

J&A Capital Markets Report

Cyber Security and Cloud Computing Transactions by US-Based Investors

April 2024

Since 2020, over \$28 billion has been invested in cyber security and \$59 billion in the cloud computing sectors by US-based investors.

This Jahani and Associates report on cyber security and cloud computing transactions by US-based investors provides valuable insights into the investment trends and opportunities in these rapidly evolving industries. The report covers the period from 2020 to Q2 2023, revealing significant capital deployment, peak investment periods, and country-specific preferences for both sectors.

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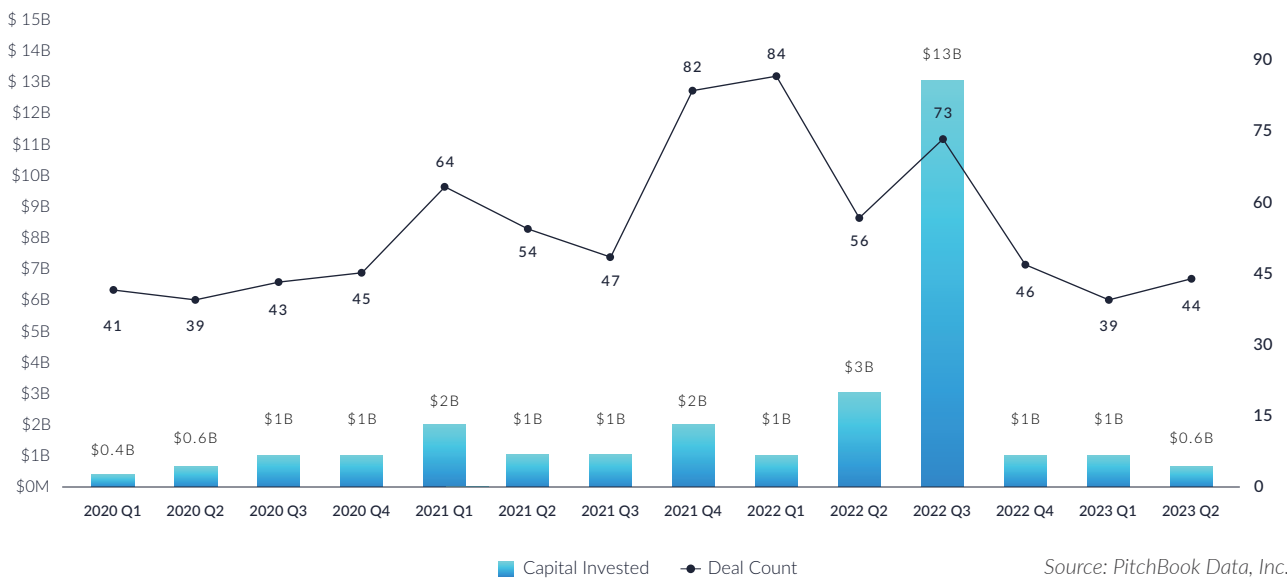


