

Pace Equity Limited

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Cyber Security Market Trends 2015





Introduction

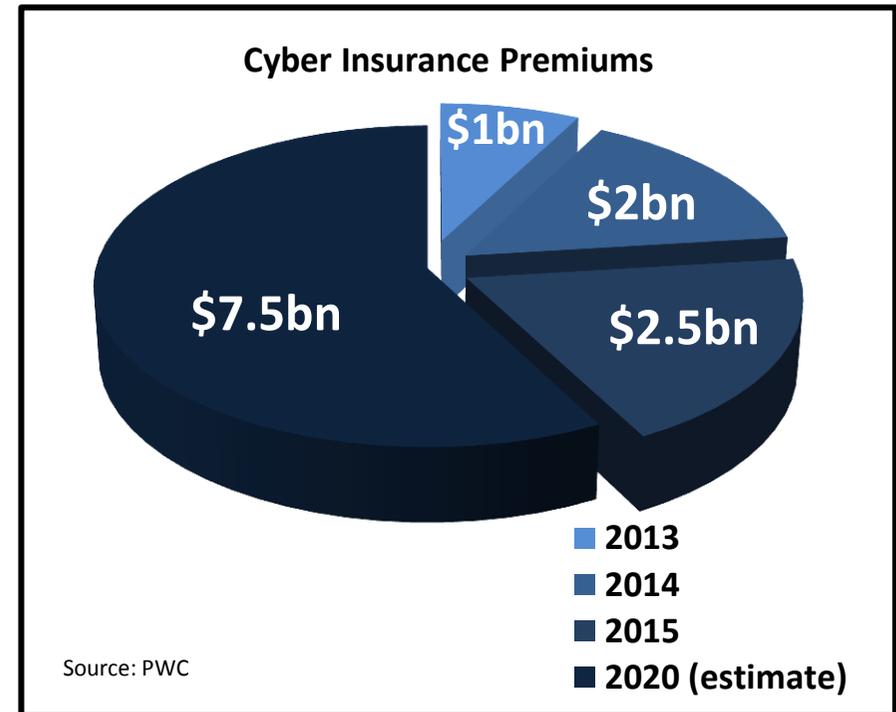
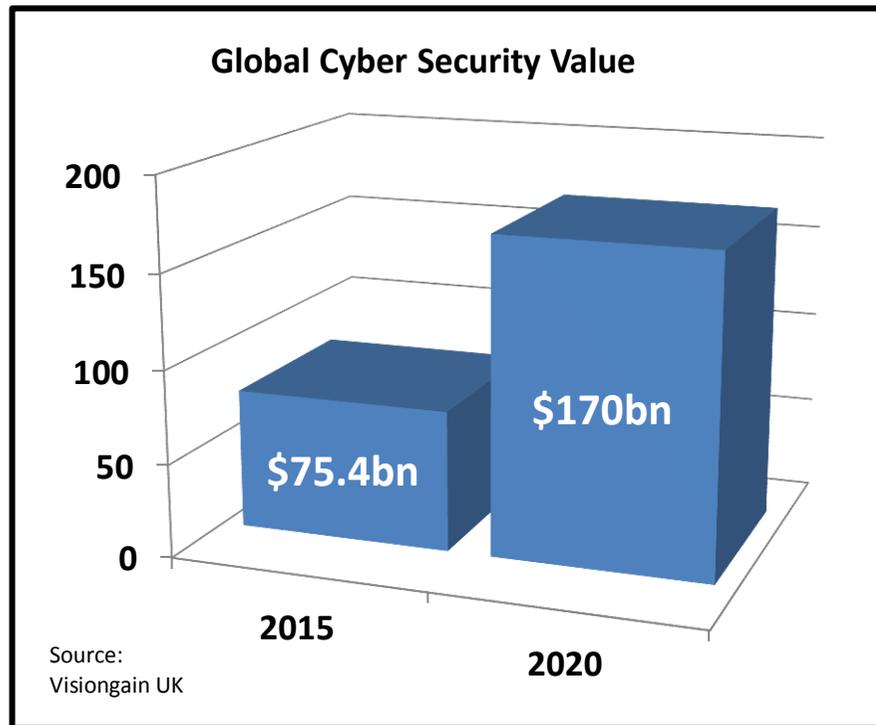
The cyber security market is booming in 2015 following a very strong year in 2014. Cyber attacks have continued to dominate the headlines all over the world, from attacks obtaining financial details and medical records to accessing confidential emails of top level corporate employees. These breaches have displayed the true vulnerability of the cyber world and have shown internet users that personal information can be hacked and accessed from all over the world.

The question of how to combat and protect against these attacks has become almost as prevalent in the media as the attacks themselves, with the average person understanding more and more about cyber security and its great importance in their work and personal lives. Cyber security has moved into the main stream.

These developments are driving growth in the sector and providing large security companies with ever more demanding tasks, which is subsequently driving acquisitions and other corporate activity as these businesses are seeking to expand their portfolio and offer solutions for all manner of attacks and offer technologies that focus on innovative and unusual techniques of cyber protection.

With this continuing to be a hot topic and an area that Pace Equity is directly involved in, we have compiled this brief report to share some insight into the market trends today and in the future.

Cyber Security in Numbers



\$1m+ deals, vendors selling to end users, increased by 40% in 2015.

