

DALALBYTES RESEARCH

SentinelOne

The Cheapest Platform Standing

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The cheapest credible platform in endpoint security, priced as a show-me stock while the proof accumulates: \$1.2B of ARR, a first year of operating profit, an AI security business tripling, and a founder, a new executive team, and a 30% stock-comp bill to audit.

Reference: \$21.58 close, October 16, 2026 · Market cap ~\$7.51B · FY2029 targets \$18 / \$34 / \$52

62/100 · Selective Positive

SentinelOne is the cheapest credible platform in endpoint security, and for once the cheapness is not a trap. At \$21.58 the stock trades at roughly 6.1x next-twelve-month sales against CrowdStrike near 32x forward sales, while the business has crossed three thresholds the market has not fully priced: \$1B of revenue (fiscal 2026), a first full year of positive non-GAAP operating profit (3% in fiscal 2026, 10% in Q2 fiscal 2027), and a mix where more than half of ARR comes from outside the endpoint. The AI option is already monetizing: Purple AI attach passed 50% of licenses sold, AI security ARR tripled year over year, and management is steering it toward a \$100M category.

The debits are concrete. Growth has decelerated for five straight years (120% to 22% to a guided 20-21%) while CrowdStrike's net new ARR re-accelerated to +51% in the quarter SentinelOne's grew 4%. Stock comp consumes ~30% of revenue and dilutes ~5% a year, GAAP operating margin is -31%, the company skipped the 2025 MITRE evaluation it used to headline, Microsoft's bundle now extends into agent security, and the executive suite has turned over almost completely in eight months, including two CFO changes and a product chief departure this week. The founder pledges a growing block of his shares, and insiders sell and do not buy.

The position case is valuation plus inflection, earned quarter by quarter: two straight fiscal 2027 guide raises, record RPO of \$1.7B (+45%), and a balance sheet that after this week's \$1.5B zero-coupon convertible and \$150M concurrent buyback holds roughly \$1.9B of pro forma cash with nothing due until 2031. Documented strategic interest (reported, then denied, Palo Alto talks in July 2025 at \$7-10B) gives the downside a partial floor the multiple does not reflect.

\$21.58

Reference price

62/100

Selective Positive

\$18/\$34/\$52

FY29 bear/base/bull

Metric	Value	Metric	Value
Market cap	~\$7.51B (348.0M shares)	Cash + investments	\$813M (Jul 31, 2026)
ARR (Q2 FY27)	\$1,218M (+22%)	Pro forma cash	~\$1.9B (post-Oct 2026 converts)
Revenue FY2026	\$1,001.3M (+22%)	Debt	\$1.5B 0% converts due 2031
Non-GAAP op margin	+3% FY26; +10% Q2 FY27	Short interest	5.7% of float
52-week range	\$11.81 - \$26.50	Consensus	Mod. Buy, avg target ~\$24

Priced as a show-me stock while the proof accumulates: the cheapest platform in the Leaders' quadrant, with the AI security option already in revenue.

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1 THE BUSINESS

Singularity is a single-agent, single-console platform across five families. Endpoint/XDR (the original agent for every OS and workload, with one-click ransomware rollback); Cloud Security (a full CNAPP built substantially on PingSafe, 2024); Identity (ITDR from Attivo, 2022, \$616.5M); Data and AI SIEM (the Scalyr data lake plus Observo's telemetry pipeline, 2025); AI security (Purple AI and Prompt Security). Services (Wayfinder MDR, launched November 2025 with Google Cloud) passed \$100M of ARR by Q4 fiscal 2026. List pricing runs \$69.99 (Core) to \$229.99 (Commercial) per endpoint per year; Flex consumption licensing passed 10% of ARR in its first year. Revenue is 61% US, 39% international. FedRAMP High authorization covers endpoint, Purple AI, CNAPP, and Hyperautomation.

The story in one arc: founded 2013 in Israel by Tomer Weingarten and Almog Cohen; IPO June 30, 2021 at \$35 (~\$9B value), topping at \$78.53 that November; the June 2023 ARR methodology change (-\$27M of ARR) and guidance cut drove the stock down ~35-38% in a day to a \$12.43 bottom; calendar 2025 fell ~34% despite crossing \$1B of ARR; the operating rebuild since shows in margins (-49% to +3% non-GAAP) and in a stock that doubled from \$11.81 (April 2026) to \$26.50 before this month's pullback.

