

## **Thales to create a world-class global cybersecurity leader, acquiring US-based cyber champion Imperva from Thoma Bravo**



**Thales (Euronext Paris: HO) announces today that it has reached an agreement with Thoma Bravo, a major software investment firm, for the acquisition of 100% of Imperva, a leading US-based data and application cybersecurity company, for an enterprise value of \$3.6 billion<sup>1</sup>.**

- With this acquisition, Thales is taking its cybersecurity business to the next level. Imperva will enable growth in data security and Thales' entry into the attractive application security market. Thales total cybersecurity business will generate more than € 2.4 billion revenues<sup>2</sup>.
- The transaction price is based on a \$3.6 billion enterprise value<sup>1</sup>.
- Significant value creation for Thales shareholders:
  - \$110 million of run rate cost and revenue synergies
  - Financial profile of DIS segment enhanced
  - Significant medium-term adjusted EPS accretion
  - Transaction adjusted ROCE<sup>3</sup> above WACC in Year 5 post-closing
- Imperva's integration into Thales will significantly expand Thales' addressable market in an already fast-growing sector.
- The new financial targets set for Thales' Digital Identity and Security (DIS) activity are:
  - 2024-2027 organic sales growth: +6 to +7%,
  - 2027 EBIT<sup>3</sup> margin to reach 16.5%.
- The acquisition is in line with Thales' disciplined capital deployment framework, with no impact on the Group existing dividend policy or ongoing share buyback programme.
- Closing of the transaction is expected by the beginning of 2024, upon completion of customary anti-trust and regulatory approvals.

<sup>1</sup> \$3.7 billion gross enterprise value minus \$0.1 billion tax benefits

<sup>2</sup> In 2024, *pro forma* of the proposed acquisitions of Imperva and Tesserent

<sup>3</sup> Non-GAAP financial indicators, see definitions in appendix.

**Patrice Caine, Chairman and Chief Executive Officer, Thales,** declared: *"The acquisition of Imperva marks a major milestone in Thales' cybersecurity strategy. With this acquisition, we are seizing a unique opportunity to accelerate our cybersecurity capabilities and are taking an important step towards our ambition to build a world-class global cybersecurity integrated player, providing a comprehensive portfolio of products and services. We have tremendous respect for Imperva's innovative application and data security offerings. Imperva and Thales share the same vision and the same DNA. We are thrilled to enter the next phase of our growth together. We look forward to welcoming Imperva to Thales to further enhance our cybersecurity solutions, and help customers address their most important digital security challenges."*

**Pam Murphy, Chief Executive Officer, Imperva,** declared: *"Today's announcement represents an exciting new chapter for Imperva, one that will further our mission to help organizations protect data and all paths to it, bring better protection and strategic value to our customers and partners, and create more opportunities for our team members. We admire Thales' vision and culture, and believe that, together, we can deliver greater product innovation and efficiency through disruptive solutions, while helping to simplify the greatest security challenges facing organizations today: protecting digital identities, applications, APIs, and data in any environment, and any industry."*

**Seth Boro, Managing Partner at Thoma Bravo,** declared: *"Imperva is a leading force in cybersecurity with an impressive track record of providing cutting edge security solutions and protecting customers through all stages of their digital transformation, from the application level down to the data level. Over the course of our more than four years of partnership, Imperva further differentiated itself in the competitive cybersecurity market through accelerated growth and innovation and with its unique approach to end-to-end application and data security. During this time, the company successfully executed three acquisitions which strengthened its product offerings and capabilities to better protect clients' critical data and applications. We are proud of what we built through our partnership with Pam Murphy and the Imperva team, and look forward to watching the company's continued success as part of Thales' innovative and diverse security portfolio."*

### **Acquisition of a significant player in application and data security**

With over half a billion dollars in revenue on a TTM (trailing twelve months) in 2022, basis and over 1,400 employees, Imperva is a cybersecurity leader that protects critical applications, APIs and data anywhere at scale. With an integrated approach combining edge, application security and data security, Imperva protects companies through all stages of their digital journey.

