MOSS ADAMS × bakertilly

2025

Cybersecurity Investment Monitor

Cybersecurity Continues to Draw Significant Investor Interest

CONTENTS

By the Numbers 02

SECTION ONE

Executive Summary 03

SECTION TWO

Market Trends 04

- VCs Demonstrate Commitment Within a Fragmented Sector
- PE Firms Accelerate Consolidation Efforts with Add-Ons
- M&A Buyers Pay a Premium for Cybersecurity Players

SECTION THREE

Spotlight: Cybersecurity Meets AI 10

SECTION FOUR

Methodology 12

By the Numbers

$5.1B

VC funding committed to cybersecurity companies YTD 2025.

4.5 YEARS

Median time for VC-backed cybersecurity companies to be acquired.

57.4%

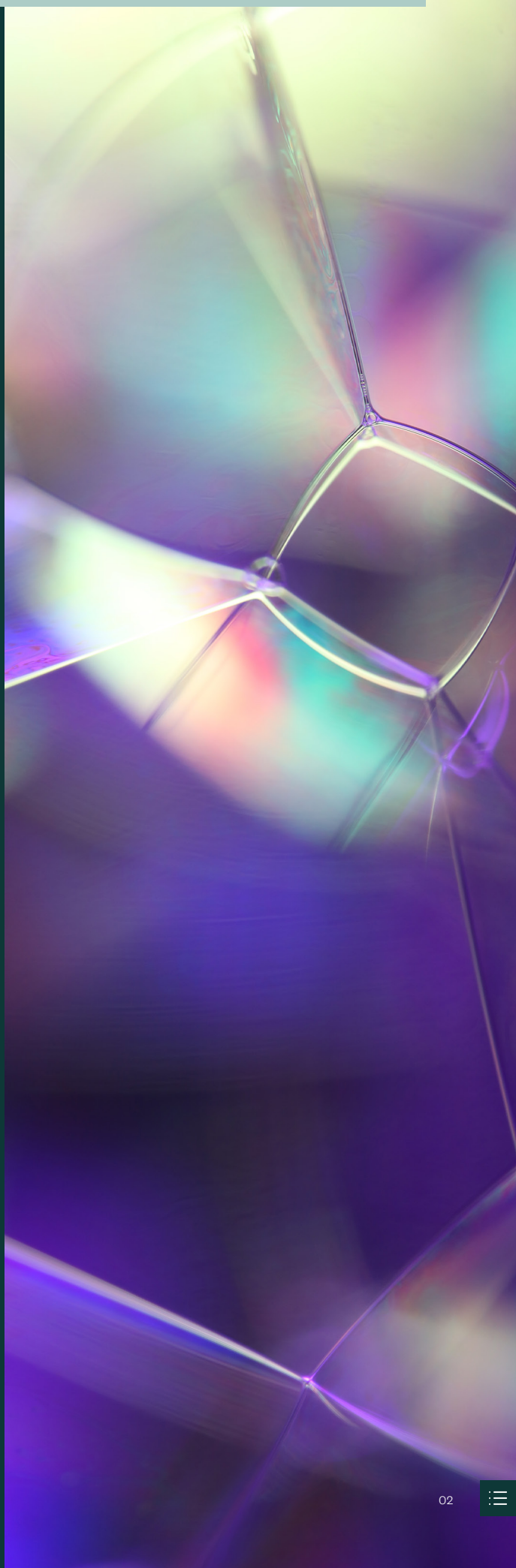
Share of YTD PE deal value attributed to add-on deals, up from 36% in 2024.

