BIFURCATED MARKET OFFERS HEALTHY OUTLOOK FOR CYBERSECURITY M&A

CYBERSECURITY SECTOR UPDATE | JANUARY 2024
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KEY SECTOR TAKEAWAYS

Capstone Partners’ Aerospace, Defense, Government, & Security (ADGS) Group is pleased to share its Cybersecurity report. Robust cash flow generation among legacy technology companies in the Cybersecurity sector, coupled with the introduction of artificial intelligence (AI)-driven services, has fostered favorable projections for the sector’s merger and acquisition (M&A) market in 2024. Additionally, a strict regulatory environment has helped to boost demand and engagement with cybersecurity initiatives among boardroom executives, benefitting third-party service providers and sector participants. Several key takeaways are outlined below.

1. M&A volume in the Cybersecurity sector softened in 2023 with 363 transactions announced or completed, compared to 447 in the prior year period.

2. Amid a decline in cybersecurity venture capital (VC) financing year-over-year (YOY), sector participants and start-up companies are projected to seek alternative transaction options through M&A to access the resources needed for growth.

3. Third-party cybersecurity providers are expected to benefit from new U.S. Securities and Exchange Commission (SEC) regulations requiring prompt reporting by public companies of cyberattacks and status of cybersecurity controls and processes.

4. The HACK exchange-traded fund (ETF) garnered healthy returns in year-end, outpacing the S&P 500.

5. As with other sectors of the digital economy, artificial intelligence/machine learning/automation is playing an increasingly important role in cybersecurity as a means to more effectively combat threats while improving the efficiency of security operations center (SOC) personnel. A significant portion of recent deal activity can be attributed to this rapidly emerging technology.

Capstone Partners has developed a full suite of corporate finance solutions, including, financial advisory services, merger and acquisition advisory, debt advisory, and equity capital financing to help privately owned businesses and private equity firms navigate through each stage of a company’s lifecycle.

To learn more about Capstone’s wide range of advisory services and Cybersecurity sector knowledge, please contact us.
LEGACY AND EMERGING TECHNOLOGIES GARNER ROBUST DEMAND

Healthy demand for products and services in the Cybersecurity sector has led to a bifurcation of the market, with individual consumers supporting legacy anti-virus and threat detection companies, and venture capital-backed AI-driven companies bolstering sector growth through technology innovation. Continued demand on both sides of the market has led to favorable projections for Cybersecurity M&A growth into 2024, as buyers look to capitalize on well-performing assets with recurring revenues while also expanding innovative services and product offerings.

Companies in the sector with legacy technology products and established customer bases have continued to generate robust earnings. Notably, Gen Digital (Nasdaq:GEN), a consumer-based cybersecurity solutions provider and the result of a merger between Avast and Norton Life Lock (August 2021, $8 billion), generated $120 million in free cash flow and $555 million in EBITDA during its fiscal year (FY) 2024 Q2, according to an investor presentation. Gen Digital experienced a 41.6% increase YOY in EBITDA in its FY 2024 Q2, despite a marginal 0.5% increase quarter-over-quarter (QoQ). The company’s direct-to-consumer Cyber Safety business unit, which accounted for 98.3% of the company’s revenue in its most recent quarter, experienced a customer retention rate of 77% in its FY 2024 Q2, a 2% increase YOY, according to the investor presentation. Despite Gen Digital’s legacy anti-virus and network detection & response (NDR) solutions limiting future growth, the company’s recurring revenue profile and operating model highlights acute demand for basic cybersecurity solutions among individual consumers.