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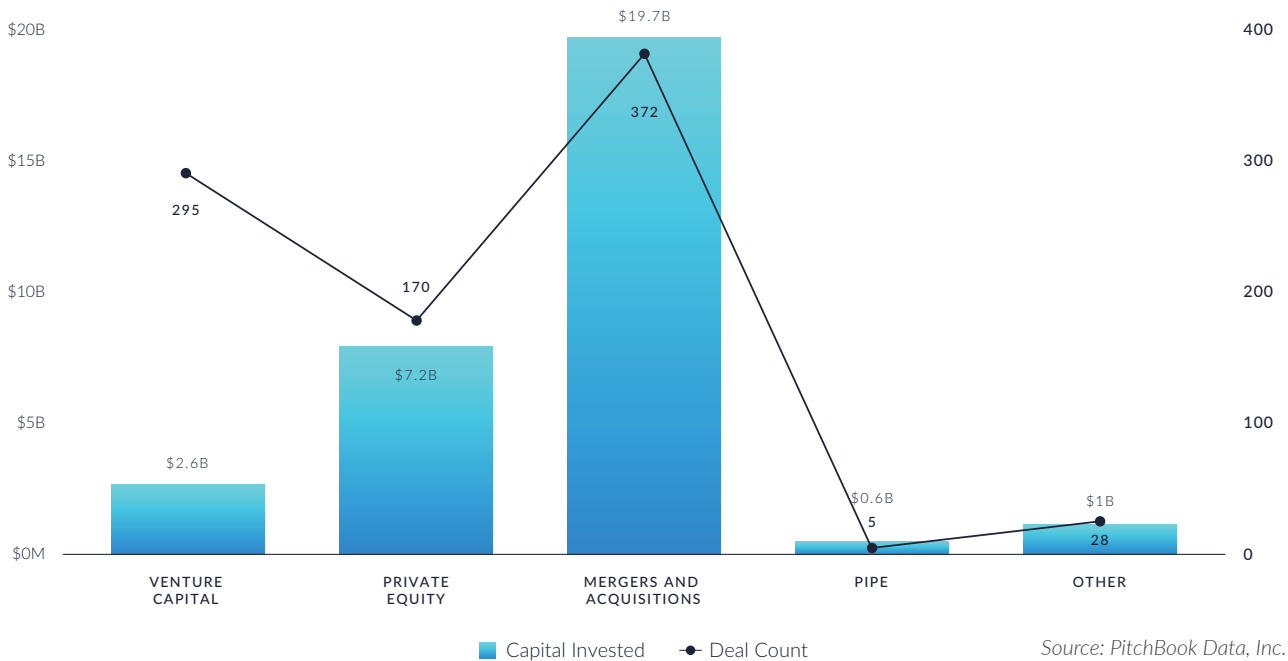
Announced Cyber Security Transactions by US-Based Investors (2020 – Q2 2023)



- From 2020 to Q2 2023, US-based investors deployed over \$28 billion into cyber security companies across 757 transactions, with an average deal size of about \$38 million.
- The highest investment peak occurred in Q3 2022, with \$13 billion deployed in the sector. One noteworthy transaction during this time was the acquisition of SailPoint Technologies Holdings by Thoma Bravo, a private equity and growth capital firm, for \$7 billion.
- The most significant investment surge was in 2022, reaching \$18 billion in total. This upswing can be attributed to a series of

acquisitions done by Thoma Bravo for more than \$10 billion in attempts to consolidate the market, and a range of other factors, including geopolitical and economic events such as the start of the Russian war with Ukraine (increase in cyberattacks) and the implementation of new regulations like the Strengthening American Cybersecurity Act (SACA) and Bipartisan Infrastructure Law (BIL). Those factors led to a rise in cyber security adoptions within organizations, particularly in the US, which has increased interest from US investors.