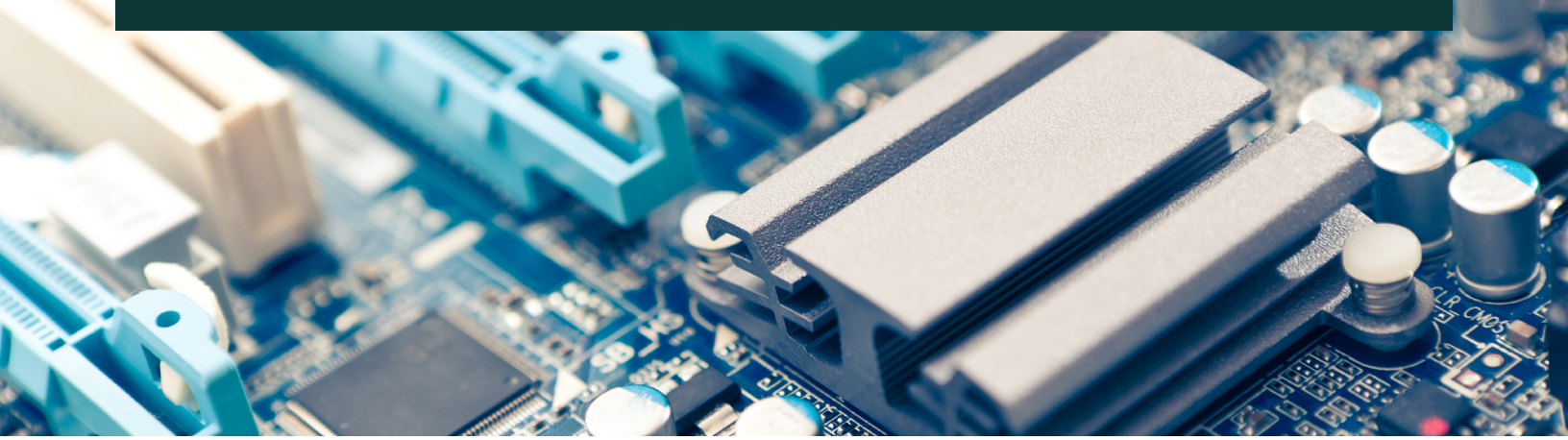
122

Number of cybersecurity M&A transactions closed YTD.

47.1%

Increase in cybersecurity AI M&A deal count in 2024 compared with 2023.





SECTION ONE

Executive Summary

Cybersecurity continues to draw significant investor interest. Venture funding has reached $5.1 billion year-to-date (YTD), with investors selectively backing companies offering differentiated solutions such as development, security, and operations (DevSecOps); digital identity; Internet of Things (IoT) security; and password-less authentication amid a competitive and fragmented market landscape.

Deal activity remains balanced across company stages. Investment is distributed fairly evenly between seed, early-, and late-stage rounds, reflecting a healthy pipeline of innovation and the absence of a dominant end-to-end security platform provider in the market.

Private equity (PE) prioritizes consolidation strategies. PE firms have invested $6.4 billion YTD, with add-on acquisitions outpacing full buyouts as sponsors look to roll up niche players and create integrated cybersecurity platforms. Exits have been strong, surpassing $13 billion, led by high-profile listings such as SailPoint Technologies' initial public offering (IPO).

Mergers & acquisitions (M&A) activity stays strong despite market headwinds. More than 120 deals totaling $9.2 billion have closed YTD, with buyers showing a willingness to pay elevated valuations for high-quality assets, particularly in cloud security, identity management, and advanced threat detection solutions.

Artificial intelligence (AI)-cybersecurity convergence drives competitive dealmaking. Venture funding for AI-driven cybersecurity companies continues to grow, PE involvement remains selective, and strategic buyers are competing aggressively for advanced AI solutions that promise enhanced automation, faster detection capabilities, and improved resilience against evolving cyberthreats.

BRYAN SCHADER
Principal
Cybersecurity Consulting Services

TRAVIS DROUIN
Principal
Technology Practice

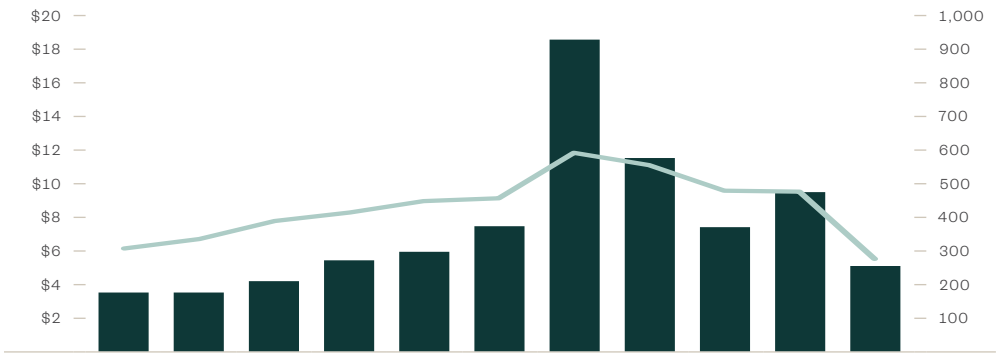
TAFT KORTUS
Principal
Technology Practice

SECTION TWO

Market Trends

VCS DEMONSTRATE COMMITMENT WITHIN A FRAGMENTED SECTOR

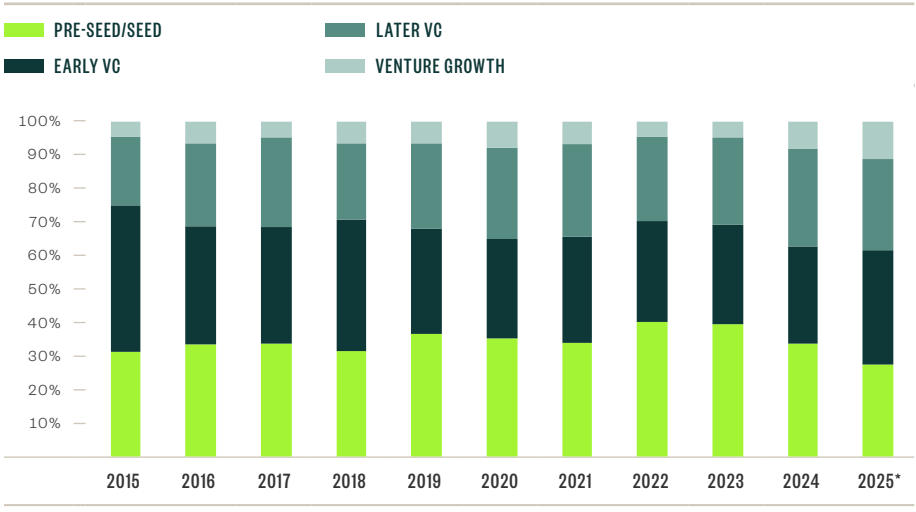
FIGURE 1: United States Cybersecurity VC Deal Activity