In contrast with legacy cybersecurity companies, AI-driven service providers have transformed the sector. The global AI-driven Cybersecurity market was valued at $20 billion in 2023 and is projected to grow to $49.2 billion in 2027 at a rapid annual growth rate of 25.3%, according to Research and Markets. AI has also expanded the range of end markets within the sector, as companies like Palantir (NYSE:PLTR) and Vannevar Labs have marketed their AI cybersecurity products to the Defense and National Security industries in support of counter-terrorism and surveillance. Emerging technology integration with cybersecurity has also drawn significant acquirer attention and strong M&A valuations. Of note, Cisco Systems (Nasdaq:CSCO) announced its intent to acquire information security provider Splunk (Nasdaq:SPLK) for an enterprise value of $28.6 billion, equivalent to 7.4x EV/Revenue. Cisco has cited its ability to scale Splunk’s AI platform as key rational for the acquisition. “Our combined capabilities will drive the next generation of AI-enabled security and observability. From threat detection and response to threat prediction and prevention, we will help make organizations of all sizes more secure and resilient,” said Cisco CEO, Chuck Robbins, in a press release. Increased adoption of AI has boosted growth in the Cybersecurity sector amid a dearth of broader VC financing. While many AI-driven companies in the space have remained in the start-up stage, M&A offers a viable financing alternative for bringing innovative technologies forward.
NEW REGULATIONS DRIVE DEMAND FOR THIRD-PARTY PROVIDERS

Increasing engagement with cybersecurity in the boardroom has helped to drive demand for sector services. Regulatory pressures, coupled with mounting costs from cybersecurity breaches, have prompted elevated investment from corporate boards of directors and C-suite executives with cybersecurity initiatives. Global costs related to cybercrime are projected to total $8 trillion by the end of 2023, growing 15% annually to reach $10.5 trillion by 2025, according to Cybersecurity Ventures.\(^4\) Additionally, new regulations from the SEC on cybersecurity incident reporting for public companies is expected to increase boardroom involvement in cybersecurity initiatives.

Strong cybersecurity governance in the boardroom and among Chief Information Security Officers (CISOs) is expected to benefit sector players operating in the Services segment. Companies with high cyber maturity, including both robust cyber planning and effective board engagement on cyber-related issues, have tended to use more third-party service providers in key operating areas, according to Deloitte.\(^5\) A vast majority (81%) of businesses with high cyber maturity use third-party service providers for threat detection and response, compared to only 62% of businesses with medium cyber maturity and 60% of businesses with low cyber maturity.

### New SEC Regulations

A spate of new SEC regulations regarding cybersecurity incident reporting and progression have bolstered the connection between boardroom governance and corporate cybersecurity, favorably positioning sector players. Announced in July, the new regulations require public companies to disclose cybersecurity incidents in 8-K filings four business days after the company determines that the incident has a material impact. Additionally, the new rules require public companies to describe their processes for “assessing, identifying, and managing material risks from cybersecurity threats, as well as the material effects or risks from previous cybersecurity incidents,” according to the SEC.\(^6\)

### Solar Winds Lawsuit

Charges brought against software services provider SolarWinds (NYSE:SWI) and its CISO Timothy Brown by the SEC in October have set a precedent for the agency’s new cybersecurity regulations outlined in July. From the company’s initial public offering (IPO) in October 2018 through December 2020, SolarWinds was subject to a massive two-year long cyberattack which was strategically withheld from investors, according to the SEC.\(^7\) The SEC’s willingness to bring charges directly against the CISO of a public company is expected to entrench corporate cybersecurity governance in the boardroom. CISO’s are also expected to proactively bolster their company’s cybersecurity to mitigate impacts from disclosure.
STRONG REVENUE MULTIPLES BOLSTER MODERATION IN M&A ACTIVITY

M&A volume in the Cybersecurity sector softened through year-end 2023 with 363 transactions announced or completed. This is a 18.8% decrease compared to the prior year period, as buyers announced or completed 447 transactions in full year 2022. However, a 35.9% YOY drop in VC financing activity offers a favorable outlook for M&A, as later stage VC-backed companies are expected to seek alternative solutions to financing, including a sale. The mission-critical nature of cybersecurity products and services bolstered average disclosed deal value in the middle market. Enterprise values for lower middle market ($10-$100 million) deals averaged $21.9 million, a 3.4% increase YOY. Average deal value in the core middle market ($100-$250 million) marginally decreased 0.5% YOY to $168.9 million.

