

On the Hunt: Kiteworks' Secure Content Strategy



Marketing team collaboration. | GaudiLab/Shutterstock

Amit Toren discusses the company's new financing, rule of 50 status and approach to M&A, plus his thoughts on U.S. tech valuations.



By Chris Nolter

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With **Kiteworks** reloading with capital this summer, expect the content sharing and security company to continue its aggressive strategy for organic and inorganic growth.

"Every year we'll buy a few companies," said Amit Toren, who heads **Kiteworks'** acquisitions and growth strategy, following the company's \$456 million equity raise from **Insight Partners** and **Sixth Street Growth** at a more-than \$1 billion valuation.

"We want the company to take the next step both organically, to invest more in new solutions and innovations like the SafeEdit, the next gen DRM [digital rights management] product that we just launched a few months ago, and to make acquisitions," he said, noting that the funding will also provide liquidity for employees.

Digital workflows and related areas have been a hotspot this year, with firms such as **Haveli Investments LP**, **Bregal Milestone LLP** and **TA Associates Inc.** backing companies in the sector.

- Valuation exceeds \$1 billion
- Exceeded the rule of 50% for two years; exceeded rule of 40% for five years prior
- Buys a few companies every year
- Looking for companies with \$5 million to \$50 million in ARR

San Mateo, Calif., company **Kiteworks** provides secure content communications via file sharing, email, web forms and other means, as well as digital rights management, with an emphasis on security, compliance and privacy. Clients include enterprises, government and highly regulated industries that prioritize security and compliance.

"We go to market with a private content network, which is a robust solution that enables organization to securely share, track, manage sensitive information and content across all communication channels," Toren said.

"We protect and provide full compliance both on policy adherence," he said. "When a regulator comes, there is a full audit to show and demonstrate that the compliance is met."

Kiteworks combines growth and profitability.

"We were over the rule of 40 for five years, and now in the rule of 50 for a couple of years, organically," he said. The rule of 40 states that a software company's growth and Ebitda margin, added together, should exceed 40.

"We were told by investors that sets us in the top 1% of the market today," he said.

While AI is a powerful tool, it can also be a threat to company data.

"Organizations don't really protect the sharing of information with the LLMs," Toren said, noting that **Kiteworks** conducted a survey in which 39% of respondents said that they have a potential leak on of sensitive data to Gen AI tools.

"Every employee basically can do whatever they want — upload, inquire, give a question to check GPT with no control, with no tracking, no compliance," he said.

"That's a major problem for our customers," he said, noting that Kietworks has a product that protects data and keeps an audit trail.

Using M&A to Fly Higher

Since 2022, **Kiteworks** has acquired five enterprise startups.

The company looks for a customer base it can sell to and integrate into its platform; for adjacent use cases and technology; for geographies that expand or strengthen the business; and for strong teams.

The company bought venture-backed DRACoon GmbH and **ownCloud GmbH**, backed by Frankfurt entrepreneur Tobias Gerlinger, in November 2023 to expand in Germany.

The September 2024 purchase of secure web form developer 123FormBuilder provided an adjacent use case. 123FormBuilder investors include Catalyst Romania

SCA Sicar and 212 Regional Fund II SCS. The January 2022 purchase of totemo email encryption gateway ticked all four boxes.

Kiteworks' sweet spot is between \$5 million and \$50 million of ARR, Toren said.

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AMIT TOREN, KITEWORKS

The company could look for opportunities in other big markets in Europe or in the U.S.

"In the U.S. the problem, to be honest, is sometimes the valuation expectation is higher than what I would like to pay," he said.

"We are not in the market where a company goes and buys a \$1 million or half-a-million-dollar new technology company for \$100 million or \$200 million," he said.

Kiteworks prefers targets that are more mature with market-tested technology. "We don't experiment on our customers," he said.

The company works with founders and professional investors alike, he said.

While VCs and PE firms have backed many emerging tech companies, legacy file sharing is a niche that still has founder-owned companies.

"I see more bootstrapped companies than in other areas because it's a stable business," Toren said. "Most of the time they can make profit on it and it's almost a lifestyle business for some of the founders."

Collaborative Transactions

Insight and Sixth Street aren't the only sponsors targeting workflows and collaboration and digital asset management.

- **Progress Software Corp.** (PRGS) bought **Cloud Software Group Inc.**'s ShareFile division for \$875 million in September 2024.
- Bregal Milestone and Haveli Investments recapped **M-Files Corp.** in August 2024.
- SER Group raised capital from TA Associates in March 2024.

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