	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025*
VALUE	$3.5	$3.5	$4.2	$5.4	$6.0	$7.5	$18.7	$11.6	$7.4	$9.56	$5.11
COUNT	308	338	390	415	450	460	594	557	481	478	278

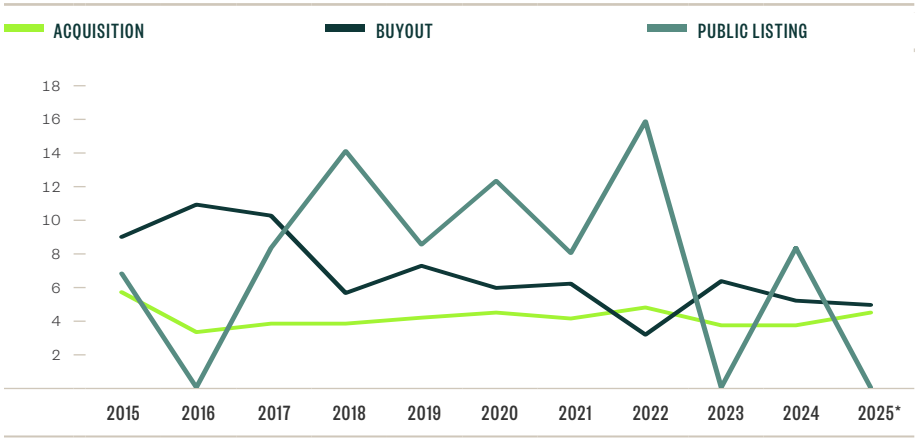
*As of 7/24/2025

FIGURE 2: Share of United States Cybersecurity VC Deal Count by Stage



*As of 7/24/2025

FIGURE 3: Median United States Cybersecurity VC Time (Years) to Exit by Type



*As of 7/24/2025

Venture capital (VC) investors are approaching cybersecurity with a mix of optimism and caution, reflecting the sector's resilience in an otherwise uneven tech funding environment. YTD check writing stands at $5.1 billion, just over half of 2024's activity. This points to cybersecurity remaining a top priority despite broader market pressures, but investors are still being selective, backing companies with strong technical foundations and realistic growth paths.

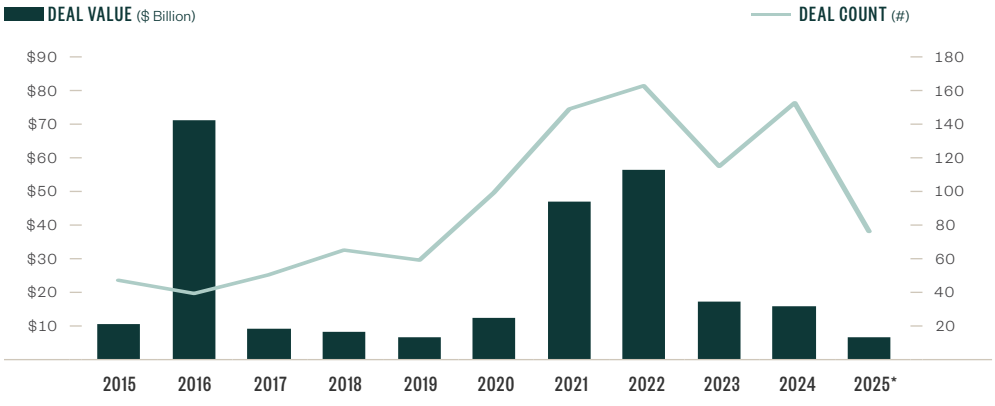
Emerging verticals like DevSecOps, digital identity passports, IoT security, and password-less authentication have collectively attracted $1 billion in venture funding YTD—on track to exceed 2024's total as firms search for differentiated solutions to back.

Unlike other technology industries where late-stage funding dominates, cybersecurity deal activity is spread fairly evenly across company stages, with pre-seed/seed, early-, and later-stage categories each accounting for roughly one-third of YTD deal count. This balance signals a healthy pipeline of early innovation alongside confidence in scaling opportunities later. It also reflects the fragmented nature of the cybersecurity landscape, where many enterprise customers maintain a patchwork stack of dozens of security tools from multiple vendors. No single company has emerged as a dominant end-to-end provider, prompting venture capitalists (VCs) to invest across multiple areas. This market breadth does not necessarily reduce risk, as many subsectors are crowded and technically complex, making it difficult to identify long-term winners early.

