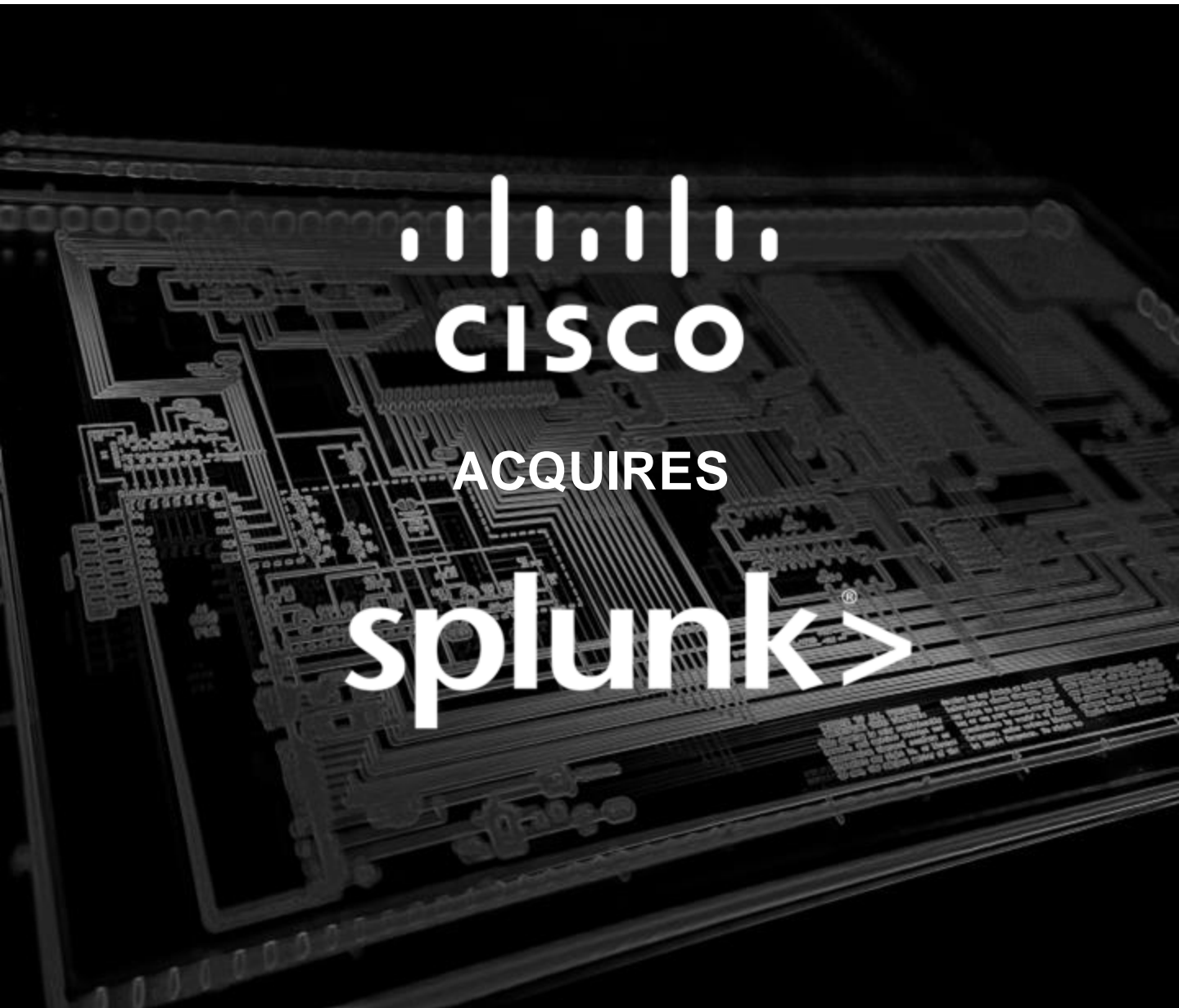


Big Data & TMT

M&A - Analysis Report

By Cascade Research



Overview

Introduction

Cisco Systems, a global leader in networking and cybersecurity solutions, completed the acquisition of Splunk, a leading data analytics and security platform, on March 18, 2023, in an all-cash transaction valued at approximately £21.32 billion (28 billion in USD). This acquisition, initially announced on September 21, 2023, represented one of the biggest deals in the technology sector that year for several reasons related to transaction value, consolidation strategy and market impact. Cisco aims to improve its strengths in the areas of cybersecurity and observability, creating a data platform powered by artificial intelligence. The long-term goal is to revolutionise the way customers use data to connect and protect every aspect of their organisations, providing a unified, real-time view of the entire digital landscape.



