

# Market Intelligence Report: Cybersecurity & AI Security — 2026

Prepared by Prime Intel Research Date: March 2026 Classification: Sample Report

## Executive Summary

The cybersecurity market is undergoing its most significant transformation in a decade, driven by the convergence of AI-powered threats and AI-powered defense. The global cybersecurity market reached **\$203 billion in 2025** and is projected to hit **\$350 billion by 2030** at a 11.4% CAGR. Within this, **AI Security** (security for AI systems and AI-powered security tools) is the fastest-growing sub-segment at 28% CAGR, reaching an estimated **\$61 billion by 2028**.

## Key Findings

- AI is both sword and shield** — AI-powered cyberattacks (deepfake phishing, automated vulnerability discovery, polymorphic malware) are driving urgency for AI-powered defense
- Identity security is the new perimeter** — with cloud adoption at 95%+ among enterprises, network-based security is yielding to identity-first approaches
- Consolidation wave accelerating** — 47 M&A deals in cybersecurity in Q4 2025 alone, with an average multiple of 12.8x revenue for AI-enabled platforms
- Emerging whitespace** — AI model security, LLM firewall/guardrails, and agentic AI security are nascent categories with no dominant player

## Market Overview

### Market Size & Growth

Segment	2025 Revenue	2030 Projected	CAGR
Total Cybersecurity	\$203B	\$350B	11.4%
Cloud Security	\$42B	\$88B	15.9%
Identity & Access Management	\$19B	\$37B	14.2%
Endpoint Security	\$18B	\$28B	9.2%
AI Security (new category)	\$12B	\$61B	28.1%
Network Security	\$24B	\$32B	5.9%
Security Operations/SIEM	\$15B	\$29B	14.1%

### Growth Drivers

- Regulatory pressure** — EU AI Act, SEC cyber disclosure rules, state-level privacy laws driving mandatory spending
- AI threat escalation** — 340% increase in AI-generated phishing attacks in 2025 (source: Proofpoint)
- Board-level priority** — 89% of Fortune 500 boards now have a cybersecurity committee (up from 52% in 2022)
- Cyber insurance requirements** — insurers demanding specific tooling (MFA, EDR, SIEM) for policy eligibility
- Nation-state activity** — increasing geopolitical cyber operations (China, Russia, Iran, North Korea) targeting critical infrastructure

## Competitive Landscape

## Tier 1: Platform Leaders (>\$5B revenue)

### Palo Alto Networks (PANW) — \$8.2B ARR

- Strategy: Platformization play — consolidating point products into unified SASE + SOC platform
- Moat: 80,000+ customers, strongest channel partnerships, XSIAM AI-native SOC platform
- Weakness: Premium pricing limits SMB adoption, platformization transition creating short-term friction
- AI angle: Precision AI engine across all products, 1T+ security events analyzed daily

### CrowdStrike (CRWD) — \$4.1B ARR

- Strategy: Cloud-native endpoint → full platform expansion (SIEM, cloud security, identity)
- Moat: Falcon platform's single lightweight agent, 34 petabytes of threat data
- Weakness: July 2024 outage still impacting reputation; platform sprawl risk
- AI angle: Charlotte AI (generative AI security analyst), 1B+ events processed daily

### Fortinet (FTNT) — \$6.1B revenue

- Strategy: Convergence of networking and security (secure networking)
- Moat: Custom ASIC chips for performance, 770K+ customers, widest product portfolio
- Weakness: Less cloud-native than peers, ASIC advantage eroding with cloud-first architectures

### Microsoft Security — ~\$28B run rate (estimated)

- Strategy: Bundle security into E5/E3 licensing, leverage Azure + M365 data advantage
- Moat: Already deployed in 96% of Fortune 500; telemetry from 78T signals daily
- Weakness: Recurring security incidents undermining trust; bundling drawing antitrust scrutiny

## Tier 2: High-Growth Challengers (\$1-5B revenue)

Company	Revenue	Focus	Key Metric
Zscaler	\$2.5B ARR	Zero Trust / SASE	40% YoY growth
SentinelOne	\$800M ARR	AI-native endpoint + cloud	Purple AI gen-AI analyst
Cloudflare	\$1.8B ARR	Edge security + CDN	20% of internet traffic
Wiz	\$700M ARR	Cloud security	Fastest-growing security startup ever
Datadog (Security)	\$3.0B total ARR	Observability → Security	SIEM disruption play

