budgets

What categories comprise your top 3 by budget spend?

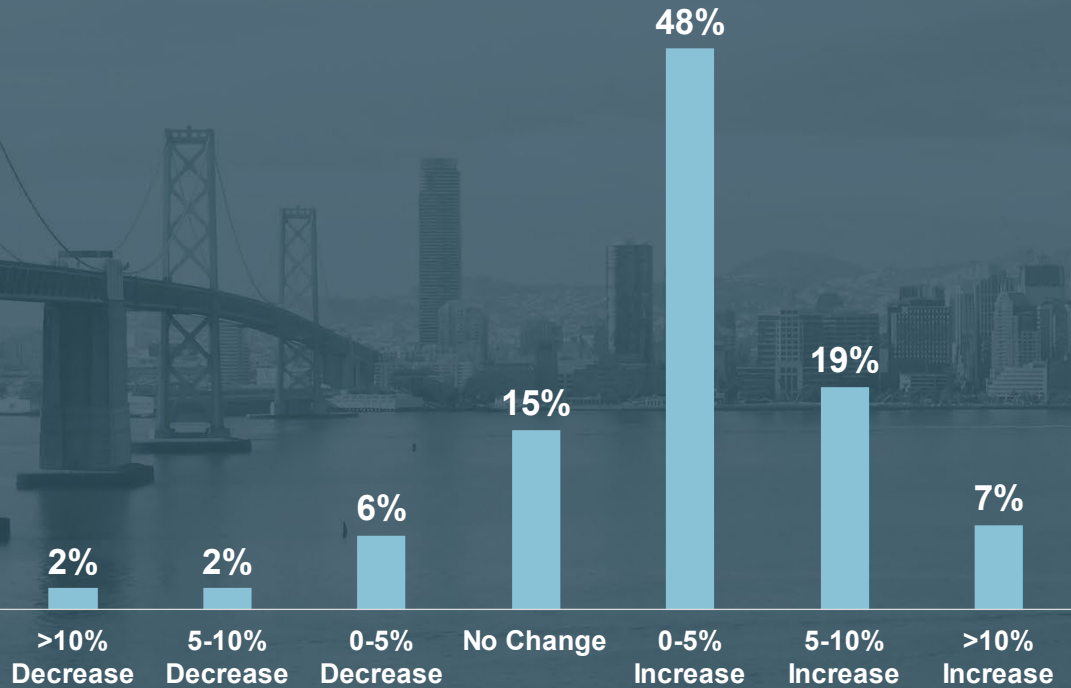
	<u>2024 Survey</u>	<u>vs. 2023 Survey Rank</u>
Cloud Security	71%	=
Data Security	69%	=
Application Security Testing	25%	↑ #4 → #3
Operational Technology	17%	↑ #9 → #4
Managed Detection & Response	14%	↑ #11 → #5

Survey Question: Top categories by budget share today (select three); N = 111 in 2024; N = 109 in 2023

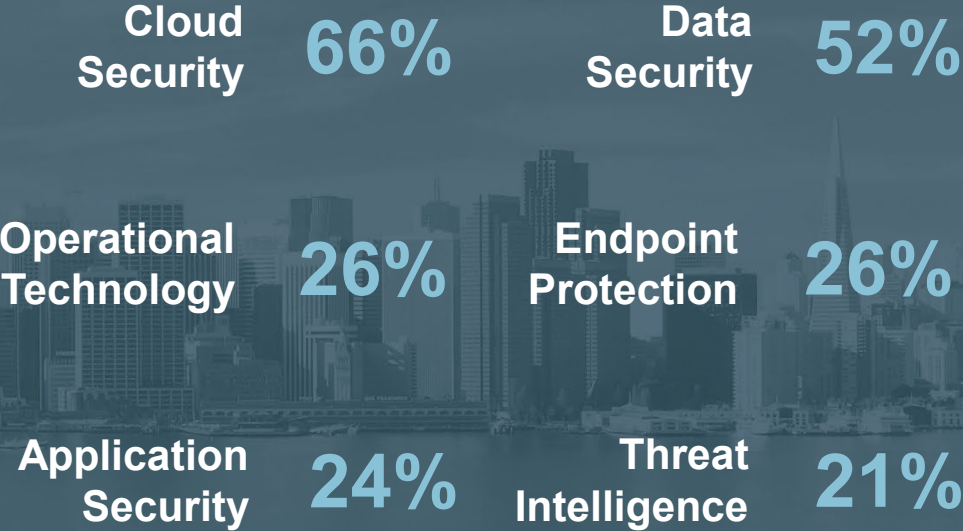
Vendor Counts & Category Rationalization

