



## Market Insight Report Reprint

# Another day, another SASE-fueled deal as Absolute picks up NetMotion

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In yet another SASE-centered acquisition this month – JAMF-Wandera, Forcepoint-CyberInc and Aryaka-Secucloud are the others – endpoint security vendor Absolute Software has purchased NetMotion to gain a foothold in the secure access service edge market, but with a distinct endpoint flavor.

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## Introduction

One of the key trends emerging from the pandemic has been the broad rethinking of how to provide network and security services to workforces that went remote. This shift is expected to be a long-term change: In 451 Research's Voice of the Enterprise: Digital Pulse, Coronavirus Flash Survey October 2020, 69% of respondents indicated that at least 75% of their workforce can work effectively remotely.

This rethinking has fueled interest in the concepts of zero-trust network access (ZTNA) and secure access service edge (SASE), which as an amalgamation of different network and security services includes ZTNA. That interest is driving vendors to scale up their capabilities in this space either organically or via M&A. Endpoint-focused vendor Absolute Software has done the latter by spending \$340m for VPN veteran NetMotion Software.

## Snapshot

Acquirer	Absolute Software
Target	NetMotion Software
Subsector	SASE/ZTNA
Deal value	\$340m in cash
Date announced	May 11, 2021
Advisers	Foros (Absolute) Evercore Partners (NetMotion)

## THE 451 TAKE

The broad rethinking of network (and cloud) security under the banners of ZTNA and SASE is leading to significant activity and transactions, bringing in vendors of different stripes putting together the pieces aiming to capture this customer demand. Absolute Software is focusing on the synergy between endpoint and network capabilities to deliver insights, security and resilience to the remote workforce. This approach will likely resonate with those that take an endpoint-centric view of security, but the company is about to step into a field with significant competition from larger established network and security providers bearing SASE-centric messages that are backed by larger portfolios. If Absolute wants to contend with a broader SASE message, it will need to quickly address the other features typically associated with SASE, such as secure web gateway (SWG), cloud access service broker (CASB) and software-defined WAN (SD-WAN), for starters.

## Deal details

Absolute Software is paying \$340m in cash for NetMotion Software, which represents a multiple of 5.7x based on disclosed TTM revenue of \$60m. The buyer expects the transaction to be accretive to its average recurring revenue and EBITDA growth. NetMotion has approximately 200 employees.

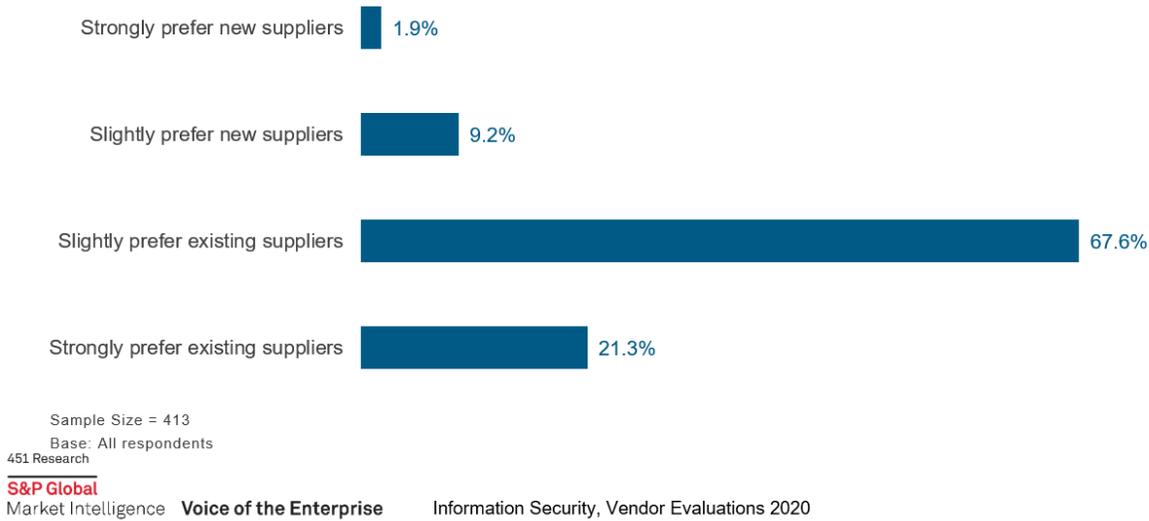
## Deal rationale

The dynamics surrounding remote access were accelerated by COVID-19: Organizations needed to review their remote access choices considering a much larger proportion of users connecting remotely from a variety of devices. This review also created an opportunity for organizations to adopt principles of zero trust, which then led to the growth of the zero-trust network access subsector.

That said, ZTNA is itself closely associated with the broader move toward SASE, with the caveat that ZTNA is just one of the core components typically associated with SASE – SWG, CASB, firewall as a service and SD-WAN are the others. The interest in SASE is incentivizing vendors to offer broader functionality within their portfolios and serve their existing customers. This addresses the preference for existing suppliers that customers indicate they have, as per the results depicted in the figure below, which came from our VotE: Information Security, Vendor Evaluations 2020 survey.

## Customers Have a Preference for Existing Suppliers

**When thinking about information security, does your organization have a preference towards - New suppliers (to you) vs. Existing suppliers to your organization**



Source: 451 Research's Voice of the Enterprise: Information Security, Vendor Evaluations 2020

Absolute's pickup of NetMotion stands to bring together the endpoint security capabilities that it offers with the target's ZTNA technology. The company is positioning these capabilities as essential to providing a 'broader view' of security for the modern worker.

## Target profile

NetMotion Software was founded in 2001 and is based in Seattle, with additional locations in the US, Canada, the UK, Japan and Australia. The firm was acquired by Carlyle Group in 2016. It has over 3,000 customers and its portfolio includes VPN technology that can be enabled and managed on a granular basis. Importantly, NetMotion launched functionality in 2020 that closely aligns with software-defined perimeter (SDP) and ZTNA capabilities.

## Acquirer profile

Vancouver-based Absolute Software trades publicly on the TSX and has approximately 600 employees across the world, mostly centered in Vancouver, plus locations in the US, Vietnam, the UK, and others. The company was founded in 1993 and has developed endpoint technology that features visibility, control and remediation for endpoints via a deep integration with device firmware. According to 451 Research's M&A KnowledgeBase, this is Absolute's first wholesale acquisition of another vendor and its first deal since purchasing assets from Palisade Systems back in 2013.

## Competition

With Absolute indicating that NetMotion will remain a subsidiary for now, most of the competitive pressures remain unchanged from when NetMotion was independent. Even then, the set of rivals includes a long list of startups and established security providers vying for the ZTNA opportunity specifically, and SASE more broadly.

Technology and security firms with ZTNA/SASE offerings include but are not limited to Palo Alto Networks, Check Point Software (via the acquisition of Odo Security), Fortinet (OPAQ Networks), Cisco, Juniper Networks, VMware, Google, Microsoft, Proofpoint (Meta Networks), Zscaler, Forcepoint, Ivanti (PulseSecure), Akamai (Soha Systems), Cloudflare, Broadcom (Luminate Security), Verizon (Vidder), Barracuda, and others. The list of more specialized vendors focusing on ZTNA and SASE is extensive and includes Appgate, Zentera, Safe-T, Banyan Ops, Perimeter 81, Wandera (which was just acquired by Jamf), StrongDM and others.

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