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Wiz IPO plan could yield greater future rewards than Alphabet offer – sources

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Even though **Wiz** would be challenged in the near term to achieve a valuation in an initial public offering akin to what it would have received in a sale to **Alphabet** [NASDAQ:GOOGL], the cybersecurity startup's decision to pursue a listing points to much greater ambitions, according to multiple market participants.

Considered the premier vendor in cloud native application protection, Wiz reportedly walked away from a USD 23bn offer for the company by Alphabet this week. The valuation is nearly double what the New York-based startup achieved just a couple months earlier when it raised USD 1bn at a USD 12bn valuation.

"The need for cybersecurity is only going to increase as we move into an AI-infused cloud environment and Wiz is a well-positioned company. You can take the money today or you can keep an open mind and see what the future brings," said Scott Devitt, analyst at Wedbush Securities.

There is no reason to do a deal with Alphabet now if Wiz can command an even better valuation in the future, added Constellation Research founder and principal analyst Ray Wang.

"I can't imagine their investors being happy in this economic climate, but Wiz's founders do own sizeable equity to have a say in this process. And they are known to be gutsy," he said.

Having reached USD 500m in annualized recurring revenue in just four and a half years, Wiz is viewed as a superb candidate for an IPO, he and three sector bankers noted.

The soonest Wiz is likely to launch an IPO would be May or June of 2025, one of the bankers said.

That timeline would allow Wiz to market itself off its 2026 revenues, which the banker estimated could reach USD 1.1bn.

While it would likely be priced at a slight discount to create a market "pop" on the first day of trading, the banker said a forward revenue multiple of 15x would be fair, which would peg Wiz's market value at roughly USD 16.5bn if it were to seek an IPO at that time.

Cybersecurity valuations have increased dramatically over the last year, another banker added. Given its high growth rate, Wiz might receive a better multiple than its peers, he said.

Using annual recurring revenue multiples from cybersecurity firms like **CrowdStrike** [NASDAQ:CRWD], **Cyberark** [NASDAQ:CYBR], **Palo Alto Networks** [NASDAQ:PANW] and **Zscaler** [NASDAQ:ZS], this news service analyzed how Wiz might be valued as a public company. The average forward-looking ARR divided by the market cap of those four comparable companies would be a multiple of around 20.8x, according to 24 July data compiled by *Mergermarket's* sister company *Fidessa* and provided by *FactSet*.

Using the first banker's USD 1.1bn 2026 revenue estimate, that would value Wiz at USD 23.1bn, or approximately the same valuation that Wiz reportedly rejected from Alphabet earlier this week.

A 15x multiple would therefore be just under a 30% discount to the market average, a generous IPO discount to encourage investor participation.

After that Wiz's valuation upside is potentially unlimited.

Examples of public listings leading to greater rewards than an attractive private offer are numerous, but most recently there is an example with the listing of UK chip maker **Arm** [NASDAQ:ARM] in 2023.

While a different sector, it could prove an interesting example for Wiz.

Arm could have been bought by **Nvidia** [NASDAQ:NVDA] for USD 66bn in 2022, but regulatory concerns caused the latter to pull out of the deal. It listed at USD 54.5bn in 2023. It's now worth over USD 150bn after a pop in its share price.

Prepping to go public

In preparation for a public market debut, Wiz poached Zscaler's COO Dali Rajic in February to serve in the same role. Rajic has been credited with scaling Zscaler's ARR to USD 2bn and he has been tasked with helping lead Wiz's next phase of growth.

Citing his appointment, "Wiz will likely reach a billion dollars in revenue and go public in no time, given their growth," said Keith Skirbe, managing director at Houlihan Lokey.

While the company has a VP of finance in place, it does not have a CFO, the first banker said. Appointing a CFO with public market experience would signal an IPO is getting closer, he added.

What exactly led to Wiz turning down Alphabet's offer remains a mystery for now.

Messages left for Wiz and Alphabet seeking comment about the failed deal were not returned.

Louis Lehot, a partner at Foley & Lardner, said he believes CEO Assaf Rappaport is mission driven, and views an IPO as the ultimate marker of success, one that cements legitimacy with customers.

"This is fantastic for its IPO story. Their name is out there, along with this valuation they rejected as being too low," Lehot said. "If I'm an IPO banker for Wiz, I'm licking my chops right now."

Violetta Kokolus, partner at law firm Clifford Chance, believes a long, painful regulatory review worried both Alphabet and Wiz.

"The biggest concern for regulators these days is consumer protection – algorithmic discrimination, competition, privacy and cybersecurity," Kokolus said.

Otherwise, she believes the proposed deal was a safer bet for Wiz than pursuing an IPO. "They will still have a successful IPO as this is an attractive space with lots of interest and activity," she said.

Wiz has a history of being linked to acquisitions that never went through, an industry consultant noted.

A few months ago, it was reportedly in advanced discussions to buy competitor Lacework for pennies on the dollar. It backed off the deal, and **Fortinet** [NASDAQ:FTNT] acquired

Lacework at a steep discount instead.

Last year, Wiz said it was considering buying **SentinelOne** [NYSE:S], which the publicly traded target downplayed. A deal did not happen, but "Wiz got its name in the news," he said.

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