Consolidation Trends Appear Mixed

Anticipated Change in Number of Vendors



Top Categories for Rationalization



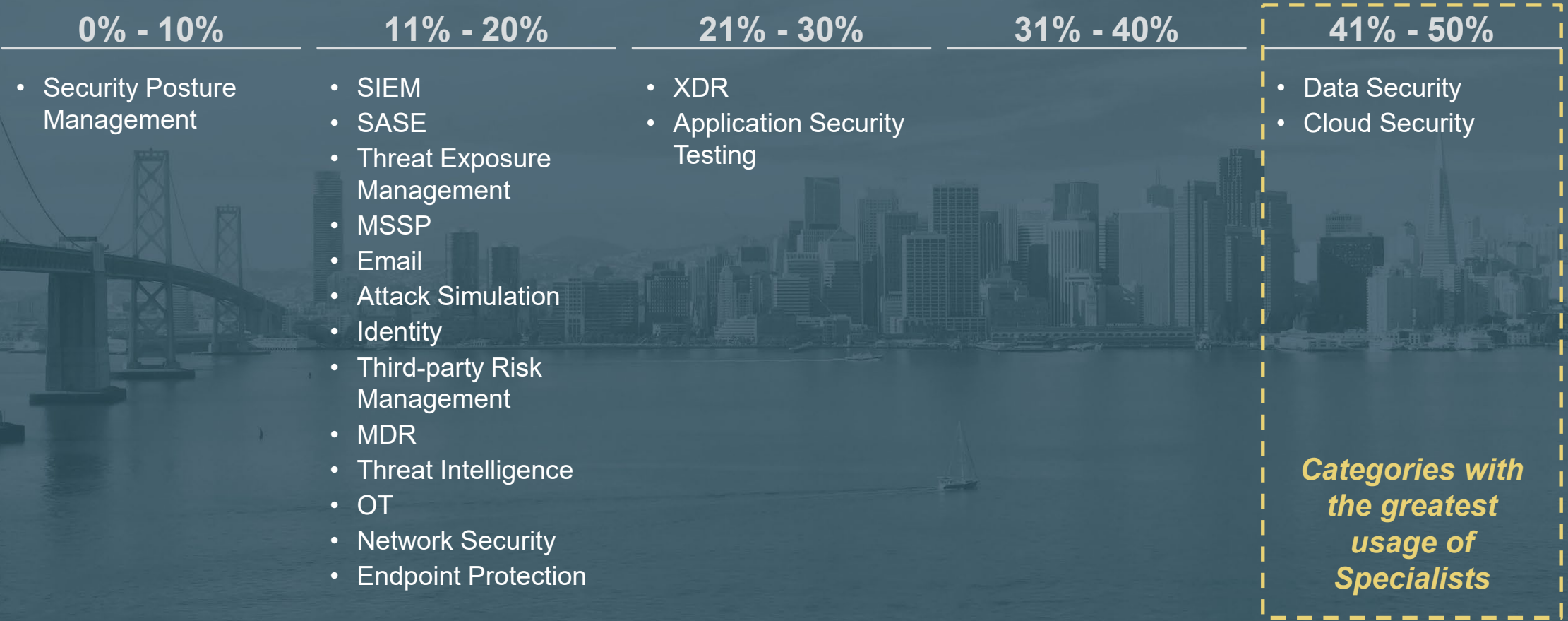
All categories had at least 10% of respondents identify the category as an area for vendor/spend rationalization