Headquartered in San Mateo, California, the company has a global footprint in the Americas, Asia Pacific and Europe-Middle East and Africa, and monitors threats across 180 countries. Imperva is a highly recognized, multi-awarded player in both of its core business segments. Its comprehensive portfolio combines unique expertise and products in the fast-growing application and data security markets:

- **Application security**: Imperva offers an industry-leading Web Application Firewall (WAF), which prevents attacks by analysing web traffic to applications. Imperva's Application Security portfolio includes industry-leading API Security, Advanced Bot Protection and DDoS.
- **Data security advanced offering**: Imperva's Data Security platform helps enhance the visibility of a company's data, in order to prevent breach and avoid compliance issues. It provides Data Discovery and Classification on both structured and unstructured data, Data Security Governance, Data Access Monitoring, risk analysis powered by AI, real time risk monitoring and intrusion detection on databases, on premise and in the cloud.

Imperva has a highly recurring revenue business model and a large and diversified customer base. It serves approximately 35% of Fortune 100 companies and some of the largest groups in financial services, telecommunications, energy, healthcare, retail and e-commerce.

Imperva is 9-time awarded in the Gartner Magic Quadrant for Web Application Firewalls and API Protection (WAAP) and a Gartner Peer Insights Customers' choice in 2023.

Imperva also demonstrates an attractive financial profile, with double-digit sales growth and ~20% EBIT margin forecasted by 2027, in line with Thales global cybersecurity product business.

### **Highly complementary combination**

With this acquisition, Thales will add circa \$500 million of revenue and significantly expand its data and application security offering. The combination of Thales and Imperva's operations will create a world-class global cybersecurity portfolio structured around **3 product areas**:

- 1.1 **Identity** (Thales),
- 1.2 **Data security** (Thales and Imperva)<sup>4</sup>
- 1.3 **Application security** (Imperva).

Thales and Imperva will combine their respective strengths. Increased capabilities are notably expected in the fields of protecting *data at rest* and *data in use*, complementing Thales' know-how in *data in motion*.

Imperva and Thales will also benefit from their strong complementarity and cultural fit in terms of clients and addressable markets. The combination is expected to yield significant commercial opportunities within the existing client base as well as revenue synergies in the years ahead.

Thales estimates that the combination will generate c.\$110 million of pre-tax run-rate synergies, including \$50 million of cost synergies and \$60 million linked to revenue synergies.

### **Thales' step-change in cybersecurity**

Cybersecurity represents a priority market for Thales. It is both a critical enabler for its other activities and a long-term fast-growing and technology-driven market where Thales can bring unique know-how.

As a global leader in cybersecurity, Thales is involved at every level of the cyber value chain: Identity, Protect, Detect, Respond, Recover.

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<sup>4</sup> Thales and Imperva provide different and complementary products and capabilities.

Thales' offer is focused on **three families of cybersecurity products and services**:

1. **Global security products** around the CipherTrust Data Security Platform, the SafeNet Trusted Access Identity & Access Management as a service solution, and the broader cloud protection & licensing offerings. **Imperva will be part of this business.**
2. **Sovereign protection products** including encryptors and sensors to protect governmental, and institutional critical information systems.
3. **A complete suite of cybersecurity services** around Cybels solutions portfolio, including threat and risk evaluation, training and simulation, detection and response, and integration projects.

As part of its strategy, Thales has significantly increased its focus on cybersecurity over the past years, expanding its footprint and offering in order to achieve critical mass. After the recent Group offer for *Tesseract* and the completed acquisitions of *S21sec & Excellium* and *OneWelcome*, this new acquisition, subject to regulatory approvals, takes Thales' cybersecurity business to the next level.

### **New enhanced profile for DIS**

In this growth context and subject to forthcoming social processes, Thales plans to regroup as of January 1st 2024 all its civil cyber activities (currently split between its Digital Identity & Security (DIS) and Defense & Security operating segments) within DIS. This will further strengthen DIS' position as a go-to player for civil cybersecurity products and solutions, and facilitate the capture of synergies within the full portfolio.