Strategic buyers drove the majority (57.3%) of transaction activity in 2023. Both private and public strategic buyers were active in the M&A market, with private strategies accounting for 30.0% of total transactions and public strategies accounting for 27.3% of total transactions. Despite elevated debt financing costs limiting large scale buyouts in the broader M&A markets, private equity firms have continued to invest in the Cybersecurity sector through their portfolio companies. Private equity add-on transactions accounted for 34.2% of total transaction volume to-date, including Kohlberg Kravis Roberts & Co. (NYSE:KKR)-backed APEX Analytix’s acquisition of supply chain cybersecurity provider, Dark Beam (September, undisclosed). This was APEX’s second acquisition in the Software Services space since KKR’s initial investment in June 2022 for an undisclosed sum. The prospect of AI-integration with cybersecurity products and services has been a key motivating factor for continued consolidation. Notably, cloud services giant Akamai Technologies (Nasdaq:AKAM) acquired AI-enabled cloud-based security provider Neosec in June ($86.7 million), two years after the company’s $15 million raise in Series A funding (June 2021).

### Cybersecurity M&A Valuation Analysis

<table>
<thead>
<tr>
<th>Valuation Method</th>
<th>Average Revenue Multiple</th>
<th>Average EBITDA Multiple</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cybersecurity Sector M&amp;A Transactions (Q4 2020- Q4 2023)</td>
<td>3.3x</td>
<td>11.6x</td>
</tr>
<tr>
<td>ADGS Industry M&amp;A Transactions &lt; $500 mmm EV (Q4 2020-Q4 2023)</td>
<td>2.1x</td>
<td>10.4x</td>
</tr>
</tbody>
</table>

**Valuation Insight**

M&A transaction revenue multiples in the Cybersecurity sector averaged a robust 3.3x from Q4 2020 to Q4 2023, outpacing the ADGS industry middle market average of 2.1x during the same period. M&A transaction multiples in Software- and Technology-based sectors typically trade based off revenue, as investors value revenue growth more highly than margin growth because digital products and services often have lower production costs in general. Cybersecurity businesses garnered healthy revenue multiples in the middle market through 2023. This includes Sailpoint Technologies’ acquisition of Osirium Technologies in August for an enterprise value of $7.5 million, equivalent to 2.8x EV/Revenue, and F-Secure’s (HLSE:FSECURE) acquisition of Lookout Life in April for an enterprise value of $223.5 million, equivalent to 5.6x EV/Revenue.
PUBLIC COMPANY RETURNS SUPPORT OPTIMISTIC GROWTH

Average Disclosed Deal Value Moderates Through YTD

Average disclosed deal value has fallen 27.5% YOY to $873.4 million. However, average disclosed deal value in the middle market has kept pace with the prior year. Deals in the core middle market averaged $168.9 million, compared to $169.8 in the prior year period.

Source: Capital IQ, FactSet, PitchBook, and Capstone Partners

Strategic Buyers Continue to Comprise Majority of Deals

Strategic buyers have comprised the lion’s share of transaction volume between 2022 and 2023. Private strategic buyers have historically accounted for most strategic buyer transactions; however, rising private equity add-on transactions have cut into private strategies’ share of deal volume.

Source: Capital IQ, FactSet, PitchBook, and Capstone Partners

Total Return for Cybersecurity Public Companies Outperforms S&P 500

Public companies in the Cybersecurity sector have garnered healthy returns, outpacing the S&P 500 despite its strong performance through year end. Total return for the HACK ETF amounted to +35% in mid-December, compared to +23% for the S&P in the same period.

Source: Capital IQ and Capstone Partners as of December 29, 2023
NOTABLE TRANSACTIONS

Cybersecurity provider and Thoma Bravo–backed Proofpoint announced its acquisition of Tessian in October for an undisclosed sum. Tessian develops advanced AI programs to automatically detect and protect against accidental data loss and evolving email threats. Tessian offers three main security platforms in its suite including Tessian Guardian, Enforcer, and Defender. Guardian protects sensitive data by preventing misdirected email and mis-attached files. Enforcer automatically protects against data theft and safeguards intellectual property, while Defender is an AI-based email defense program that detects and prevents against all types of email attacks.