2 TECHNOLOGY, AT DEPTH

The architectural bet is that detection must live on the device: a static AI engine judges files pre-execution and a behavioral engine judges activity in real time, so protection works fully offline. Storyline correlates an agent's telemetry into one attack narrative; STAR automates responses from it; patented rollback restores files to pre-attack state. IDC describes an on-device engine trained on a decade of telemetry with a cloud-hybrid behavioral layer. The layers around the agent are acquisition-assembled but coherent: PingSafe's agentless posture and Verified Exploit Paths, Attivo's identity and deception, Scalyr's no-index lake (hot storage, streaming detection, seven years searchable) under the AI SIEM, Observo cutting telemetry cost pre-ingestion, and Hyperautomation as the response layer now wired to Purple AI.

Validation is good but no longer spotless. MITRE Enterprise 2024: 100% detection, zero delays (vendor-reported). MITRE 2025: not participated (Microsoft and Palo Alto also withdrew), while CrowdStrike claimed a clean sweep; SentinelOne is also absent from AV-Comparatives' 2025 EPR certified list. Offsetting: Gartner EPP Leader for the sixth straight year (May 2026), IDC MarketScape Leader in XDR and modern endpoint, AI SIEM named SIEM Solution of the Year (October 2026). The May 29, 2025 console outage (an infrastructure migration flaw deleted network routes and DNS rules; console down ~8 hours, full restoration ~20; agents protected locally throughout; no status page existed at the time) and patched local-admin agent bypass research (2025-2026) are recorded in the full text as maturity items to monitor, not thesis breaks.

3 RELEVANCE IN THE AI ERA

AI as the copilot. Purple AI (GA April 2024) now runs agentic auto-investigations (GA ~June 2026) and governed closed-loop response (August 2026), with an open-source MCP Server connecting arbitrary LLM frameworks to platform context. Attach: ~30% of licenses (Q2 FY26) to ~40% (Q3) to above 50% (Q4). **Security for AI.** Prompt Security (closed September 5, 2025; filing consideration ~\$159.3M total fair value) governs GenAI and agentic AI at runtime: shadow-AI discovery across 15,000+ services, prompt-injection blocking, data-leak prevention, and MCP agent governance (beta); its ARR more than doubled sequentially in Q4 fiscal 2026, with a ~100,000-license Fortune 100 deployment. AI-SPM discovers shadow AI pipelines across the hyperscalers' AI services; the August 2026 AWS expansion targets unified governance over Bedrock and AgentCore by re:Invent 2026; SentinelOne backs NVIDIA's Open Agent Safety Platform (September 2026). **The caveats:** AI security ARR triples off a small base; CrowdStrike bought Pangea and Onum into the same lanes; Microsoft's Agent 365, bundled in the \$99 E7 tier, threatens to make agent governance a checkbox.

4 FINANCIALS

\$M unless noted	FY2023	FY2024	FY2025	FY2026
Revenue	\$422.2M	\$621.2M	\$821.5M	\$1,001.3M
Revenue growth	+106%	+47%	+32%	+22%
ARR, year end	\$522M	\$724.4M	\$920.1M	\$1,119.1M
GAAP gross margin	66%	71%	74%	74%
Non-GAAP gross margin	72%	77%	79%	79%
Non-GAAP operating margin	-49%	-19%	-3%	+3%
GAAP operating margin	-95%	-61%	-40%	-32%
Operating cash flow	-\$193.3M	-\$68.4M	+\$33.7M	+\$76.6M
Stock comp	\$164.5M	\$216.9M	\$267.5M	\$297.6M
SBC as % of revenue	39%	35%	33%	30%
Customers over \$100K ARR	~873	1,133	1,411	1,667

Fiscal 2026's GAAP net loss (-\$450.7M) includes a \$171.0M tax provision tied to an Israeli Tax Authority agreement; pre-tax loss was -\$279.7M. Company-defined FCF margin reached +5% in fiscal 2026 (from +1%). NRR was last precisely disclosed at ~115% (Q4 fiscal 2024); management now offers only stable

gross-retention commentary, an opacity debit as net new ARR growth flattened. Fiscal 2027: Q1 revenue \$276.7M (+21%), net new ARR \$44M (+55%, a Q1 record), adjusted FCF margin 22%, and an 8% workforce reduction (~\$45M annualized savings target). Q2 revenue \$292.0M (+21%, above the guide), ARR \$1,218M (+22%), net new ARR \$56M (+4%, a Q2 record), RPO \$1.7B (+45%), non-GAAP operating margin +10% (record), non-GAAP EPS +\$0.08, but quarterly OCF -\$6.6M and SBC of \$92.1M. Guidance was raised at Q2 (revenue \$1.202-1.207B, operating income \$124-128M) while EPS guidance was cut to \$0.30-0.32 on a higher share-count assumption (352M to 361M): the SBC machine in the per-share line.