Acquirer: Networking Technology Multinational Company

Name: Cisco Systems, Inc.

Industry: Networking, Cybersecurity, Cloud

CEO: Chuck Robbins

FTE: 90,400

Revenue: £41.55 billion (Oct 2024 TTM)

EBITDA: £10.18 billion (Oct 2024 TTM)

Main Advisors: Barclays, Citigroup, J.P. Morgan

Target: AI and Big Data infrastructure

Name: Splunk Inc.

Industry: Cybersecurity, AI-Observability, Cloud

CEO: Gary Steele

FTE: 9,231

Revenue: £3.38 billion (Jan 2024 TTM)

EBITDA: £260.7 million (Jan 2024 TTM)

Main Advisors: Morgan Stanley, Qatalyst Partners

Introduction:

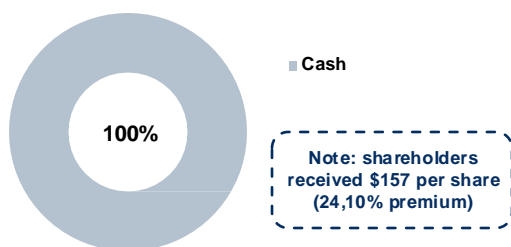
Cisco Systems, Inc. is a prominent American multinational technology corporation headquartered in San Jose, California. Founded in December 1984 by Stanford University computer scientists Leonard Bosack and Sandy Lerner, Cisco specializes in developing, manufacturing, and selling networking hardware, telecommunications equipment, and a variety of high-tech services. The company is especially known for its innovations in Internet Protocol based networking technologies, including routers and switches that form the backbone of the Internet. Over the years, Cisco has expanded its portfolio through strategic acquisitions, entering markets such as the Internet of Things, cybersecurity, and collaboration tools like Webex. Cisco's stock is a component of major indices including the Dow Jones Industrial Average and S&P 500, reflecting its significant role in the technology sector. With a focus on adapting to evolving technology landscapes, Cisco continues to be a leader in networking solutions and services globally.

Introduction:

Splunk Inc. is an American software company headquartered in San Francisco, California, that specializes in developing technology for searching, monitoring, and analysing machine-generated data. Founded in 2003 by Eric Swan, Rob Das, and Michael Baum, the company provides a powerful platform that helps organizations extract insights from complex data across IT operations, security, and business analytics. Splunk's core offerings include Splunk Enterprise and Splunk Cloud Platform, which enable businesses to collect, index, and correlate real-time data through a web-style interface, generating graphs, reports, alerts, and visualizations. The company serves various sectors including government, education, financial services, healthcare, retail, and telecommunications, with a global presence spanning the Americas, Europe, Middle East, Africa, and Asia-Pacific. The firm attracted the attention of Cisco in early 2022, with an informal takeover proposal estimated around \$20 billion. After more than a year of speculation, Cisco officially announced the acquisition of Splunk for \$28 billion.

Financing

Exhibit 1: Deal Financing Structure for the Acquisition of Splunk



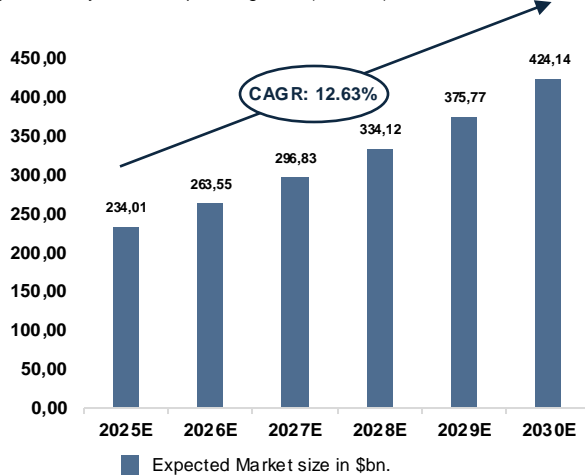
Notes 1. (based on 30-day VWAP prior to deal announcement)

Cisco is funding the \$28 billion acquisition entirely in cash, leveraging its strong balance sheet. The deal is structured as an all-cash transaction at \$157 per share, reflecting a 24,10% premium to Splunk's stock price at the time the deal was announced¹. The acquisition is expected to improve Cisco's cash flow and gross margin in the first fiscal year post-closing and be EPS accretive by FY 2026. Cisco's EPS declined from \$3.07 in FY 2023 to \$2.54 in FY 2024, and while no exact projections have been disclosed, the integration of Splunk's high-margin, subscription-based revenue model is expected to contribute to a recovery. This will depend on realized synergies and revenue expansion, reinforcing Cisco's transition toward a software-driven business.