Proofpoint expects the acquisition to enhance its threat and information protection capabilities by gaining additional layers of defense from Tessian’s AI–powered email security platform. Tessian’s solutions are expected to become part of Proofpoint’s product suite upon the transaction’s close.

Rockwell Automation (NYSE:ROK), an industrial automation provider, acquired Verve Industrial Protection in October for an enterprise value of $185 million. Verve develops vulnerability management solutions, expanding Rockwell’s cybersecurity offerings to help secure its customers’ operations. Verve is expected to be folded into Rockwell’s Lifecycle Services operating segment. Verve’s solutions include The Verve Security Center, a vendor-neutral operational technology (OT) endpoint management platform delivering IT–OT asset vulnerability management and remediation. The company’s Design-4-Defense professional services help its clients maintain secure OT environments. Rockwell has increased its investment spend by 6% going from fiscal year 2023 to fiscal year 2024, with 3% coming from organic growth in the company’s investments, and the other 3% coming from the acquisitions of Verve and Clearpath Robotics (September, $615 million), according to an investor presentation.

“In today’s environment, it’s hard for many organizations to stay ahead of threats and keep their operations safe. The Verve Security Center is a way for us to equip our customers with actionable intelligence to protect their infrastructure,” said Matt Fordenwalt, Senior Vice President of Lifecycle Services at Rockwell Automation, in a press release.

Crowdstrike (Nasdaq:CRWD) announced the acquisition of Bionic in September for an undisclosed sum. Bionic’s industry leading application security posture management (ASPM) solutions are expected to work alongside CrowdStrike’s cloud native application protection platform (CNAPP) to deliver comprehensive risk visibility and protection across the entire cloud infrastructure. CrowdStrike is projected to be the first cybersecurity company to deliver code–to-runtime cloud security from one unified platform as a result of the transaction, according to a press release.

CrowdStrike plans to offer Bionic ASPM as an independent offering and full integrated as a capability of Falcon Cloud Security, part of the AI–powered CrowdStrike Falcon platform. “The cloud is cybersecurity’s new battleground, yet the industry’s answer to–date has been disjointed point security tools or ‘platforms’ with multiple consoles and agents. We are delivering what customers need: modern protection to address cloud security risk comprehensively, through one unified platform. The addition of Bionic further extends our cloud security leadership on our mission of stopping breaches,” said CrowdStrike Co–Founder and CEO, George Kurtz, in the press release.
## SELECT M&A TRANSACTIONS

