

Israeli start-up Cyota sold to RSA Security for \$145m

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Cyota, which has raised \$30 million, develops security solutions against online identity theft.

Months ago, when "Globes" asked Cyota founder and CEO Naftali Bennett at what price he would be willing to sell the company, he replied, "I have no figure." "Globes" rated Cyota as one of Israel's ten most promising start-ups.

Today, Bennett has provided a precise figure for which he would be willing to sell the company: \$145 million, including \$136 million in cash. RSA Security (Nasdaq:RSAS), a developer of verification solutions for banks, today acquired Cyota, a developer of security solutions against identity theft.

"We had received offers, but didn't enter into negotiations," Bennett told "Globes". "If I were to sell the company, I'd first look at who I'd want to work with, rather than the price."

It nevertheless appears that Bennett and Cyota's investors definitely looked at the price, and accepted five times the amount invested in the company.

Cyota raised \$30 million in four financing rounds since it was founded in 1999. Its investors include Giza Venture Capital, Israel Seed Partners, Poalim Ventures, Dresdner Kleinwort Wasserstein, JAFCO Investment (Asia Pacific) Ltd., and RRE Ventures.

On the eve of its sale, Cyota is on the verge of breaking even on its bottom line, with \$15 million in sales a year. It has 100% annual growth in sales, mostly because banks and other financial institutions are trying to cope with the problem of identity theft, which causes tens of billions of dollars in damage a year.

Cyota sells to most large banks in the US, Canada, the UK, and Japan, and is now entering the Spanish market. Its customers also include many credit card companies. Cyota does not sell software licenses in the conventional sense, but long-term service in three-five year contracts at a fixed annual fee, plus a fixed fee for each transaction it handles.

Cyota is RSA Security's first acquisition in Israel. RSA Security is best known in Israel as a competitor of Aladdin Knowledge Systems Ltd. (Nasdaq: ALDN; TASE: ALDN). RSA Security is considered a leader in the developing field of digital protection, where Aladdin also operates. RSA Security became a customer of Aladdin, when it signed a cooperation

agreement to license Aladdin's e-Token technology. E-Token is a miniature UBS-based key that provides remote verification of a user's identity.

RSA Security has a market cap of \$936 million. It posted a profit of \$15 million on \$76.2 million in revenue for the third quarter of 2005, and had \$202 million in cash and cash equivalents at the end of the quarter.