Balance sheet (the week's event). Pre-deal: \$813M of cash and investments, no debt (July 31, 2026). On October 13, 2026 SentinelOne priced \$1.25B of 0% convertible notes due October 2031 at a ~\$31.21 conversion price; the \$250M greenshoe was exercised in full at the October 16 close, taking principal to \$1.5B and net proceeds to ~\$1.41B, with capped calls (~\$131.6-151.4M, sources conflict) and a concurrent ~\$150M repurchase of ~6.2M shares at \$24.01. Pro forma cash is roughly \$1.9B against zero-coupon debt due 2031: no cash interest, no maturity for five years, and acquisition dry powder. A first \$200M buyback authorization dates to May 2025 (about \$102M used by December 2025 per company disclosure). Weighted share count grew ~6.0% (FY25) and ~4.9% (FY26).

5 COMPETITION

Company	Scale	Growth	Multiple	Read
CrowdStrike	ARR \$5.84B	+26% rev; NNA +51%	~32x fwd sales	4.8x the ARR; Flex ARR \$2.29B (+101%)
Microsoft	Security rev. ~\$37B (est.)	Bundle-driven	n/a	Defender in E5; E7 adds Agent 365
Palo Alto Networks	FY26 rev. \$11.48B; NGS ARR \$9.10B	+24.5%; NGS +63%	~26x trailing	XSIAM >\$700M ARR; CyberArk closed
SentinelOne	ARR \$1.218B	+21-22%	~6.1x NTM sales	Cheapest of the six EPP Leaders

Structure is the headwind: the same six Leaders have held Gartner's endpoint quadrant since 2023; CrowdStrike and Microsoft hold an estimated ~40% of endpoint spend; SentinelOne's share is roughly 3-6% by measure. It wins heterogeneous estates, air-gapped and federal deployments, and single-agent simplicity; it loses where E5 is sunk cost. Its levers: a 77-79% gross margin that funds discounting, the MSSP channel, Google Cloud delivery (May 2026), and Lenovo ThinkShield distribution, which now carries Prompt Security in APAC. Consolidation raises the bar annually (Google-Wiz closed March 2026 at \$32B; Palo Alto-CyberArk ~\$25B; CrowdStrike's Onum, Pangea, SGNL, and Seraphic deals each land in a SentinelOne lane). The realistic frame: the only independent pure-play platform at scale in the quadrant, which is both the differentiation and the takeout thesis. The July 2024 CrowdStrike outage produced incremental displacement (record competitive wins per the company; the Cloudflare platform switch is the named proof), not a share step-change.

6 STRENGTHS AND WEAKNESSES

Strengths: the platform transition is measured, not narrated (non-endpoint ARR above 50%; 3+ solution adoption 39% to 65% in a year; three product lines over \$100M ARR; RPO +45%); real technology (on-device behavioral AI, Storyline, rollback, FedRAMP High, six straight Gartner Leader years); the margin trajectory (-49% to +3% to +10% quarterly); a fortress funding position after the converts; AI security first-mover assets with Fortune-scale wins and attach above 50%.

Weaknesses: five years of deceleration against a re-accelerating leader (Q2 net new ARR +4% vs CrowdStrike +51%); the SBC tax (~30% of revenue, ~5% annual dilution, and the cause of the EPS guide cut); sub-scale share (roughly 3-6%) in a bundling market; validation gaps (MITRE 2025 skipped, AV-Comparatives 2025 list missed, NRR opacity); execution scars (May 2025 outage, June 2023 ARR event, GAAP margins still -31 to -32%); and near-total executive turnover in eight months, with delivery resting on a new team.

7 MANAGEMENT AND GOVERNANCE

Tomer Weingarten, co-founder, CEO since 2013, chairman since 2021, is the strategy, and he is publicly committed to independence (September 2023, after the Wiz episode). The delivery audit is mixed: the June 2023 event cost ~35-38% in a day; since then revenue and operating guidance have been met or raised consistently (fiscal 2026 landed exactly on its final guide), with the fiscal 2027 EPS cut (share count, FX) the remaining sloppiness, located precisely in dilution. The bench turned over hard: CFO Bernhardt out September 2024; successor Larson (ex-Workday) resigned December 2025 (~15 months, costing the stock 14.4% in a day); Padgett bridged and became President and COO; Sonalee Parekh (Asana, RingCentral) took the seat March 2026; CRO Cremen arrived June 2025; product chief Ric Smith departed October 2026, succeeded by director Ana Pinczuk. Weingarten told CRN almost the entire executive team changed within six to eight months. Each hire is credible; the team is unproven together.