<table>
<thead>
<tr>
<th>Date</th>
<th>Target</th>
<th>Acquirer</th>
<th>Target Business Description</th>
<th>Enterprise Value (mm)</th>
<th>EV / LTM</th>
</tr>
</thead>
<tbody>
<tr>
<td>12/21/23</td>
<td>Isovalent</td>
<td>Cisco Systems (Nasdaq:CSCO)</td>
<td>Develops software solutions that help enterprises secure workloads in cloud-native environments.</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>12/19/23</td>
<td>Atom Security</td>
<td>White Source</td>
<td>Provides cybersecurity command line interfaces.</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>12/12/23</td>
<td>Timesys</td>
<td>Lynx Software Technologies</td>
<td>Develops embedded cybersecurity software solutions.</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>12/04/23</td>
<td>Raftt Systems</td>
<td>Wiz</td>
<td>Operates a cloud-based platform designed to offer environments data protection services.</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>11/29/23</td>
<td>Conquest Cyber</td>
<td>BlueVoyant</td>
<td>Provides cyber risk management software.</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>11/20/23</td>
<td>Cyber Services of Jacobs Solutions</td>
<td>Amentum Services</td>
<td>Comprises the government technology solutions businesses of Jacobs Solutions.</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>11/09/23</td>
<td>Krebs Stamos Group</td>
<td>SentinelOne (NYSE:S)</td>
<td>Operates a cybersecurity consulting firm.</td>
<td>$44.0</td>
<td>-</td>
</tr>
<tr>
<td>11/06/23</td>
<td>Talon Cyber Security</td>
<td>Palo Alto Networks (Nasdaq:PANW)</td>
<td>Develops cybersecurity software including data leakage protection services.</td>
<td>$550.0</td>
<td>-</td>
</tr>
<tr>
<td>11/03/23</td>
<td>Corvus Insurance</td>
<td>The Travelers (NYSE:TRV)</td>
<td>Offers smart cyber insurance products.</td>
<td>$435.0</td>
<td>-</td>
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<tr>
<td>11/02/23</td>
<td>Jeli</td>
<td>PagerDuty (NYSE:PD)</td>
<td>Develops a cybersecurity incident analysis platform.</td>
<td>$27.0</td>
<td>-</td>
</tr>
<tr>
<td>10/31/23</td>
<td>Dig Security Solutions</td>
<td>Palo Alto Networks (Nasdaq:PANW)</td>
<td>Develops data detection and response solutions.</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>10/30/23</td>
<td>Tessian</td>
<td>Proofpoint</td>
<td>Provides an email security platform that helps enterprises reduce the risk of data loss.</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>10/26/23</td>
<td>Seekintoo</td>
<td>Cycura Data Protection</td>
<td>Offers cybersecurity services.</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>10/26/23</td>
<td>Proack Security</td>
<td>Cycura Data Protection</td>
<td>Provides information security consulting solutions that mitigate cyber security risks.</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>10/23/23</td>
<td>Verve Industrial Protection</td>
<td>Rockwell Automation (NYSE:ROK)</td>
<td>Offers industrial and infrastructure cybersecurity.</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>10/04/23</td>
<td>Advanced Network Systems</td>
<td>Magna5</td>
<td>Provides products for firewalls, virtual private networks (VPNs), and anti–virus.</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>09/26/23</td>
<td>Dark Beam</td>
<td>APEX Analytix</td>
<td>Operates a diversified support services company providing cybersecurity services.</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>09/21/23</td>
<td>Splunk</td>
<td>Cisco Systems (Nasdaq:CSCO)</td>
<td>Develops and markets cloud services and software solutions including a unified security platform.</td>
<td>$28,549.9 7.4x NM</td>
<td></td>
</tr>
<tr>
<td>09/20/23</td>
<td>CyGlass</td>
<td>WatchGuard Technologies</td>
<td>Provides network–centric dark threat detection solutions that uncover cyber threats.</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>09/19/23</td>
<td>Bionic Stork</td>
<td>CrowdStrike (Nasdaq:CRWD)</td>
<td>Develops an application security posture management platform.</td>
<td>$350.0</td>
<td>-</td>
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<tr>
<td>09/12/23</td>
<td>FraudWatch</td>
<td>Netcraft</td>
<td>Provides online brand protection services in helping protect businesses from digital threats.</td>
<td>-</td>
<td>-</td>
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<tr>
<td>09/07/23</td>
<td>Spectrum Labs</td>
<td>ActiveFence</td>
<td>Develops an AI–based platform for flagging, tracking, and scanning online behavior profiles.</td>
<td>-</td>
<td>-</td>
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</tbody>
</table>

Source: Capital IQ, PitchBook, FactSet, and Capstone Partners
BUYER UNIVERSE

Capstone has built relationships with and tracked buyers that have been highly acquisitive in the Aerospace, Defense, Government, & Security industry, particularly those that have completed notable Cybersecurity transactions. Our industry knowledge and network provides us with unique insights into this buyer universe and industry and growth drivers for the companies within it.

