

# Cybersecurity

## The Venture Capital perspective

*NEXT DOOR SECURITY 1 May 2024*



**JENS HOLZAPFEL**

 **bifrost**

 **Tracebit**

 **Defentry**

 **INFLECTION**

 **scaleout**

**Controla**

# Cybersecurity is still underfunded in the EU

**<2%** Of global cybersecurity funding in the EU

**€2B** Funding gap for growth

**Median deal sizes (EU) 2016-2021**

Seed: €1M (77 deals)  
Series A: €5M (56 deals)  
Series B: €17.8M (19 deals)  
Series C: €32.8M (4 deals)

**=** *Lack of-European growth-investors and buyers*

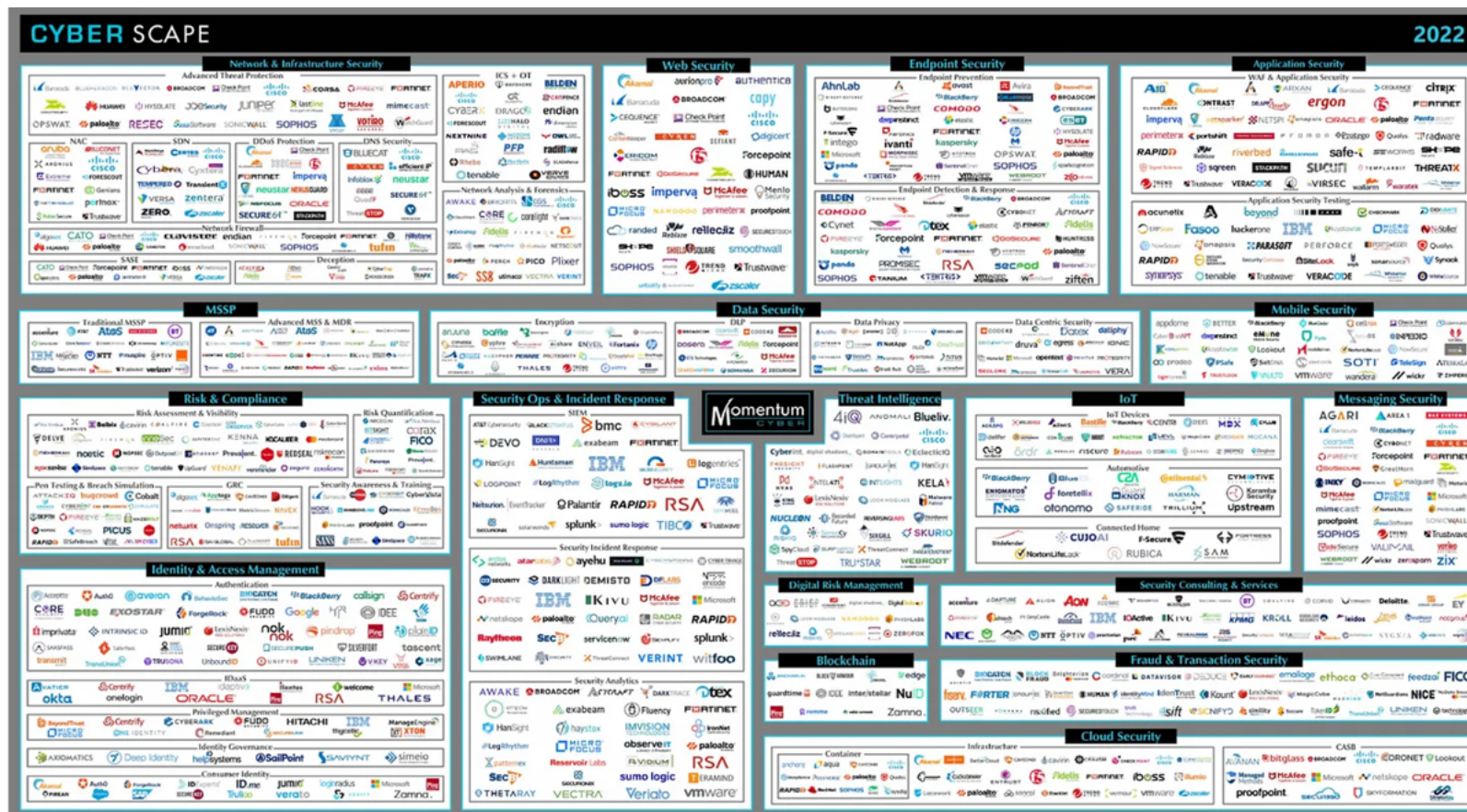
***What do venture capitalists  
think of cybersecurity?***

**"Very interesting. But..."**

**...it's complicated to understand**

*SSPM, CSPM, EDR, XDR, NDR, SASE, DLP,  
ZTNA, SDP, NGFW, IDS, IPS, IAM, VPN,  
SSO, UBA, UEBA, WAF, FWaaS, MDR,  
CASB, SIEM, SOAR, XSOAR, AV, XSIAM...*