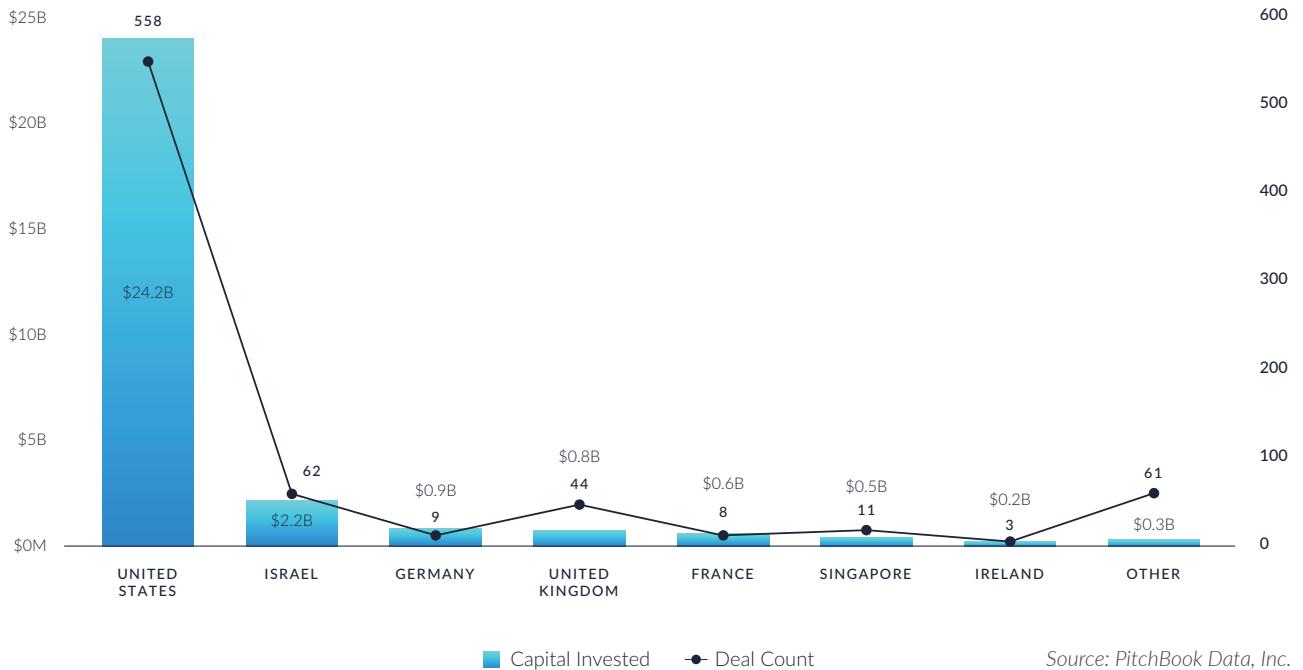
Breakdown of Announced Cyber Security Investments by US-Based Investors by Deal Type (2020 – Q2 2023)



- With merger and acquisitions (M&A) transactions being the highest, US-based investors deployed \$20 billion in the cyber security sector through 372 deals in M&A, indicating a dynamic and well-established market for strategic acquisitions and significant industry consolidation.
- US private equity firms invested \$7 billion in 170 deals, representing 22% of the total capital deployed. The abundance of private equity growth deals reflects the significant presence of well-established companies with proven track records in this sector.
- Venture capitalists invested approximately \$3 billion in the sector, with an average ticket size of \$9 million, highlighting the growth of new market entrants and the appeal of early stage and high-growth companies.



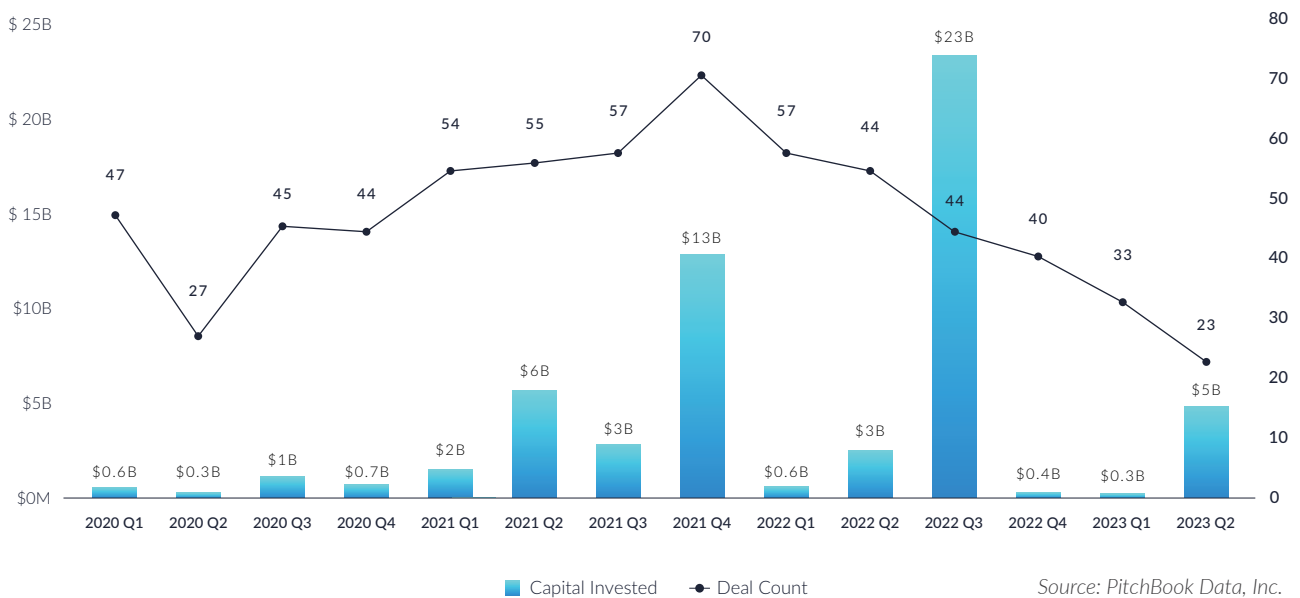
Breakdown of Announced Cyber Security Transactions by US-Based Investors by Country (2020 – Q2 2023)