Governance flags

Dual class: Class B carries 20 votes; Weingarten holds ~29.2% of votes (~30.0% with co-founder Cohen's proxied shares); Class B sunsets by June 29, 2028 at the latest. Weingarten has pledged 3,421,153 Class B shares as collateral for personal indebtedness, up from 921,153 in the 2025 proxy, a practice that can force selling into weakness. Insiders are sell-only in practice (aggregate net sales ~2.5M shares vs ~40,000 bought over 18 months, single-source compilation; Weingarten's sales are 10b5-1 or sell-to-cover). Long-time backer Insight Partners fully exited in late 2025. None of this is disqualifying; all of it caps the leadership grade.

8 VALUATION AND SCENARIOS

At \$21.58 (market cap \$7.51B), SentinelOne trades at ~7.4x trailing and ~6.1x next-twelve-month sales, the cheapest of the Leaders (CrowdStrike ~32x forward, Palo Alto ~26x trailing, Cloudflare ~41x, Fortinet ~18x, Rubrik ~22x), and far below its own history (79.6x in 2021, 5.1x in 2025). Consensus: Moderate Buy (17 Buy,

13 Hold, 1 Sell), average target ~\$24; October actions skew positive (Baird \$28, Needham \$31, TD Cowen \$29, Wedbush \$25 initiation), bears anchor on deceleration (Goldman \$17.50, Piper \$20). Analysts model ~18% revenue CAGR to fiscal 2029. Takeout optionality is documented and must be held loosely: a 2023 sale exploration was reported (Reuters) and denied; July 2025 reports of advanced Palo Alto talks at \$7-10B were followed by Palo Alto's CEO publicly denying SentinelOne was a target.

FY2029 scenario	Revenue	Non-GAAP op margin	Exit EV/Sales	Price
Bear	\$1.55B (~9% CAGR)	9%	4.5x	\$18
Base	\$1.71B (~18-20% CAGR)	15%	7.5x	\$34
Bull	\$1.94B (re-accelerating)	19%	10.0x	\$52

Base case: the consensus growth path, margin to ~15% as AI SIEM and AI security scale, and a re-rating only to 7.5x, still a discount to every peer. Bear: bundling and platform pull decay growth below 10%; net cash (~\$0.3B by fiscal 2029 in the build) and a plausible strategic bid underpin the price. Bull: AI security becomes a second engine, growth re-accelerates into the high 20s, and the market pays a platform multiple again; a precedent-multiple takeout lands in the same zip code (a low-authority screening memo put such values near \$27-41 from a February 2026 base).

9 TECHNICALS AND RISKS

The stock doubled off its April 10, 2026 low (\$11.81) to \$26.50 intraday in October, then pulled back to \$21.58 (October 16: -7.66% on 17.7M shares vs a ~10.7M average). It sits ~4% below its 50-day (~\$22.5) and 17-26% above its 200-day (~\$17.2-18.4 by vendor): intermediate trend intact, short-term trend broken, with the convert overhang and sector de-rating explaining most of the damage. YTD +43.9%, 1-year +29.4%, still ~72% below the 2021 high. Short interest is light (5.7% of float). Volatility is structural: 31 moves over 5% in a year. Next earnings: Q3 fiscal 2027, early December 2026 (December 2-3 cluster, unconfirmed), against guidance of \$309-311M revenue and \$0.08-0.09 non-GAAP EPS.

Risks: Microsoft bundling compounding into agent security; CrowdStrike's platform economics pulling the enterprise tier; growth decelerating through the teens and stranding the stock between holder bases; SBC and dilution capping per-share compounding; a new executive team executing a show-me story; agent-quality or availability incidents in a category where trust is the product; and the founder's pledged-share overhang.

Watch: Q3 net new ARR re-acceleration from +4%; AI security ARR toward the \$100M category; the AWS AI-governance GA at re:Invent; MITRE participation decisions; SBC trending below ~27% of revenue; the first insider open-market purchase, a signal this team has not yet sent.

Bottom line

A de-rated platform at the moment its platform story becomes measurable, with an AI security option in revenue and a balance sheet rebuilt for offense. The verdict is Selective Positive because the proof still has to outrun the deceleration, the dilution, and a brand-new executive team. The next two quarters grade the thesis.

Sources and method: company filings and releases (FY2026 10-K; Q1 and Q2 FY2027 releases; October 2026 convertible 8-K and offering release; 2026 proxy), Gartner 2026 EPP Magic Quadrant coverage, IDC MarketScape, Reuters, Calcalist, CRN, MarketBeat, Finnhub (October 16, 2026), StockStory, and company product and RCA publications. Fiscal years end January 31. Conflicts carried: Prompt Security consideration (filing figures used), capped-call cost, moving-average bases. Estimates flagged where they appear.