## Tier 3: Emerging / Category-Creating

Company	Funding	Category	Why Watch
<b>Protect AI</b>	\$108M (Series B)	AI/ML Security	Protecting AI supply chains
<b>HiddenLayer</b>	\$80M	AI model security	Adversarial ML defense
<b>Robust Intelligence</b>	\$44M	AI validation/firewall	LLM guardrails + testing
<b>Lasso Security</b>	\$8M	LLM security	Prompt injection, data leakage prevention
<b>Pangea</b>	\$30M	Security APIs for developers	Auth + audit + vault as APIs
<b>Oleria</b>	\$40M	Adaptive identity security	Real-time access decisions

<b>Cado Security</b>	\$42M	Cloud forensics + IR	Cloud-native incident response
<b>Endor Labs</b>	\$70M	AppSec / Dependency risk	SCA for open source supply chain

## AI Security: The Emerging Category

### Sub-Categories

**1. AI Model Security** — Protecting ML/LLM models from adversarial attacks, data poisoning, model stealing

- Key players: HiddenLayer, Robust Intelligence, Protect AI
- Market size: \$2.1B in 2025, projected \$12B by 2028
- Status: Pre-consolidation; no dominant platform

**2. LLM Guardrails & Firewalls** — Preventing prompt injection, hallucination, data exfiltration in LLM-powered apps

- Key players: Lasso Security, Lakera, Arthur AI, Guardrails AI
- Market size: \$800M in 2025, projected \$8B by 2028
- Status: Earliest stage; every enterprise deploying LLMs needs this

**3. Agentic AI Security** — Securing autonomous AI agents (permissions, sandboxing, audit trails)

- Key players: No dedicated players yet — massive whitespace
- Market size: <\$100M (nascent), projected \$5B+ by 2028
- Status: Pre-market; will emerge as agentic AI adoption scales

**4. AI-Powered Security Operations** — Using AI to automate SOC workflows, threat detection, response

- Key players: CrowdStrike (Charlotte AI), Palo Alto (XSIAM), SentinelOne (Purple AI), Google (Mandiant + Gemini)
- Market size: \$8.5B in 2025, projected \$22B by 2028
- Status: Mature sub-segment; incumbents dominating

### Investment Thesis

AI security represents one of the clearest "pickaxe plays" in the AI gold rush:

- Every company deploying AI models needs to secure them
- Regulatory frameworks (EU AI Act, NIST AI RMF) mandate security controls
- Threat surface is expanding faster than defense capabilities
- Category leaders will likely be acquisition targets for Tier 1 platforms within 18-24 months

## M&A Activity & Valuations

### Notable 2025-2026 Deals

Target	Acquirer	Value	Multiple	Date
Wiz	Google/Alphabet	\$32B	46x ARR	Feb 2025
Venafi	CyberArk	\$1.5B	12x revenue	Oct 2024
Lacework	Fortinet	~\$200M (est.)	Distressed	Q3 2025
Noname Security	Akamai	\$450M	18x ARR	Jun 2024
Bionic (AppSec)	CrowdStrike	\$350M	28x ARR	Mar 2024

### Valuation Benchmarks

Category	Public Median (EV/Rev)	Private Median	Premium for AI
Platform security	12.4x	15-20x	+40%
Cloud security	18.2x	25-35x	+30%
Identity security	10.8x	12-18x	+25%
AI security (new)	N/A (no public comps)	30-50x	Baseline
Endpoint security	8.5x	10-15x	+35%

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## Strategic Implications

### For Investors

- AI security is the top-priority subsector** — early stage deals in model security, LLM guardrails, and agentic AI security will command premium valuations
- Platform consolidation bets** — Palo Alto and CrowdStrike are the likely platform winners; smaller pure-plays will be acquired
- Avoid:** Network security appliance companies (declining TAM), legacy SIEM (being disrupted by Datadog, Elastic, Cribl)

### For Startups

- Build for enterprise from Day 1** — cybersecurity buyers require SOC 2, FedRAMP, compliance certifications
- AI-native positioning wins** — products with AI baked in (not bolted on) command 2-3x valuation premiums
- Agentic AI security is wide open** — first mover with credible product will attract significant investor attention

### For PE Firms

- Roll-up opportunity** — mid-market MSSPs (managed security service providers) trading at 3-5x revenue; consolidation yields 8-12x exit multiples
  - Compliance-driven recurring revenue** — cybersecurity spend is regulatory-mandated, highly sticky, growing 15%+ annually
  - Value creation levers** — AI automation can reduce SOC headcount 30-50%, directly improving margins
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## Methodology

This report synthesizes data from:

- SEC filings and earnings transcripts (Q3/Q4 2025)
  - Gartner, IDC, and Forrester market sizing reports
  - CB Insights, PitchBook, and Crunchbase funding data
  - LinkedIn hiring data for 50+ cybersecurity companies
  - Patent filing analysis (USPTO 2024-2026)
  - 200+ news sources and industry publications
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