Strategic Implications

Exhibit 2: Market size Development from 2025 to 2030:

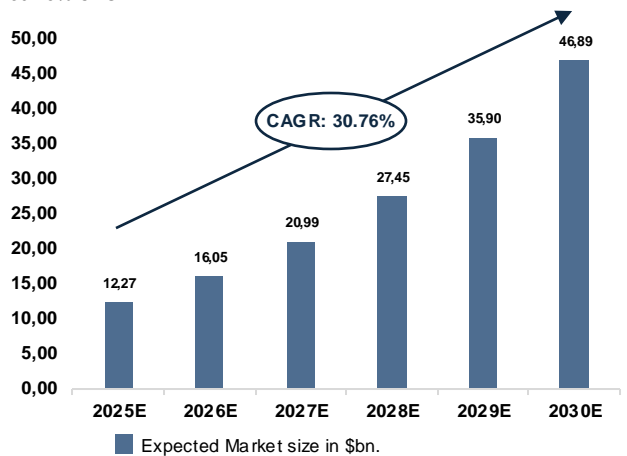
Cybersecurity market expected growth (2025-30): 12.63% CAGR



Source: Mordor Intelligence, (Jan 2025)

Exhibit 3: Market size Development from 2025 to 2030:

Application Performance Management market expected growth (2025-30): 30.76% CAGR



Source: Mordor Intelligence, (Jan 2025)

Short Term Effects

The short-term effects of Cisco's acquisition of Splunk became apparent immediately after the deal was announced. The market reacted with some caution, leading to a 4% drop in Cisco's share price. This initial reaction reflected investors' concerns about the high cost of the acquisition and the potential challenges of integrating a company of Splunk's size. However, despite this initial downturn, the short-term financial outlook remains positive. As anticipated, Cisco announced that it expects the transaction to have a positive impact on cash flow and be accretive to non-GAAP gross margin as early as fiscal year 2025. This suggests that the company expects to realise synergies and operational benefits relatively quickly.

In the immediate post-acquisition period, Cisco slightly underperformed the Nasdaq 100 Index. This trend reflects some market caution in absorbing the implications of such a significant acquisition. Investors are probably evaluating how Cisco will handle the Splunk integration and how quickly the company will be able to capitalise on the newly acquired capabilities. This settling-in phase is common in large acquisitions and does not necessarily indicate long-term problems. Chuck Robbins, CEO of Cisco, expressed great enthusiasm for the acquisition: "We are thrilled to combine the strengths of Cisco and Splunk. The combination of our expertise will drive the next generation of artificial intelligence-enabled security and observability solutions."

Long Term Effects

Cisco's acquisition of Splunk not only strengthens the company's cybersecurity capabilities but also opens up new opportunities in the Application Performance Management sector. This market, which is expected to grow at a CAGR of 30.76 % between 2025 and 2030, is one of the key areas Cisco can capitalise on, improving observability and IT infrastructure management for businesses. With the integration of Splunk, Cisco is well positioned to offer a full suite of security, data analytics and performance monitoring solutions, making it a dominant player in the enterprise software industry.

The operation enables Cisco to significantly strengthen its cybersecurity offering. The integration of Splunk's advanced data analysis and artificial intelligence capabilities with Cisco's network infrastructure creates an extremely powerful security platform. This positions Cisco as an undisputed leader in cybersecurity, a market that is expanding rapidly given the growing number of cyber threats. Another significant long-term effect is the expected increase in Cisco's recurring revenues. The acquisition of Splunk, with its subscription-based business model, perfectly aligns Cisco with the industry trend towards subscription-based services and software. This change in revenue mix promises to provide Cisco with more stable and predictable revenue streams over the long term, potentially increasing the company's valuation by investors.

Finally, this acquisition consolidates Cisco's position as one of the world's largest software companies. This strengthening of its market position not only increases its competitiveness in the technology sector but also opens up new opportunities for global expansion. For Splunk, access to Cisco's global distribution network offers the possibility to expand well beyond its traditional US market, promising significant growth on an international scale.

