



Multibagger Portfolio: Varonis Systems

ISIN: US9222801022

The software company Varonis was founded in 2005 with the aim of solving various security problems in companies. The objective is to protect sensitive company data such as customer, patient or employee shares, strategy or product plans, emails, etc. both on-premises and in the cloud (i.e., on external servers). The approach is therefore different from many other traditional companies in cybersecurity. With more than 1,800 employees, twelve locations worldwide, and over 7,000 customers, Varonis is an international pioneer in data security and can leverage this to expand its market position. There are different estimates, but the worldwide IT security market probably amounts to around USD 120 billion. The industry expects an increase to USD 210 billion by 2026. Thanks to its good products, Varonis is expected to take a profitable slice of the pie and grow stronger than the market.

In general, we consider the cybersecurity industry to be one of the most interesting and recession-proof ones. Digitization and the trend towards storing data in the cloud are growth drivers because the threat of "ordinary" internet crime is also increasing. Varonis operates a security software platform that enables companies to track, visualize, analyze, and protect unstructured data. Thirty-five different product licenses are sold in six different product categories.

The stated goal is a revenue of one billion dollars by 2026, which would correspond to a growth of more than 20 percent per year. Varonis is currently valued at about 2.5 billion US dollars. Compared to other positions in our multibagger portfolio, the growth expectations may even seem modest, but cybersecurity is, not surprisingly, also an industry with numerous competitors and providers. By 2026, we expect at least a tripling of the stock price. Our biggest "concern" is that Varonis will be acquired by a much larger competitor along the way. While this would not be bad for us as shareholders, it is not the preferred scenario, as there is even more potential for the company alone.