- Of the deals announced by US-based investors, 81% were deployed in cyber security companies located within the US during the period. Several factors led to that, such as the significant technological adoption, the advanced infrastructure, and the presence of key industry players in this country.
- Israel is second in terms of capital funded in cyber security as it became one of the world's largest centers of cyber security innovation. The country's strong focus on national defense and government support has driven its rapid rise in this field. Three notable Israeli cyber security companies are Check Point, CyberArk, and Radware.
- Only 11% of the announced deals were in countries other than the US and Israel, likely due to regulatory and geopolitical considerations. US-based investors may prefer focusing on more familiar and stable markets like the US and Israel, where they feel more confident about the legal and political landscape.



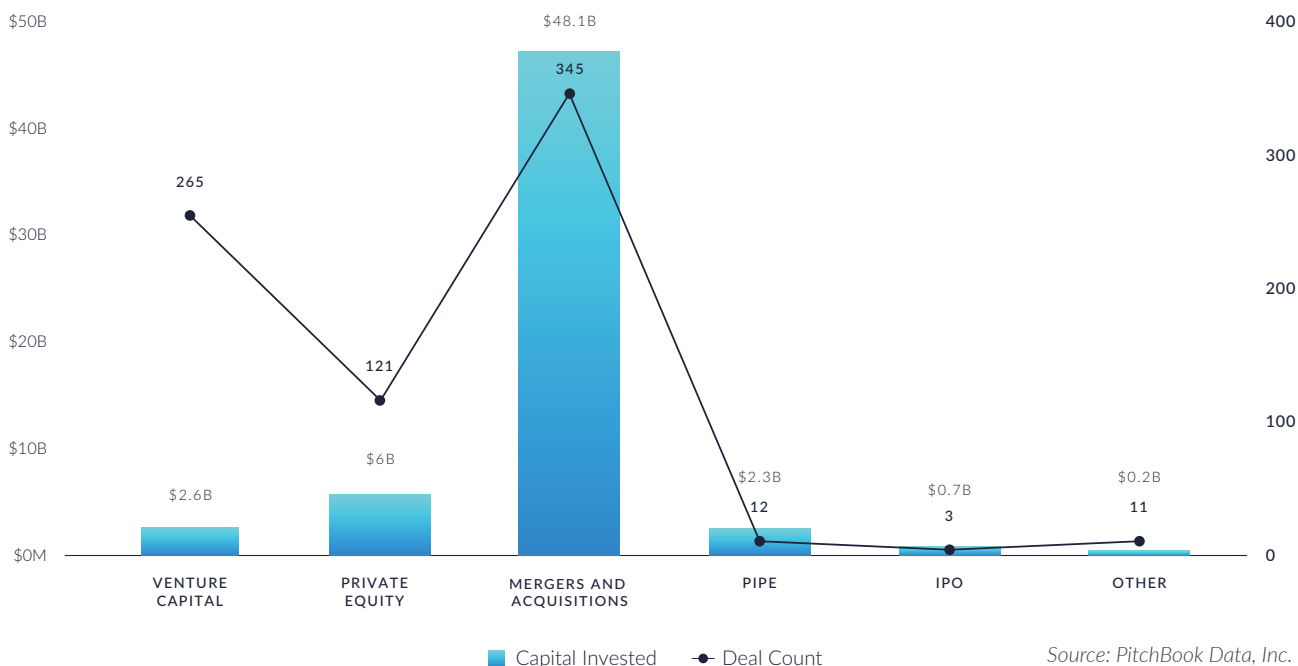
Announced Cloud Computing Transactions by US-Based Investors (2020 – Q2 2023)