*Pro forma*, following the acquisitions of Imperva and Tesseract, global cybersecurity products, and services will hence represent 44% of Thales Digital Identity & Security segment sales in 2024, addressing a \$36 Bn Total Addressable Market, representing a 60% increase compared to the previous situation.

This acquisition allows the Group to set new financial targets for DIS. Over the 2024-2027 period, DIS sales are now expected to grow annually by 6-7% on an organic basis, to reach a level of sales that will be between €5.4 to €5.5 Bn<sup>5</sup> in 2027. Its EBIT margin should reach 16.5%<sup>5</sup> by the same horizon.

### **Value creative transaction for shareholders**

Given Imperva's very attractive business model, the transaction will be immediately accretive to Thales' growth and margin profile.

The acquisition price represents a 6.1x 2024 EV / revenue multiple, in line with precedent transactions and trading multiples of cybersecurity peers with similar profitable financial profile. It corresponds to an implied 17x 2024 EBIT multiple post run-rate synergies and a 13x 2027 EBIT multiple post run-rate synergies.

Following the transaction, Thales expects to maintain its solid investment grade profile, with a *pro forma* 2024 leverage ratio of ~0.7x<sup>6</sup>, in line with the Group's disciplined capital deployment strategy.

Thales confirms its attractive capital allocation policy with a target dividend pay-out ratio of 40%, in line with previous years, and the continuation of its ongoing share buy-back program.

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<sup>5</sup> Assuming 1€ = 1.1US\$

<sup>6</sup> Net debt / EBITDA leverage, *pro forma* of the proposed acquisitions of Tesseract, Cobham Aerospace Communications and Imperva.

### **Next steps**

The closing of the transaction is expected by the beginning of 2024, subject to the completion of customary anti-trust and regulatory approvals.

#### **08:30 am CET - Analyst conference call**

Thales will hold a conference call in English at **08:30 am (CET)** in order to present the transaction and answer questions from the financial community. It will be also possible to follow the conference call through a **webcast**. A digital replay will be available a few hours after the end of the conference call.

Using the following link, you will be able to register, get your personal PIN and choose the most convenient method of connection: list of dial-in numbers or a "call me" option, by entering your phone number.

<https://register.vevent.com/register/BI610974bfeebb45d69f414fb78e3beec7>

It will also be possible to **follow the conference call through a webcast** by using the following link: <https://edge.media-server.com/mmc/p/vekqnxi8>

#### **11:00 CET - Media conference**

A media conference will be held at **11:00 am (CET)**, at the **Thales Digital Factory, 54-56 Av. Hoche, 75008 Paris**, in presence of:

- **Patrice Caine**, Chairman and Chief Executive Officer at Thales, and

**Pascal Bouchiat**, Senior Executive Vice President, Finance and Information Systems at Thales.

It will also be possible to follow the media conference call through a webcast:

- In French: [Cliquez ici pour rejoindre la conférence de presse](#)
- English simultaneous translation: [Click here to join the media conference](#)

#### **About Thales**

Thales (Euronext Paris: HO) is a global leader in advanced technologies within three domains: Defense & Security, Aeronautics & Space, and Digital Identity & Security. It develops products and solutions that help make the world safer, greener and more inclusive.

The Group invests close to €4 billion a year in Research & Development, particularly in key areas such as quantum technologies, Edge computing, 6G and cybersecurity. Thales has 77,000<sup>7</sup> employees in 68 countries. In 2022, the Group generated sales of €17.6 billion.

#### **Thales in Cybersecurity**

With more than €1.5bn in sales generated in 2022 through an extensive cyber portfolio, Thales counts over 4,000 cybersecurity experts in over 20 countries, including 11 Security Operation Centers globally. It serves cybersecurity customers in more than 50 countries.

#### **About Imperva**

[Imperva](#) is a cybersecurity leader that helps organizations protect critical applications, APIs, and data, anywhere, at scale, and with the highest ROI. With an integrated approach combining edge, application security, and data security, Imperva protects companies through all stages of their digital journey. Imperva Threat Research and our global intelligence community enable Imperva to stay ahead of the threat landscape and seamlessly integrate the latest security, privacy, and compliance expertise into our solutions.