Risk Factors

Regulatory and Compliance Risks

Splunk's integration with Cisco's cybersecurity portfolio will require alignment with several compliance frameworks, including: NIST Cybersecurity Framework (for US federal agencies), ISO 27001 (for global information security management), SOC 2 Compliance (for enterprise cloud security). The merger must ensure that Cisco's cybersecurity policies align with Splunk's existing commitments to corporate customers, including privacy obligations, incident response protocols, and breach notification rules. In addition, given that Cisco is a dominant player in the networking and cybersecurity industry, regulators may look closely at the acquisition to assess whether it reduces competition in the cybersecurity and observability markets. Agencies such as the US Department of Justice (DOJ), the Federal Trade Commission and the European Commission could investigate whether Cisco's increased market power could lead to anti-competitive behaviour, such as bundling security solutions to limit competition.

Impact: ● ● ● ● ○

Competitive Risk and Market Sensitivity

Cisco's acquisition of Splunk significantly redefines the competitive landscape in the cybersecurity and data analysis sectors, positioning the company in direct competition with giants such as Microsoft, Google, IBM and Palo Alto Networks. This move, described by some analysts as a "poker play", could trigger a chain reaction of acquisitions in the sector, with competitors trying to close the technology gap. Customer retention is a primary concern, as current Splunk users may reconsider their loyalty to the platform due to potential changes in pricing, service models or deeper integration into the Cisco ecosystem. The acquisition also opens up global expansion opportunities for Splunk through Cisco's international distribution network but brings with it challenges in adapting to different markets regulations.

Impact: ● ● ● ○ ○

Technological Obsolescence

The risk of technological obsolescence is a key challenge for Cisco's acquisition of Splunk, particularly in the dynamic cybersecurity and data analytics sector. The rapid evolution of these technologies could render some Splunk features obsolete before Cisco can fully integrate them into its ecosystem, threatening the value of the investment. The integration of Splunk technologies, which requires significant time and resources, could be overtaken by the emergence of new, more advanced competing solutions. To mitigate these risks, Cisco will need to continually invest in research and development, adopt virtualisation strategies to extend the useful life of hardware components, and implement a process of continuous software upgrades. These efforts will be essential not only to maintain technological competitiveness, but also to ensure compliance with increasingly stringent data protection and information security regulations. The effective management of technology obsolescence will therefore be a key determinant for the long-term success of the acquisition and for Cisco's ability to maintain a leadership position in the rapidly evolving cybersecurity and data analytics market.

Impact: ● ● ● ● ●

Operational and Cultural Integration Risks

Operational and cultural integration risks represent a significant challenge in Cisco's acquisition of Splunk. This category of risks includes the potential loss of key talent, difficulties in harmonising different corporate cultures, and challenges in effectively integrating operational processes. Splunk, with its approximately 9,000 employees, brings with it a distinct corporate culture and specialised skills that could be at risk during the integration process. The possible loss of highly qualified personnel, especially in critical technical or leadership roles, could erode the value of the acquisition, undermining the ability to innovate and the continuity of service to existing customers. Furthermore, differences in working methods, management systems and business philosophies between Cisco and Splunk could create friction and operational inefficiencies if not managed properly. Aligning organisational structures, decision-making processes and working practices will require a careful and strategic approach to avoid disruptions in day-to-day operations and maintain productivity. The effective management of these operational and cultural integration risks will be crucial to realise the expected synergies and maximise the long-term value of the acquisition.

Impact: ● ● ● ○ ○

Precedent Transactions and Valuation-Multiples

Exhibit 4: Relevant Cybersecurity and Big Data industry acquisitions from 2022 to 2024

Target Company	Acquirer	Year	Implied EV-to-EBITDA Multiple	Implied EV-to-Revenue Multiple
Splunk Inc.	Cisco Systems	2024	81.78x	6.31x
Everbridge	Thoma Bravo	2024	164.73x	3.67x
VMware	Broadcom	2023	18.26x	4.66x
Mandiant	Alphabet	2022	-17.23x	9.27x
Cloud Software Gr.	Ares Mgmt, Elliot Investment Mgmt, Vista Equity Partners	2022	30.47x	5.60x
Mean	-	-	55.6x	5.98x
Median	-	-	30.47x	5.6x

Source: PitchBook Data, Inc. (Jan 2025)

The inclusion of Cisco's acquisition of Splunk in the average and median calculations provides a deeper insight into market trends and valuation comparisons. The deal **EV/EBITDA multiple** is far higher than the mean and the median of the selected industry transactions, where high valuations are becoming more common due to demand for AI-driven security and observability solutions. On the **EV/Revenue multiple** front, despite being higher than the median, Cisco's valuation is in line with industry trends, confirming the growing strategic importance of data-driven security platforms.

The following major acquisitions illustrate the trends driving this market shift, emphasizing the strategic motivations behind each transaction and their broader implications.