VC-backed cybersecurity firms command impressive exit timelines, with a median time to exit of 5.0 years for buyouts and just 4.5 years for acquisitions YTD. Venture investors see cybersecurity as largely a mission-critical, long-term investment area, but capital is being deployed thoughtfully. The sector continues to benefit from strong demand and innovation, yet only teams that can demonstrate consistent technical rigor and commercial viability in a rapidly evolving threat landscape are likely to secure sustained funding.

PE FIRMS ACCELERATE CONSOLIDATION EFFORTS WITH ADD-ONS

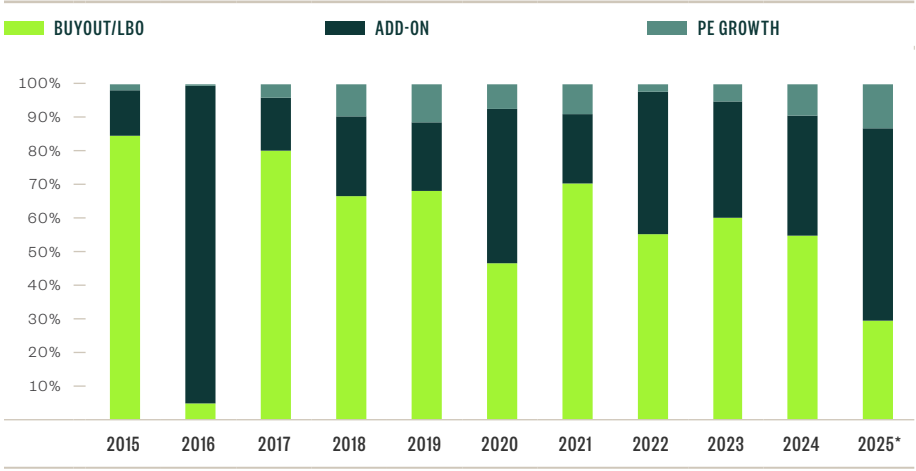
FIGURE 4: United States Cybersecurity PE Deal Activity



	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025*
VALUE	$10.5	$71.2	$9.1	$8.0	$6.5	$12.4	$47.0	$56.4	$17.2	$15.8	$6.4
COUNT	47	39	50	65	59	99	149	163	115	153	76

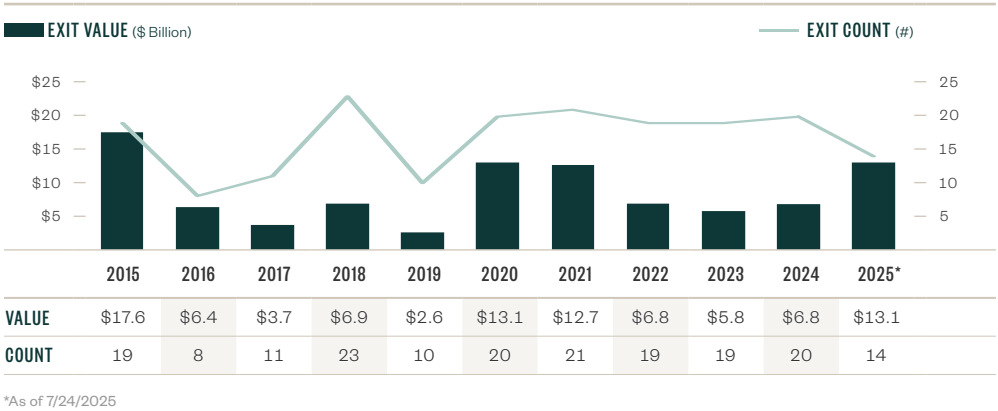
*As of 7/24/2025

FIGURE 5: Share of United States Cybersecurity PE Deal Value by Type



*As of 7/24/2025

FIGURE 6: United States Cybersecurity PE Exit Activity



	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025*
VALUE	$17.6	$6.4	$3.7	$6.9	$2.6	$13.1	$12.7	$6.8	$5.8	$6.8	$13.1
COUNT	19	8	11	23	10	20	21	19	19	20	14