Survey Questions: (1) How do you expect the number of vendors you used in 2023 to change in 2024?; (2) In which of the following areas are you considering rationalizing your spend and vendors? (select all that apply); N = 111

Point Solutions vs. Platforms

Platforms Are More Commonly Used Across All Categories

% Utilizing Specialists (As Opposed to a Larger Platform Vendor)

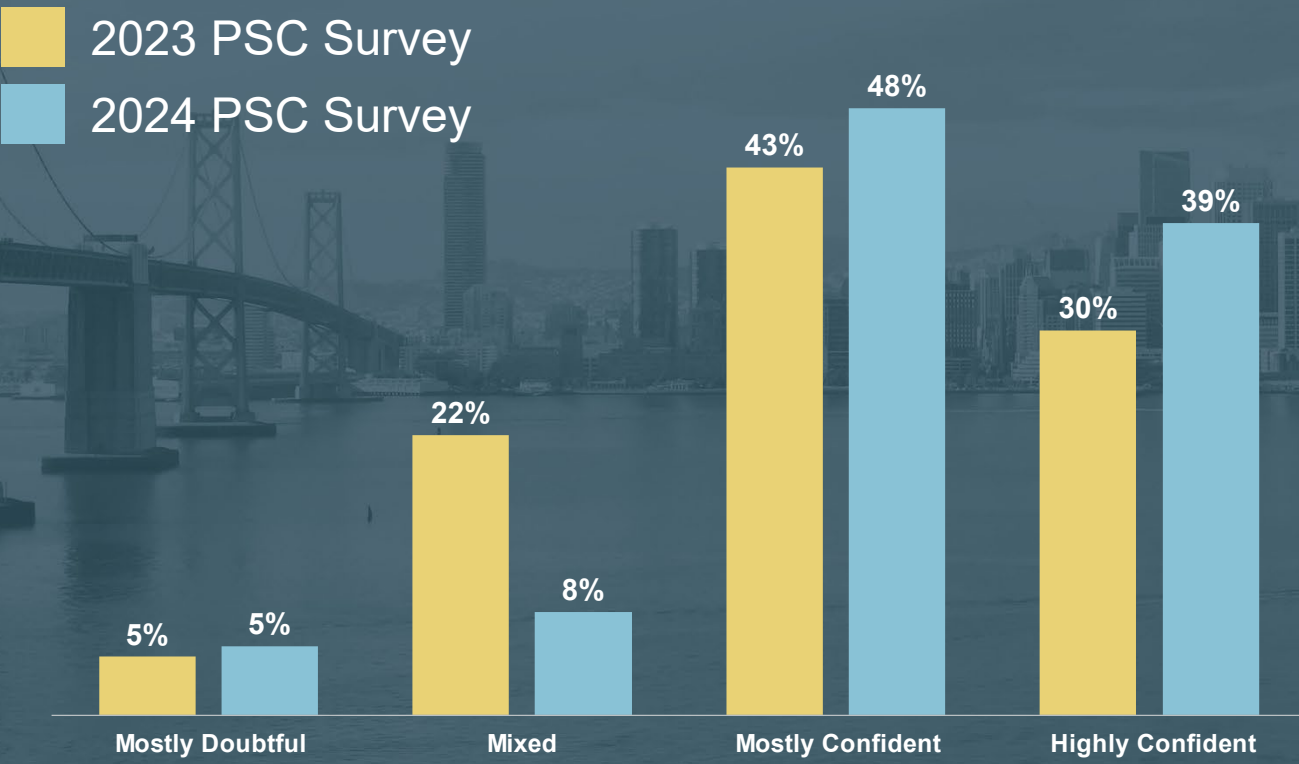


Survey Question: In which areas do you utilize a specialist (as opposed to a larger platform vendor)? (select all that apply); N = 111