# ...it's a crowded space



# ...what about the exits?

Only 18 pure  
cybersecurity  
companies publically  
traded in the US

**>90%** of exits are  
acquisitions

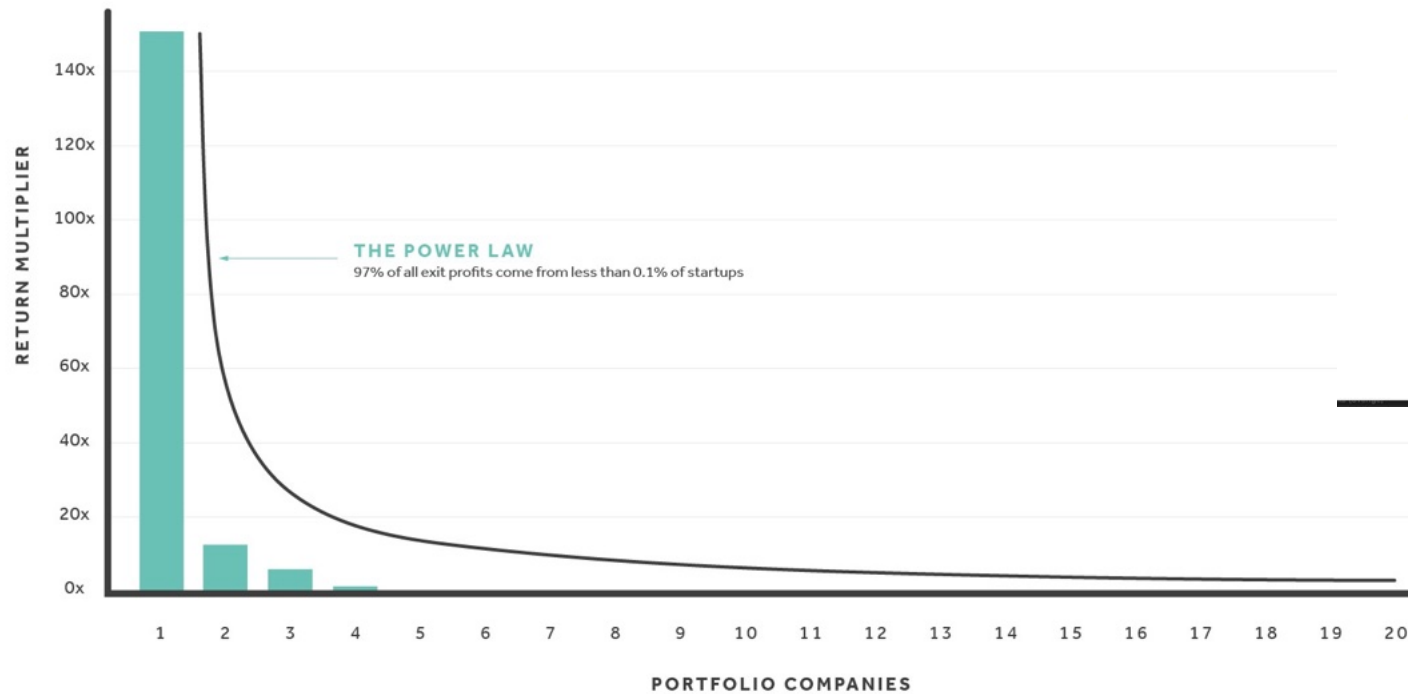
Heyhack



debricked

# ...and the power law?

## THE VC POWER LAW



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Harvard  
Business  
Review

Venture Capital | How Venture Capitalists Make Decisions

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### How Venture Capitalists Make Decisions

An inside look at an opaque process by Paul Gompers, Will Gornall, Steven N. Kaplan, and Ilya A. Strebulaev

From the Magazine (March-April 2023)



Pablo Boneu

**The  
Power Law**  
Venture Capital  
and the Making of  
the New Future



**Sebastian Mallaby**

# ...which companies are a "VC-case"?



Unicorn-potential



Global market



Defensible tech



Scalable product (🤖 *Skepticism towards services*)



Team: Technical AND Commercial skills



**Now, the good news! The tides  
are shifting!**

# Cybersecurity considered "recession proof" (almost)



## Total cybersecurity funding

2020 \$7.8B  
2021 \$21.8B  
2022 \$16B  
2023 \$8.2B

# Positive cybersecurity market dynamics are being recognized

- Few double-digit segment leaders = a lot of potential for startups

**€52.4B** European cybersecurity market 2023

- Low vendor change

**10.81%** Expected CAGR until 2029

- "Few 100Xs, but not many 0Xs either"

**6-8x** Median multiples

- Listed cybersecurity companies outperform indices

# Geopolitics are driving interest

- Defense, dual-use tech and space are highlighting cybersecurity
- Security is the new "impact" vertical

News October 5, 2023

## 'Promising dynamics' boosting Europe defence tech but role models still needed

Europe needs more founders of defence tech companies committed to scale

Cristina Gallardo 2 min read

## NATO Innovation Fund closes on EUR 1bn flagship fund

01 Aug. 2023 - | Last updated: 01 Aug. 2023 09:49

English French Russian Ukrainian

f

X

in

Twenty-three NATO Allies have officially become Limited Partners of the NATO Innovation Fund (NIF), which is preparing to make its initial investments later this year. The Participating Allies<sup>1</sup> have also welcomed Sweden's interest to join the NIF. Sweden's participation will take effect upon its accession to the North Atlantic Treaty.



## Russian hackers infiltrated Ukrainian telecom giant months before cyberattack

Russian hackers behind the **cyberattack** on Ukraine's largest telecom operator jacked into its infrastructure months before the December hack, according to Ukraine's top cyber official.

The attack on Kyivstar was "one of the highest-impact disruptive cyberattacks on Ukrainian networks" since Russia invaded the country last year. It left millions of Kyivstar subscribers without a mobile signal and internet for days beginning on

# Increase of specialist investors

*“Cybersecurity ventures is not for tourists” (Ross Haleliuk)*



# Examples of "hot" areas

Cloud security

*Compliance*

DevSecOps

Human factors and awareness

*Made in Europe*

*Defense use-cases*

IoT/OT

Tools for SME's

# So where does this leave us?

- Time to build is now: Cybersecurity is, and will continue to be, a top segment for investors
- Start developing relationships with investors that can provide real value and networks
- Think about your exit strategy
- Consider other investor types than VC's
- Leverage the defense tech-momentum

# **Thank you!**