*As of 7/24/2025

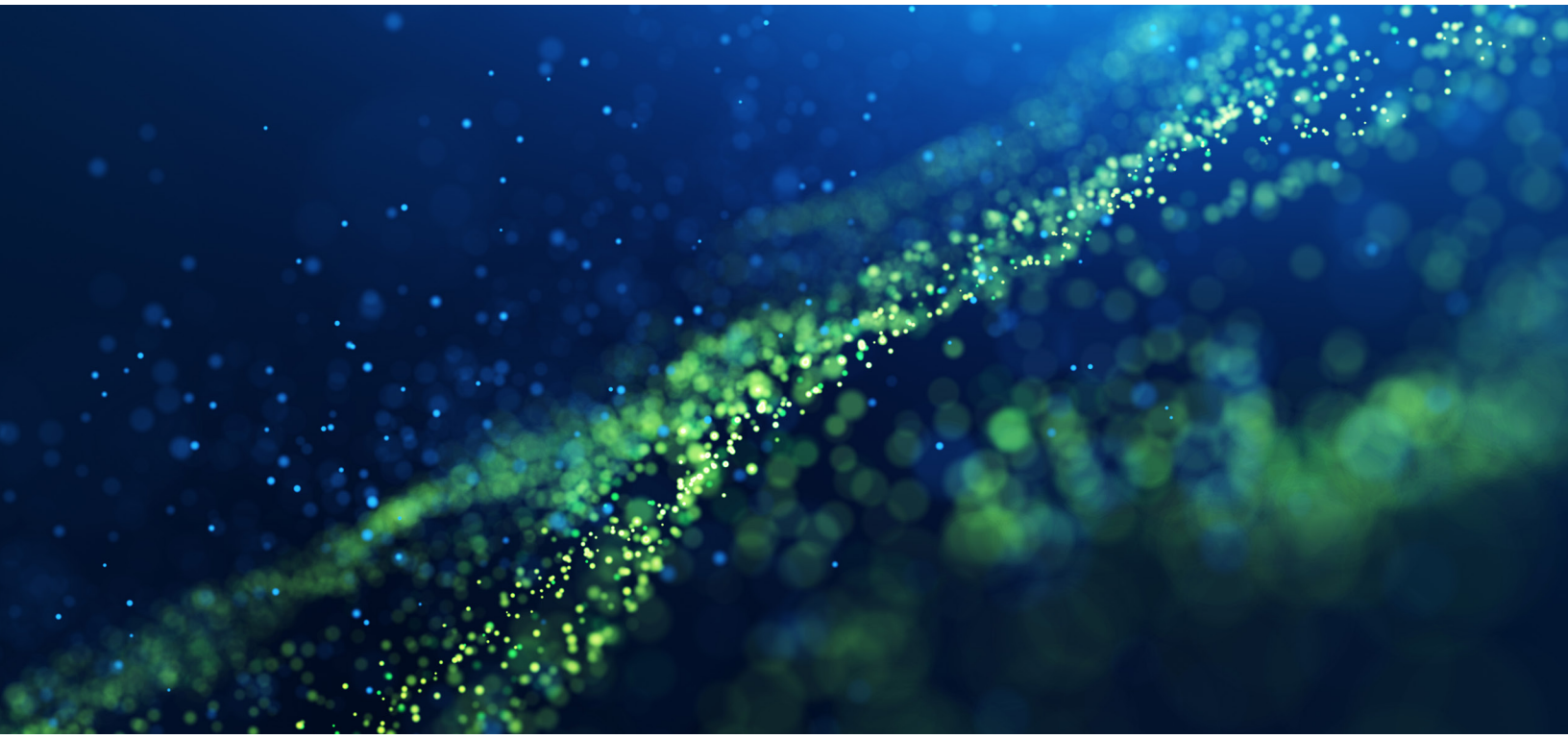
PE investment activity in cybersecurity has remained robust in 2025, with $6.4 billion in dealmaking recorded YTD. This represents a similar pace to 2024, underscoring PE's sustained conviction in cybersecurity as a strategic sector amid continued growth in digital infrastructure and persistent cyber risk exposure. While overall deal sizes remain modest compared with larger technology transactions, the volume of activity reflects strong appetite for scalable businesses that can complement existing platforms.

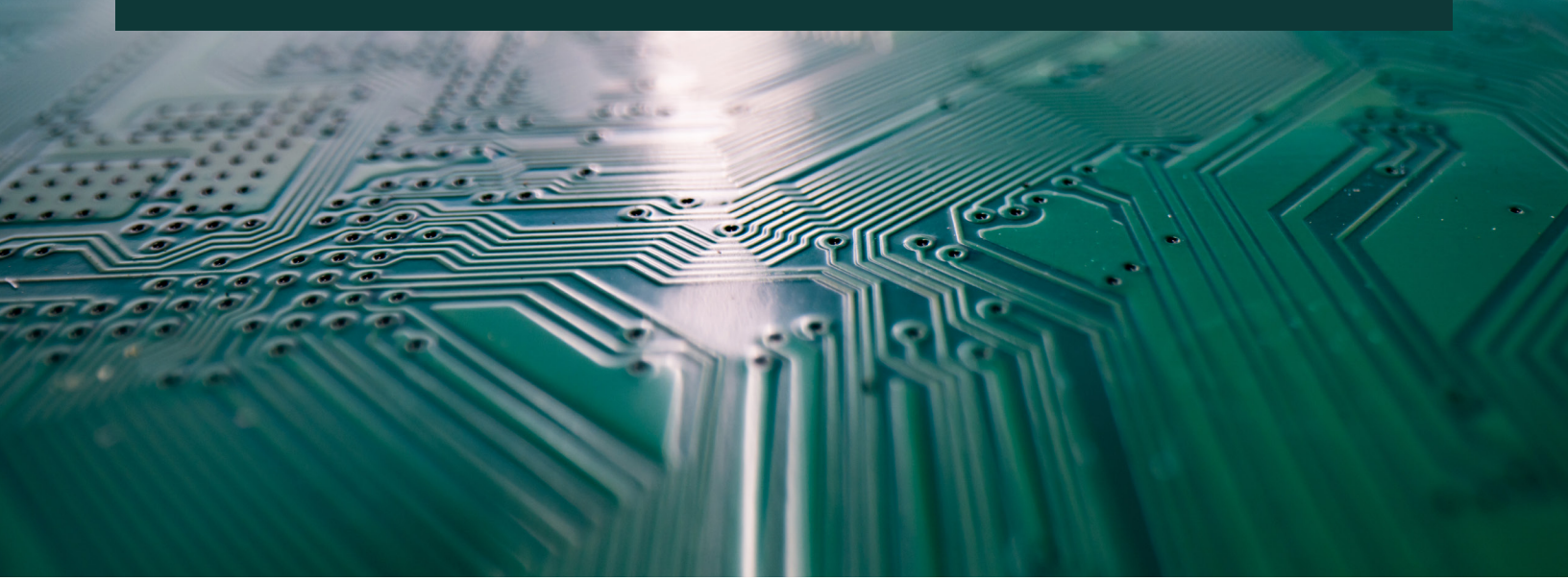
Add-on acquisitions have dominated PE activity in cybersecurity this year, generating nearly twice the deal value of full buyouts—an unusual reversal of the typical trend where buyouts, given their larger target sizes, usually account for the bulk of PE deal value. This year's large sum of add-on value and consistent historical volume reflect a fragmented structure, where vendors often specialize in narrow niches of the security stack.