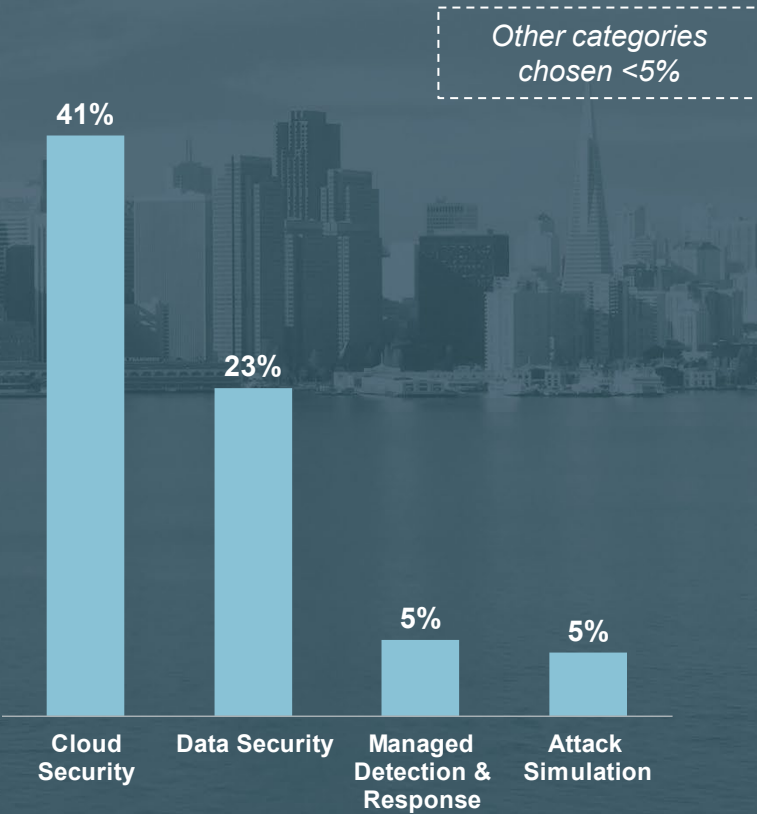
AI & Security

Growing Confidence in AI; Cloud & Data Security Lead AI Use-Cases

Confidence in AI Claims Made by Vendors



Categories Benefitting from AI

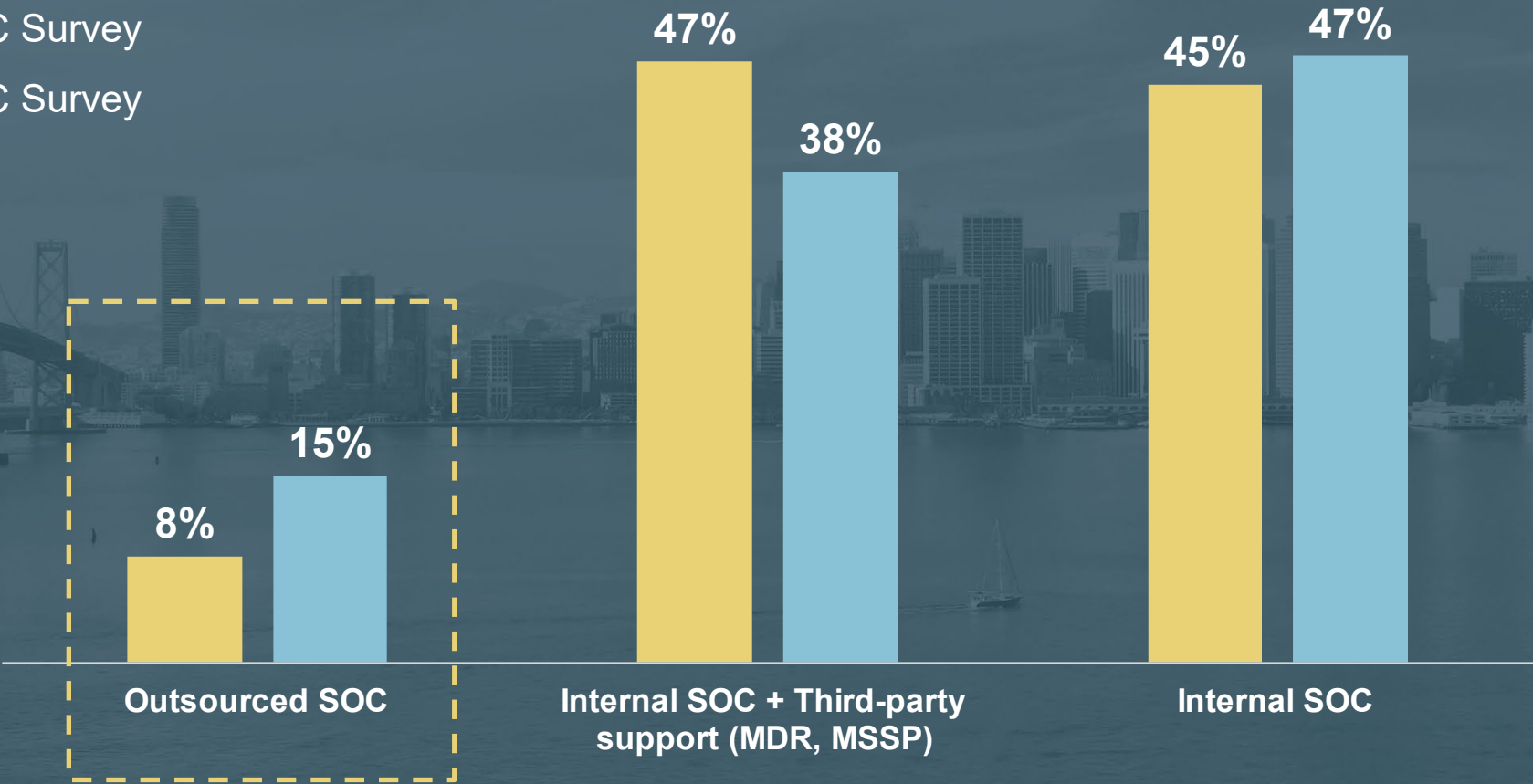


Survey Questions: (1) How confident are you in your ability to measure the AI claims made by vendors? (1-10, 10 = Most Confident); (2) Which of the following categories do you expect to benefit the most from the advancement of AI in the next 3-5 years? (select one); N = 111