Source: FBR & Co

Cyber Criminals stole up to \$1bn from approximately 100 financial institutions in the U.S, Germany, Russia, Ukraine and China over last 2 year period.

Source: Kaspersky Labs

Areas of Interest – Geographical

The U.S. and Europe are not the only regions to possess strong cyber security statistics, there are a few other areas where interesting trends are taking place in the cyber market. The Middle East due to its vast wealth, significant banking sector as well as oil & gas is one region that has caught the interest of many cyber security companies. Israel is displaying immense skill and potential in this market, its well regarded research specialist universities and world leading intelligence community has led to the development of ground-breaking cyber technology and the founding of some of the most promising companies in the cyber security market.

Middle East:

- **The UAE experiences largest demand for advanced cyber security solutions (CSS), due to an expanding banking, financial services and insurance (BFSI) sector, over the past few years.**
- **Saudi Arabia follows UAE for CSS with growing oil and gas as well as BFSI demand.**
- **Oman and Qatar growing at a healthy rate in the near future, owing to increasing business opportunities in oil and gas.**

Israel:

- **Israel is second only to the United States as the largest exporter of cyber products and services.**
- **Glilot Capital, an Israel-based venture capital fund investing in early-stage cybersecurity and enterprise software start-ups, recently announced the successful closing of a \$77 million fund.**
- **Tech Crunch reports that over the past 24 months, there have been more than 15 acquisitions of Israeli cyber security companies totalling \$2bn in value.**

Areas of Interest - Technology

The technology sectors that are highlighted below represent two of the most widespread and important areas of the cyber market. In 2014 mobile overtook PC's as the dominant platform for browsing the internet and e-commerce. Mobile's dominance is only set to continue. Encryption technology has been suggested as one of the most secure forms of protection for online data, due to the nature of the receiver having the only key to access and decrypt the information from the sender. This technology is something that is set to spread in many industries and become a standard technology when sharing information, with financial and medical key sectors.

Mobile Devices:

- **Markets and Markets reports that the total mobile security market is expected to grow from \$1.5bn+ in 2014 to \$5.7bn by 2019.**
- **According to a 2015 Silicon Valley Bank report, there will be more than 1 billion employee owned smartphones and tablets in the workplace by 2018.**
- **Gartner has stated that wirelessly-connected, portable devices are being used a lot more by consumers in 2015. By 2018, 70 percent of mobile professionals will conduct all of their work on personal smart devices.**

Encryption Technology:

- **IDC predicts that by the end of 2015, 20% of proprietary data in the cloud will be encrypted – and by 2018 that will rise to 80%.**
- **Markets and Markets estimate that the encryption software market is forecast to be worth \$4.82bn by 2019.**
- **Apple has championed stronger encryption and two-factor authentication for user I.D on its mobile devices, with the new ios9, in a bid to ward off hackers.**

Growth of the Market

India's cyber security market size will jump to \$1 billion USD in 2015 (from an estimated \$500 million USD last year). That is a whopping 100% year-over-year growth.

Source: The Economic Times

Cyber insurance purchases, as a tool to help manage security risks, continue to increase. 51% of respondents to a PWC survey have said that they have purchased cybersecurity insurance.

Source: PWC

The data centre security market is growing rapidly due to the increase in cloud computing, virtualisation and increasing attacks on the data centres themselves. This market is projected to be worth \$8.13 billion by 2020

Source: MarketsandMarkets

By the end of 2015, 15% of all security will be delivered via SaaS or be hosted and by 2018 this will rise to over 33%.

Source: International data Corp. (IDC)

Global managed security services (MSS) is set to have a compound annual growth rate (CAGR) of 15.8% over the next 5 years.

Source: Allied Market Research (AMR)

By 2019 the global demand for cyber security workers is predicted to rise to 6 million.

Source: Michael Brown, CEO at Symantec



Conclusion

The cyber security market is set to continue its steep growth trajectory. The increasing frequency of attacks and intrusions to all manner of systems, spread across all industries means there is now widespread awareness of the threat of security breaches amongst consumers and organisations. Demand for effective security and new innovative technology to combat increasingly sophisticated cyber criminals is therefore a high priority.

The increasing importance of cyber security is reflected in the subject moving from an issue for IT departments to deal with to a key topic for company boards – and high ranking public officials. IT security is now very much considered alongside overall business risk.

Clearly there is the need not just for prevention, but for the ability to detect threats and respond accordingly. Rightly there has been a lot of focus on threat prevention, but with the evolving nature of cyber threats companies need to take a more active role in monitoring attacks on their systems and identifying the appropriate actions that they can take – when necessary in real time.

As 2016 looms the Internet of Things is slowly becoming a reality, and this developing technology provides further security risks that must be addressed. With everyday household devices becoming interconnected, there will be an increasing number of entry points from which data can be hacked and networks accessed. This multitude of entry points opens up the market to a whole new range of cyber security solutions, and is an area that should definitely be watched, as the innovation in this market will be of great interest to all involved in cyber defence.

We would like to thank you for your interest in reading the Pace Equity Cyber Security Market Trend Report for 2015. We hope that it has been informative and interesting for both you and your business.

If you would like to contact Pace Equity to explore opportunities for your own company please e-mail callumboyce@paceequity.com or call the team (see www.paceequity.com/team) on 01491 577889.

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