In response, PE sponsors are pursuing bolt-on deals to expand addressable markets and move toward unified platform offerings that better align with customer demands for simplified tools and integrations. This activity is supported by platformization attempts, such as the development of extended detection & response (XDR) solutions that bundle multiple services into integrated, easier-to-manage packages.

PE exits in 2025 have generated more than $13 billion in value YTD, already ranking 2025 as the strongest year for cybersecurity exits since 2021. More than $11 billion of this came from SailPoint Technologies' IPO in February. SailPoint has made nine buy-side investments in the past decade, rolling various network management and enterprise systems businesses into its offerings.

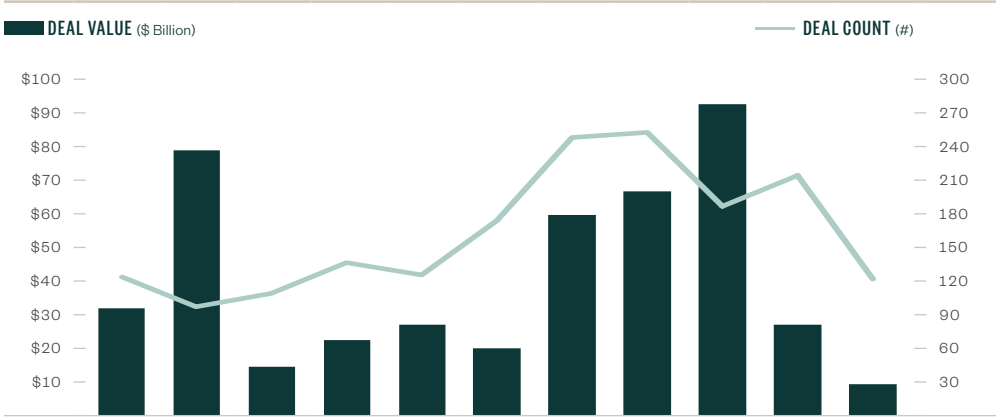
While the buy side remains fragmented and largely focused on smaller transactions, there is meaningful potential for outsized returns when consolidation and scaling strategies succeed.





M&A BUYERS PAY A PREMIUM FOR CYBERSECURITY PLAYERS

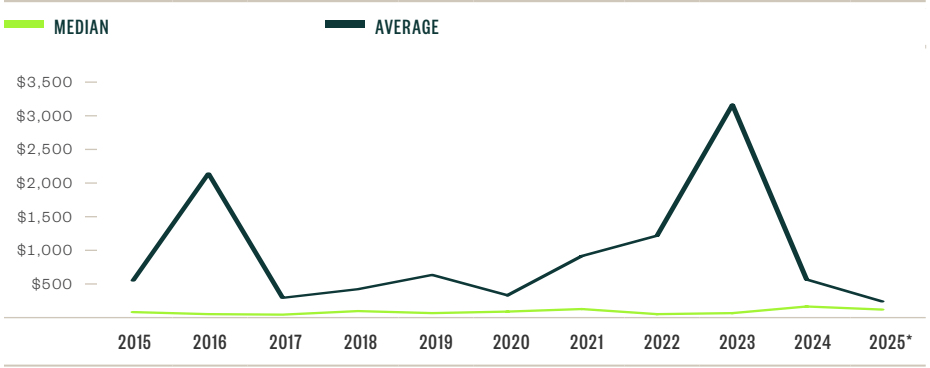
FIGURE 7: United States Cybersecurity M&A Activity



	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025*
VALUE	$31.9	$79.2	$14.3	$22.4	$26.9	$19.9	$59.9	$66.9	$93.1	$27.0	$9.2
COUNT	124	97	109	137	126	174	249	254	187	215	122