Outsourcing

Slight Uptick in Outsourcing SOC

2023 PSC Survey
2024 PSC Survey



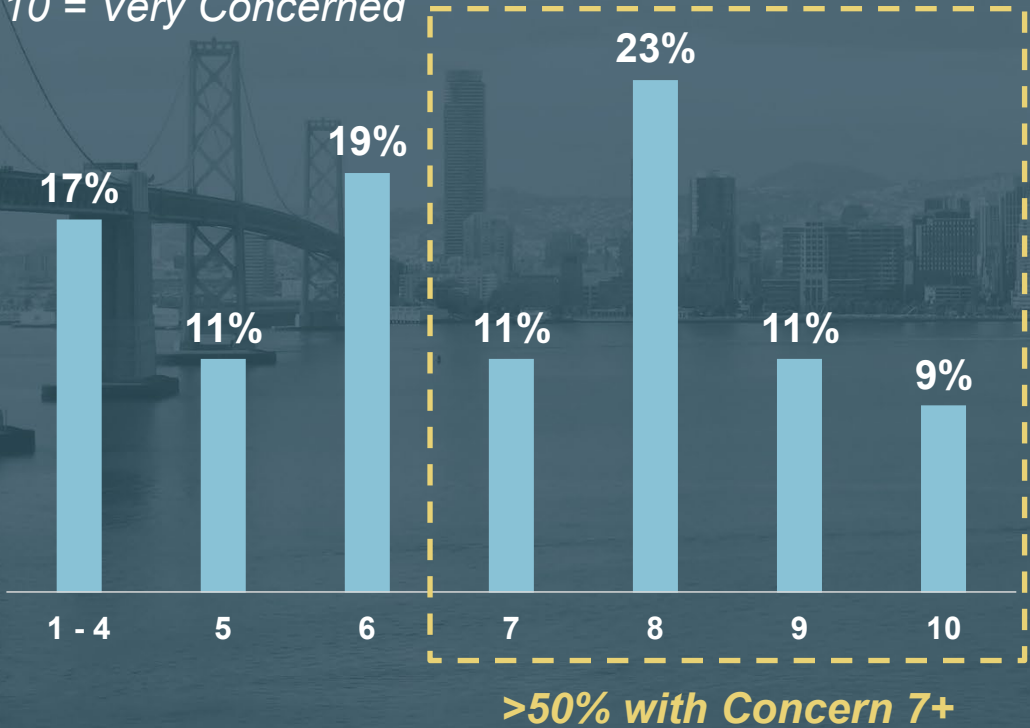
Survey Question: Do you have a SOC?; N = 110

SEC Rules

New SEC Rules Are Creating Concerns for Security Teams & Board Reporting Is Increasing

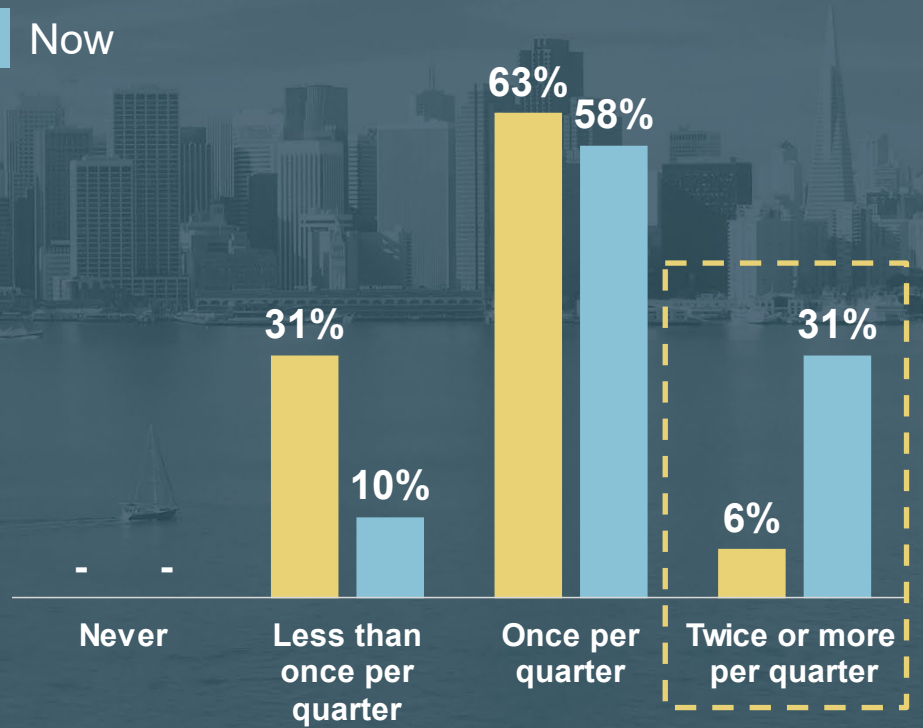
Concern Regarding SEC Rules

1 = Not Concerned
10 = Very Concerned



Frequency of Board Reporting

3 Years Ago
Now



Survey Questions: (1) How concerned are you about the SEC's new rules for CISO accountability? (Concern 1-10, 1= Not Concerned; 10 = Very Concerned); (2) If your company is public, how often do you report metrics to the Board?; N = 48

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