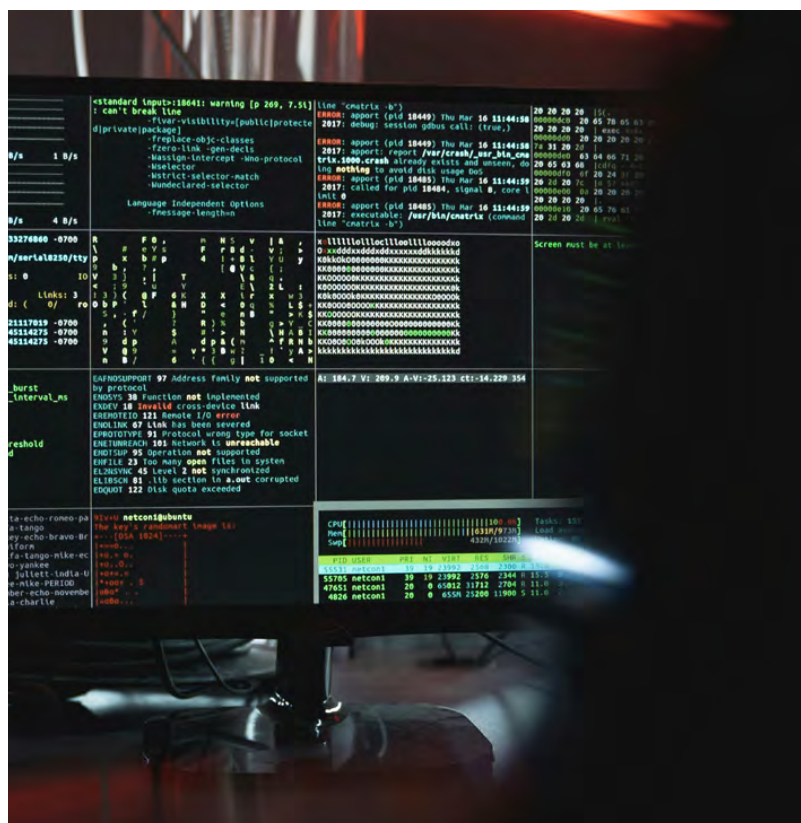
- US-based investors allocated \$59 billion in cloud computing companies over 650 transactions from 2020 to Q2 2023, averaging around \$90 million per deal.
- In Q3 2022, the sector witnessed its highest investment peak, reaching \$23 billion. Notably, we can see a possible

correlation between cyber security and cloud computing, evident from the peak in the cyber security sector during the same quarter. This explains the fact that organizations prioritize cloud-specific cyber security to maximize cloud computing benefits and protect digital assets, making both sectors appealing to investors.

