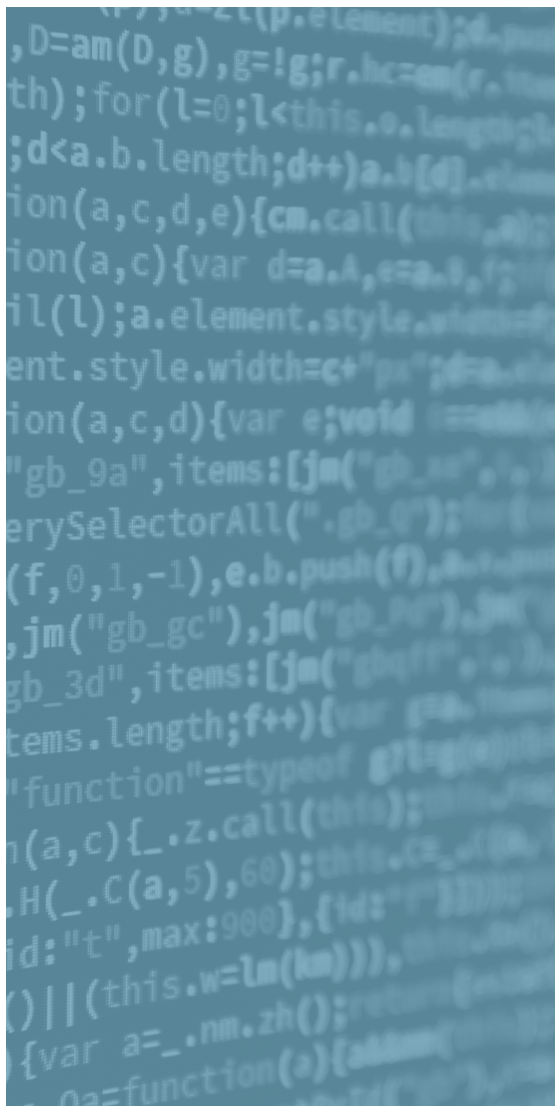


Q&A with Lincoln TMT Managing Director Don More: Hacking Cybersecurity Investment



Lincoln International recently welcomed [Don More](#) as Managing Director focused on cybersecurity on the Technology, Media & Telecom team. Don brings to Lincoln 20+ years of deal experience in cybersecurity, risk and compliance banking.

What would you like prospective clients to know about you?

Don: I first fell in love with cybersecurity years ago after being staffed as an associate on a M&A deal with Symantec. Since then, I've closed more transactions than any banker in the space – including, almost 70 deals later, another deal with Symantec (now part of Broadcom). Over the past three years alone we've closed 15 cyber sell-side and financing deals. I'm excited to join Lincoln International's TMT team, in part because the bank's global footprint augments our ability to support the huge volume of cross-border deals taking place in this space. In addition, we have talented bankers in adjacencies – including IT Infrastructure, A&D, IOT/Industrial Technology and technology-enabled services – who provide additive perspective and access.

What type of client are you most energized to work with?

Don: I've been fortunate to work with many crazy-smart, visionary entrepreneurs. When combined with forward-thinking investors and dedicated teams, they create the most successful companies and exciting clients to serve.

What's driving consolidation in the security space?

Don: Google describes cybersecurity, or lack thereof, as the greatest challenge facing humankind. Despite an estimated trillion dollars of spending to date, breaches are worsening. Personal identities and data, vehicles and physical infrastructure, software and IT assets – all are breached daily, with no end in sight. Large security vendors are good at selling solutions but not creating new ones; so, they are always on the hunt to acquire innovators, driving continuous consolidation. Promising vendors grow fast, which also fuels consolidation as buyers seek to raise their growth profile.

Sector investment, M&A and trading multiples are among the highest in the technology universe. Paradoxically, the rapidly changing threat landscape means the shelf life of a cyber product is not long. So, investment and acquisition valuations are impacted in large part by attractiveness of the team. To use a music metaphor, one is not acquiring just a song, but the band; a band that buyers hope will write more hits.

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How can companies appeal to potential buyers?

Don: Cyber is a target-rich environment. There are a lot of cybersecurity companies – easily more than 1,500 with financial sponsor backing. However, 80% of these companies have relatively little revenue and offer complex solutions, so it can be hard for investors and strategics to pick winners. It comes down to what I call the Four P’s: Performance (growth rate), People (experience), Product (efficacy and ease of use) and Potential (how big can one become in the particular sub-sector). There is no perfection, but improving one’s story in each of these categories – and comparing favorably to competitors – helps ensure acquisition interest.

With the COVID-19 pandemic, businesses were forced to undergo business transformation overnight. What are the hottest areas of cyber for the post-pandemic world?

Don: As COVID accelerated digitalization and acceptance of the remote work environment, it also made security an even bigger concern for people and organizations. That’s why public cyber vendor valuations about doubled on average since early 2020 – note this is comparing current stock prices to pre-COVID 2020; the increase from the trough mid-last year is much higher. The strongest winners performance- and valuation-wise have been endpoint security (i.e., PCs/laptops, mobile devices), identity access management (e.g., protecting against illicit Zoom, office, e-commerce or banking log-ins), communications and data security (e.g., encryption and privacy) and security outsourcing (i.e., managed security, which obviates the need for on-premise management).

President Biden’s budget requests major investments into our nation’s cybersecurity. Will government spending drive growth in the cyber sector?

Don: Government entities collectively represent the biggest spending segment for cybersecurity, with the financial sector a close second. In both areas as well as the healthcare sector, spending is expected to rise materially faster than total IT spending growth and drive higher overall cyber demand growth.

Any final words of wisdom for security company founders?

Don: Honestly, the biggest knock on cyber is not that it’s imperfect—even though that’s a big problem, because your security could be 99% effective but it’s the 1% of vulnerability you need to worry about. The bigger gripe is that security solutions are relatively difficult to deploy and run, as well as measure for efficacy.

For this reason, vendors that improve ease of use via automation, transparency and intuitiveness always stand out to investors and strategics. Time and time again I see the user-friendly solutions sell the best to customers, and generate the most investor and acquiror interest. Security needs to be adopted and used to work; consequently, the challenge is as much about people as technology.



With over 20 years of experience, Don has developed strong relationships with leaders and investors within the industry. His connections and expertise bolster Lincoln’s position as the global ‘go-to’ advisor for security, risk and compliance solutions providers. He is dedicated to pairing the best and brightest industry leaders with strategic and financial partners that will most effectively position an acceleration of solutions to cyber threats.

Contact Don at dmore@lincolninternational.com.

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