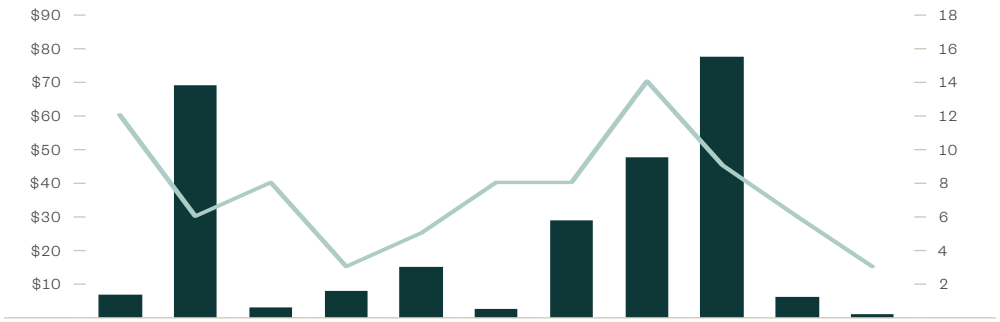
*As of 7/24/2025

FIGURE 8: Median and Average United States Cybersecurity M&A Value ($ Million)



*As of 7/24/2025

FIGURE 9: United States Cybersecurity Public-to-Private Deal Activity



	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025*
VALUE	$6.7	$68.8	$2.9	$7.8	$14.9	$2.3	$28.7	$47.4	$77.2	$5.8	$0.9
COUNT	12	6	8	3	5	8	8	14	9	6	3

*As of 7/24/2025

Cybersecurity M&A activity has remained steady in 2025, underscoring sustained strategic interest in the sector. More than 120 transactions have closed YTD, totaling $9.2 billion, which is slightly ahead of H1 2024's $7.0 billion despite fewer deals. The market continues to show resilience, with buyers remaining active but selective in pursuing high-quality targets.

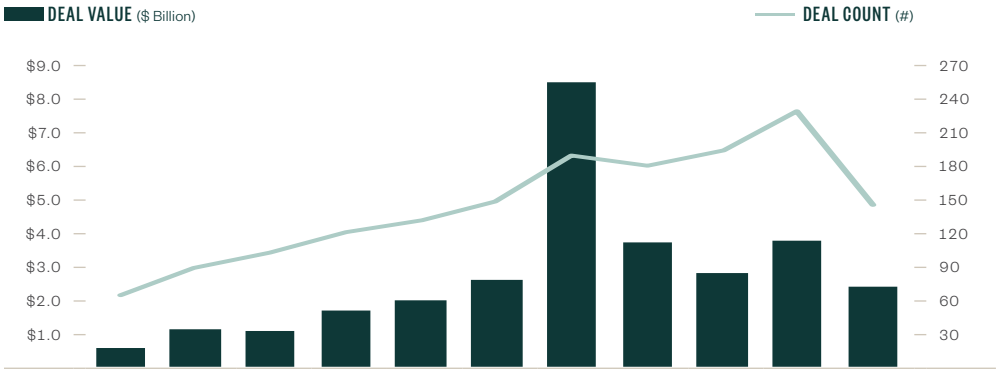
The median M&A transaction size remains elevated at $109 million YTD, following a record $160 million in 2024, suggesting strong competition for differentiated cybersecurity assets, particularly in areas like cloud security, identity management, and threat detection. Strategic M&A transactions specifically saw their median value rise to a record $232.5 million in the same period. Though YTD sample sizes are low, this data point indicates a large appetite among certain corporate buyers for security capabilities.

Since 2022, fewer cybersecurity firms are being targeted for take-private deals. The number of these transactions has declined each year since reaching a record low of 14 in 2022, and so far, only three have closed YTD. This drop reflects more cautious buyer behavior and elevated public valuations, which make large public-to-private transactions harder to execute. It also aligns with elevated financing costs and limited suitable targets. Should public valuations dip and a larger pipeline of underperforming public companies materialize, take-private activity may resurface.

SECTION THREE

Spotlight: Cybersecurity Meets AI

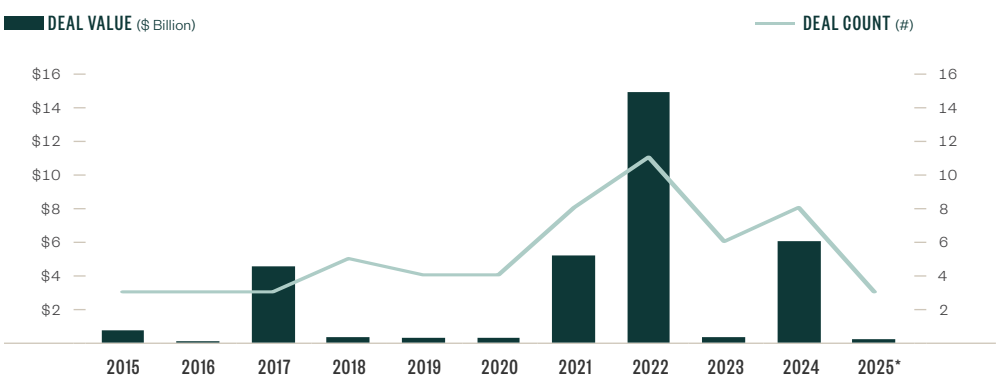
FIGURE 10: United States Cybersecurity AI VC Deal Activity