Leading Strategic Buyers

Leading Financial Buyers

Source: Capstone Partners
FINANCING ACTIVITY HIGHLIGHTS VALUE OVER VOLUME

Financing deal volume in the Cybersecurity space experienced a significant drop off through year-end 2023, in line with broader trends in VC financing. VC firms completed 699 fundraising transactions in the Cybersecurity sector through year-end 2023, a 35.9% decrease YOY. Total value fell simultaneously to $8.8 billion raised. A high interest rate environment coupled with the lasting fallout of the Silicon Valley Bank failure likely made investors more conservative in their approach to capital allocation. First round fundraising was the most common round in 2023, as investors moved down market to capitalize on early-stage companies with innovative technologies.

Source: PitchBook and Capstone Partners

Cybersecurity Venture Capital Raises (2019 – 2023)

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Transactions</th>
<th>U.S. Dollars in Billions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>401</td>
<td>$0</td>
</tr>
<tr>
<td>2020</td>
<td>600</td>
<td>$10</td>
</tr>
<tr>
<td>2021</td>
<td>1,006</td>
<td>$20</td>
</tr>
<tr>
<td>2022</td>
<td>1,092</td>
<td>$30</td>
</tr>
<tr>
<td>2023</td>
<td>699</td>
<td>$40</td>
</tr>
</tbody>
</table>

Source: PitchBook and Capstone Partners

NOTABLE VENTURE CAPITAL TRANSACTIONS

• Nord Security, parent company of NordVPN, raised $100 million at a $3 billion valuation in September, taking outside funding for only the second time in the company’s history. The investment was led by private equity firm Warburg Pincus, with existing investors Novator Ventures and Burda Principal Investments also participating in the round. Nord Security intends to use the influx of capital to further expand the company’s product offerings and fuel inorganic growth, according to a press release.¹⁰

• HiddenLayer, a cybersecurity platform for protecting AI models against digital threats, secured $50 million in Series A funding in September. The round was led by M12 and Moore Strategic Ventures with participation from Booz Allen Ventures, Capital One Ventures, IBM Ventures, and Ten Eleven Ventures. The early-stage financing brings HiddenLayer’s total funding to-date to $56 million. The new capital is expected to be deployed towards organic growth such as expanding the company’s headcount from 50 employees to 90 by year-end and further investing in research and development, according to a press release.¹²

• Patronus AI, a New York-based automated evaluation and security platform to help businesses use large language models safely, launched its first round of financing with $3 million in seed funding in September. The transaction was led by Lightspeed Venture Partners with participation from Factorial Capital. Patronus AI leverages proprietary AI to allow enterprise development teams to create benchmarks, tests, and models for large language models and its use cases. The company’s system automates the scoring of model performance, generation of adversarial test suites at scale, and the comparison of large language models for customers to identify the best models for specific use cases, according to a press release.¹³
PREPARED FOR USE

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Tom McConnell
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Tom joined Capstone Partners in 2011 and brings over 25 years of investment banking experience for clients’ benefit. He has an impressive track record of completed transactions with cyber security, physical security, compliance and risk management related companies. Mergers, acquisitions, and capital raise engagements with founder-owned, private equity-backed and public corporations across the United States and internationally, demonstrate the depth of his sector knowledge and transaction acumen. Throughout his career, Tom has also believed in the importance of giving back to the community and has been recognized for his professional accomplishments and leadership. He co-founded Colorado Cyber with the mission of connecting private and public sector leaders in the cybersecurity ecosystem, stimulating discussion on critical issues, and supporting economic growth. Tom has also served on numerous nonprofit boards including the Breckenridge Outdoor Education Center, Griffith Centers for Children, and the Denver Advisory Board. He is a Series 63 Registered Securities Representative and Series 79 Registered Banking Representative.

David Brinkley
Managing Director
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David brings 20 years of experience executing over $3bn in strategic transactions for middle market firms in the aerospace, defense and government sectors. David is widely recognized for his industry expertise, which encompasses intelligence and national security activities and applied advanced technologies and cyber operations. In addition, David holds unique security credentials that enable him to advise on the most sensitive government transactions. David also serves as a subject matter expert to the Office of the Secretary of Defense on matters pertaining to the financial health of the U.S. defense industrial base and on Pentagon-sponsored technology investments. Prior to joining Capstone Partners, David founded Castellum Capital Advisors, a boutique investment bank providing advisory services to middle market firms engaged in the national security sector. Castellum Capital served as exclusive financial advisor on several high-profile transactions, including large scale corporate divestitures and niche intelligence acquisitions. David is a Series 63 Registered Securities Representative and Series 79 Registered Banking Representative.