- Everbridge acquired by Thoma Bravo:** In 2024, private equity firm Thoma Bravo acquired Everbridge, a leading provider of crisis management and emergency response software. Everbridge's solutions are widely used by enterprises and government agencies to mitigate risks related to cyberattacks, natural disasters, and operational disruptions. The acquisition reflects the increasing demand for real-time risk management and incident response solutions in an era where businesses face growing cyber threats and regulatory scrutiny over crisis preparedness. Thoma Bravo's strategy focuses on enhancing Everbridge's market position by leveraging its expertise in scaling enterprise software companies. The exceptionally high EV/EBITDA multiple of 164.73x indicates that investors place significant value on the recurring revenue model and growth potential of Everbridge's platform, despite its current profit margins.
- VMware acquired by Broadcom:** In one of the largest technology acquisitions of 2023, Broadcom acquired VMware for \$69 billion. VMware is a dominant player in cloud computing and virtualization, offering enterprises the ability to run hybrid and multi-cloud environments efficiently. This deal represents a fundamental shift for Broadcom, historically a semiconductor company, as it pivots toward software-defined infrastructure and cloud security. By integrating VMware, Broadcom aims to build a comprehensive portfolio that extends beyond hardware into enterprise IT modernization. The EV/EBITDA multiple of 18.26x and EV/Revenue multiple of 4.66x suggest a strong but reasonable valuation, considering VMware's established market presence and significant annual revenue streams.
- Mandiant acquired by Alphabet:** In 2022, Alphabet acquired Mandiant, a globally recognized cybersecurity firm specializing in threat intelligence, digital forensics, and incident response. Mandiant has been instrumental in identifying and responding to some of the world's most sophisticated cyber threats, making it a valuable addition to Google Cloud's security portfolio. This acquisition underscores the rising importance of cyber threat detection and AI-driven defense mechanisms as companies increasingly migrate their operations to the cloud. Despite Mandiant's negative EV/EBITDA multiple (-17.23x), Google's willingness to pay a high EV/Revenue multiple of 9.27x highlights the strategic rather than financial motivation behind the deal. Google's investment reflects a long-term commitment to integrating advanced cybersecurity intelligence into its cloud offerings.
- Cloud Software Group Acquired by Ares Management, Elliot Investment Management, and Vista Equity Partners:** In 2022, Cloud Software Group, a provider of enterprise software solutions for cloud computing and digital transformation, was acquired by a consortium of private equity firms, including Ares Management, Elliot Investment Management, and Vista Equity Partners. The deal highlights the continued interest of private equity in scaling cloud-based software platforms, particularly those offering subscription-based revenue models. With an EV/EBITDA multiple of 30.47x and an EV/Revenue multiple of 5.60x, the acquisition aligns with broader trends in enterprise software, where investors seek to enhance operational efficiencies and expand market reach through targeted strategic investments. The transaction underscores the increasing importance of cloud-based digital transformation tools for businesses adapting to evolving IT infrastructure needs.

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Team Overview



Head of M&A Analysis – Adriano Principe

Adriano Principe is an MSc Finance student at UCL, holding a BSc in Economics and Management from the University of Geneva where he engaged in valuation theory and macro analysis. Fluent in French, English, and Italian, and currently learning German, Adriano thrives in multilingual environments. His previous role at Lombard Odier have provided him with solid experience in market analysis, data automation, and trade settlement. His role as VP of IFSA Geneva, allowed him to organize events with companies like Credit Suisse. With a keen interest in M&A and valuation within TMT and Healthcare, Adriano is leading the M&A Report team at Cascade Research.



M&A Analyst – Jack Rowand

Jack Rowand graduated Cum Laude with a Bachelor of Commerce (Honours) in Financial Analysis from Stellenbosch University, achieving multiple distinctions, Dean's Merit Awards, and completing his thesis on the non-financial drivers of investment in renewable energy. During his Investment Analyst Internship at Athena Capital, Jack developed expertise in financial modelling, statement analysis, and private equity investment evaluation. With a strong foundation in financial analysis and a passion for valuation, he is dedicated to making a meaningful impact in the finance industry.



M&A Analyst – Filippo Zuccari

Filippo Zuccari is currently pursuing an MSc in Finance at UCL, having earned a Bachelor's degree in Economics and Management from LUISS Guido Carli University in Rome. He gained hands-on experience as a Performance Analyst at Mediolanum Bank, where he developed yield curve simulations, conducted comparative analyses of mutual funds, and supported private market investment initiatives. As a co-founder of an educational start-up and an M&A Analyst at Cascade Research, he combines entrepreneurial drive with a passion for M&A and financial analyses.

Management



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