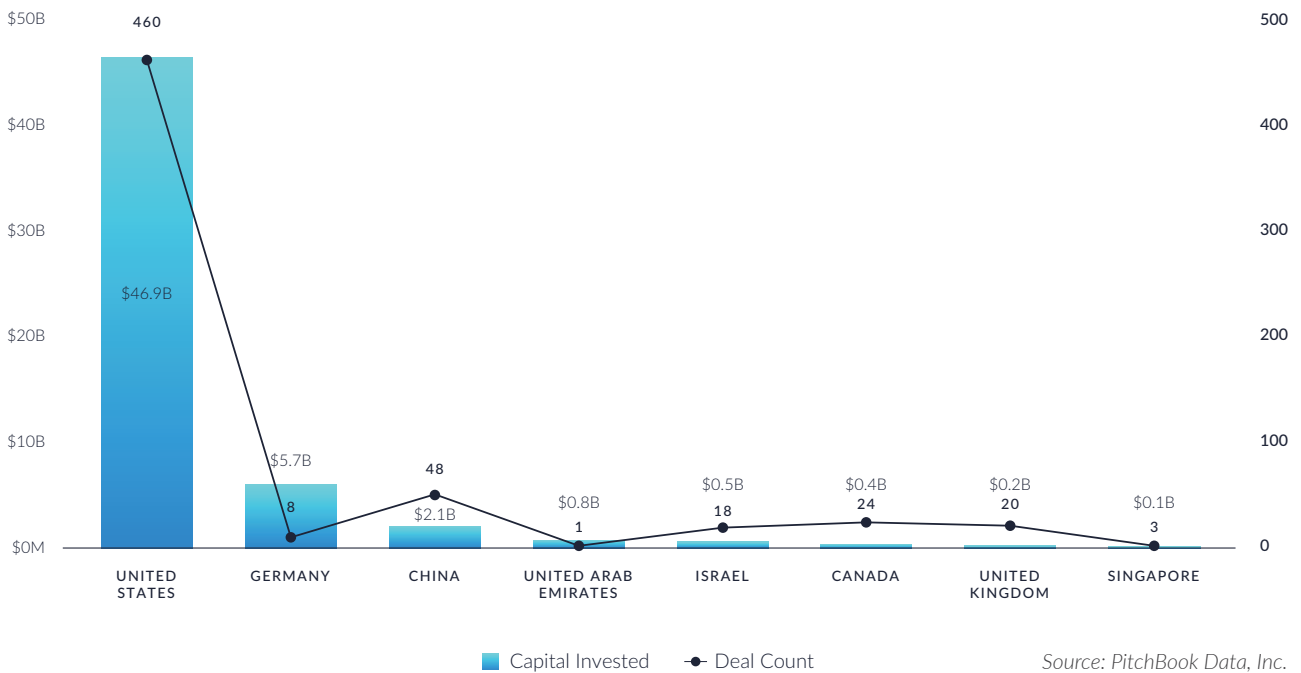
Breakdown of Announced Cloud Computing Investments by Deal Type (2020 – Q2 2023)



- The cloud computing sector saw significant consolidation and strategic activity, with \$48 billion invested in 345 merger and acquisition deals. This large investment signifies the sector's high value and attractiveness to major players seeking growth and increased market share.
- US private equity firms invested \$6 billion into this sector split over 121 deals, implying a stable and promising sector in terms of long-term growth prospects.
- Venture capitalists invested approximately \$3 billion in 265 deals, signaling a thriving entrepreneurial ecosystem and substantial growth opportunities in the sector.



Breakdown of Announced Cloud Computing Transactions by Country (2020 – Q2 2023)



- US-based investors prioritized domestic opportunities in this period, investing \$47 billion (83%) within the United States, driven by established tech hubs, a mature ecosystem, and numerous innovative companies in the country.
- Germany's \$6 billion investment in eight deals showcases its appeal to US-based investors, driven by a strong economy and tech-friendly environment. The region's innovation potential attracts strategic partnerships for access to the European market.
- Despite challenges in doing business there, China's \$2 billion investment in 48 deals highlights the vast potential of its cloud computing market, driven by a thriving tech industry and increasing adoption of cloud services.
- In the period, \$800 million was invested in the UAE, which is known for its growing tech sector and transformation into a knowledge-based economy. US investors are drawn to the region as a hub for innovation in the Middle East.



Overall the report highlights the dynamic nature of these industries, offering various investment opportunities for various players, from established firms seeking growth and market consolidation to venture capitalists supporting early stage innovations. As technology continues to drive global business transformations, understanding the investment landscape in cyber security and cloud computing is crucial for investors looking to capitalize on emerging trends and shape the future of digital innovation. The insights presented in this report serve as valuable guidance for decision-makers navigating the ever-evolving landscape of cyber security and cloud computing investments.