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Joe is a Market Intelligence Analyst at Capstone Partners primarily focusing on the Aerospace, Defense, Government & Security (ADGS) and Healthcare industries. Prior to joining Capstone’s Market Intelligence Team, Joe was an intern at Recount Media Inc., a digital media and political news company. At Recount Media he worked on client outreach, social media strategy, and database management for content produced by the company’s slate of news podcasts. Joe has a BA in Politics from Bates College.
FIRM TRACK RECORD

Capstone Partners’ ADGS practice leverages superior sector knowledge to execute a spectrum of transactions in the middle market including mergers and acquisitions, recapitalizations, growth capital and specialty high yield debt, and minority and majority equity investments. Below is a sample of recent transactions in the Cybersecurity space.
CAPSTONE’S PROPRIETARY RESEARCH REVEALS TOP SERVICES IN DEMAND

The current stage and initiatives of a business often dictate which financial services are in demand. As the majority of CEOs polled in Capstone’s 2023 Middle Market Business Owners Survey indicated growth strategies are a priority for 2024, the lion’s share (31.5%) of owners anticipate a need for growth strategy support services. Similarly, 28.5% of owners require accounting and audit support to shore-up cash flows and establish financial stability. In addition, more than one-fourth of CEOs demonstrated an interest in accessing relevant industry research to keep up with emerging industry trends, complete competitor analyses, and track capital markets activity in their space.

Capstone has developed a full suite of corporate finance solutions to help privately owned businesses and private equity firms through each stage of the company’s lifecycle, ranging from growth to an ultimate exit transaction. In addition, we developed a specialty consulting practice to provide financial advisory services to companies experiencing distress or performance challenges. All of these capabilities are supported by 16 industry groups, an active sponsor coverage group, and a dedicated market intelligence team.

**Top Financial Services Required by Business Owners in 2024**

- **31.5%**
  - Instituting a growth strategy
- **28.5%**
  - Accounting & audit support
- **25.7%**
  - Accessing relevant industry research
- **20.0%**
  - Raising equity capital
- **17.0%**
  - Corporate restructuring
- **15.6%**
  - Interim management

Question: Have you ever had, or do you anticipate having, a need for any of the following services?
Source: Capstone Partners’ Middle Market Business Owner Survey, Total Sample Size (N): 435
ENDNOTES


Disclosure
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**Market Presence**

With a long-established U.S. footprint, together with an international partner platform, we provide clients with broad expertise and access to key market relationships on a global basis. Our presence is backed by ~200 professionals in the U.S. with 450+ partners across 41 countries.

- **242** M&A transactions completed in 2022
- **$26B** aggregate transaction value
- **26%** of our deals are cross-border
- **8th** globally ranked for deals under $500m

- **450+** team of IMAP partners worldwide
- **15** industry verticals with global expertise
- **2,200** historical completed transactions

**United States**

- ~200 professionals
- 8 offices
- Boston · Chicago · Dallas · Denver · Detroit · Irvine · New York · Tampa

**International**

- 450+ partners
- 60+ offices in 41 countries
- Asia: China · India · Japan · Thailand
- Africa: Congo · Egypt · Ghana · Ivory Coast · Mauritius · Morocco · Nigeria · Senegal · South Africa
- Americas: Toronto · Vancouver · Argentina · Brazil · Chile · Colombia · Mexico · Panama & Central America · Peru
- Europe: Belgium · Bosnia & Herzegovina · Croatia · Czech Republic · Finland · France · Germany · Hungary · Ireland · Italy · Netherlands · Poland · Portugal · Russia · Serbia · Slovakia · Slovenia · Spain · Sweden · United Kingdom

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