	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025*
VALUE	$0.6	$1.1	$1.1	$1.7	$2.0	$2.6	$8.5	$3.7	$2.8	$3.76	$2.40
COUNT	65	89	102	121	131	147	189	180	193	228	144

*As of 7/24/2025

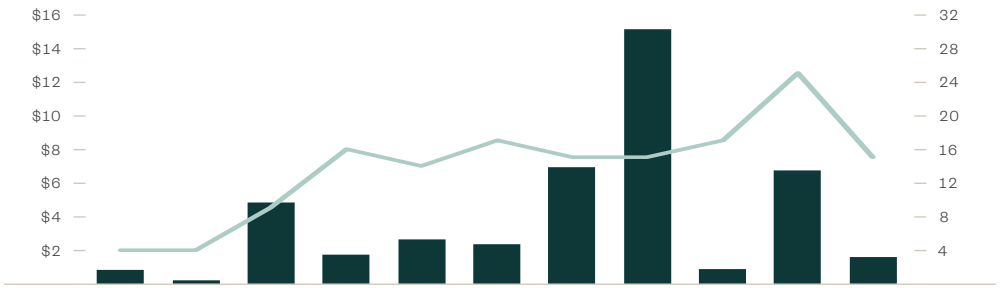
FIGURE 11: United States Cybersecurity AI PE Deal Activity



	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025*
VALUE	$0.7	$0.1	$4.5	$0.3	$0.3	$0.2	$5.2	$14.9	$0.3	$6.0	$0.2
COUNT	3	3	3	5	4	4	8	11	6	8	3

*As of 7/24/2025

FIGURE 12: United States Cybersecurity AI M&A Activity



	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025*
VALUE	$0.8	$0.2	$4.8	$1.7	$2.6	$2.3	$6.9	$15.1	$0.9	$6.7	$1.6
COUNT	4	4	9	16	14	17	15	15	17	25	15

*As of 7/24/2025

The intersection of AI and cybersecurity has become a particular area of focus for investors. Venture funding for cybersecurity AI companies has grown steadily over the past three years, with 2025 deal values already exceeding pre-2020 annual levels. Startups touting AI-driven threat detection and modeling continue to draw strong investor interest, fueled by demand for scalable, automated defenses. While questions remain about how quickly these tools can outpace increasingly AI-enabled attackers, many investors see promising signs of measurable improvements in detection speed, response accuracy, and overall resilience, supporting continued optimism in the space.

PE firms have yet to meaningfully scale investment in cybersecurity AI companies, as the segment remains nascent and misaligned with traditional PE strategies favoring mature industries and predictable cash flows. Many targets are early-stage, research & development (R&D)-intensive and lack proven defensibility. Activity briefly accelerated in 2022 as a post-2021 financing pullback, declining valuations, and macro shocks pushed distressed cybersecurity AI vendors toward PE buyers. That year, 11 deals totaled a record $14.9 billion, driven by recapitalizations, carveouts, and consolidation plays. Since then, activity has slowed to under 10 deals annually as high valuations and ongoing venture backing limit PE opportunities.

M&A activity targeting cybersecurity AI companies surged in 2024, reaching a record $6.7 billion across 25 deals—more than six times 2023's value and a 47.1% increase in deal count. While 2025 may not match that dollar total due to fewer megadeals, transaction volume in the first half of the year is already outpacing 2024, signaling another strong showing. This sustained momentum reflects deepening investor confidence in AI-driven cybersecurity solutions as strategic and financial buyers compete to secure technologies that can meaningfully enhance automated defenses, accelerate threat detection, and strengthen overall cyber-resilience.

> "AI in cybersecurity products and services is influencing legal frameworks, especially regarding liability. For example, who is liable if an AI powered threat detection agent on a users endpoint mistakenly deletes sensitive or critical data?"
>
> – Bryan Schader

SECTION FOUR

Methodology

Standard PitchBook methodology regarding venture transactions and venture-backed exits was used for all datasets and similarly for PE or other private investment types. Full details can be found **here**.

Cybersecurity is defined in this report using PitchBook's dedicated vertical. Cybersecurity AI companies are defined as companies tagged with both PitchBook's dedicated cybersecurity and AI & ML verticals.

ABOUT MOSS ADAMS (NOW BAKER TILLY)

Moss Adams and Baker Tilly have joined forces to redefine accounting, tax, and advisory services for the middle market. United, we bring a legacy and commitment to helping our clients embrace what's next. With more than 11,000 professionals in 90-plus locations nationally, our reach and resources fuel our ability to bring deep industry insights, bold thinking, and holistic solutions that serve our clients' unique needs. At Baker Tilly, we unlock the power of possibility for businesses ready to move forward.

Discover more at: **mossadams.com/combo**

MOSSADAMS × bakertilly