#### **About Thoma Bravo**

Thoma Bravo is one of the largest software investors in the world, with more than US\$127 billion in assets under management as of March 31, 2023. Through its private equity, growth equity and credit strategies, the firm invests in growth-oriented, innovative companies operating in the software and technology sectors. Leveraging Thoma Bravo's deep sector expertise and strategic and operational capabilities, the firm collaborates with its portfolio companies to implement operating best practices and drive growth initiatives. Over the past 20 years, the firm has acquired or invested in more than 440 companies representing over US\$250 billion in enterprise value\*. The firm has offices in Chicago, London, Miami, New York and San Francisco.

\*including control and non-control investments

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<sup>7</sup> Excluding Transport business, which is being divested

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## Appendices

### Note on methodology

“**Organic change**” measures the movement in monetary indicators excluding the effects of changes in exchange rates and scope of consolidation. It is obtained by calculating the difference between the indicator for the previous year discounted at the exchange rates applicable for the current year for entities whose reporting currency is not the euro, less the contribution of entities divested during the current year, and the value of the indicator for the current year, less the contribution of entities acquired during the current year.

### Definitions of non-GAAP financial indicators

In order to facilitate the monitoring and benchmarking of its financial and operating performance, the Group presents three key non-GAAP indicators, which exclude non-operating and/or non-recurring items. They are determined as follows:

- **EBIT**, an adjusted operating indicator, corresponds to income from operations plus the share in the net income of equity-accounted companies, before the impact of entries recorded as part of business combinations (amortization of assets valued when determining the purchase price allocation, other expenses directly related to acquisitions).
- **EBITDA**, corresponds to EBIT, plus depreciations and amortizations excluding PPA.
- **Adjusted net income** corresponds to net income, excluding the following items and net of the corresponding tax effects:
  - Amortization of assets valued when determining the purchase price allocation (business combinations);
  - Expenses recognized in income from operations or in finance costs that are directly related to business combinations;
  - Gains and losses on disposals of assets, changes in scope and other;
  - Impairment of non-current assets;
  - Changes in the fair value of derivative foreign exchange instruments (recognized under “Other financial income and expenses” in the consolidated financial statements);
  - Actuarial gains (losses) on long-term benefits (recognized under “Finance costs on pensions and other long-term employee benefits” in the consolidated financial statements).
- **Free operating cash flow** corresponds to the net cash flow from operating activities before contributions to reduce the pension deficit in the United Kingdom, and after deducting net operating investments.

Defining EBIT and adjusted net income involves defining other aggregates in the **adjusted income statement**: adjusted cost of sales, adjusted gross margin (corresponding to the difference between sales and the adjusted cost of sales), adjusted indirect costs, other adjusted financial income and expenses, adjusted financial income on pensions and long-term employee benefits, adjusted income tax, and **adjusted net income, Group share, per share (adjusted EPS)**.



**Net cash (debt)** corresponds to the difference between the sum of the “cash and cash equivalents” and “current financial assets” items and short- and long-term borrowings, after deduction of interest rate hedging derivatives. From January 1, 2019, it incorporates the lease liability recorded in the balance sheet pursuant to IFRS 16. Its calculation appears in Note 6.2 to the consolidated financial statements.

**Transaction adjusted ROCE** corresponds, for a given acquisition, to the ratio between:

- At the numerator: EBITDA of the acquisition, plus impact of phased synergies, including implementation costs; less capital expenditures; less change in net working capital; less income taxes incurred on EBIT including phased synergies and implementation costs;
- At the denominator, the net enterprise value of the acquired asset.

Please note that only the consolidated financial statements as at December 31, 2022 are audited by the statutory auditors, including EBIT, the calculation of which is outlined in Note 2 “Segment Information”, net cash (debt), the definition and calculation of which appear in Note 6.2 “Net cash (debt)”, and free operating cash flow, the definition and calculation of which are specified in Note 7 “Changes in net cash”. Adjusted financial information other than that provided in the notes to the consolidated financial statements is subject to the verification procedures applicable to all information included in this press release.