Investor Town Hall

Catharine Trebnick, Vice President, Dougherty & Co.
Equity Analyst Security and Infrastructure
Committee Chair: Catharine Trebnick
Vice President, Senior Research Analyst, Dougherty & Company LLC
  — Sector Coverage: Security, Network Infrastructure, and Unified Communications

• +10 Years of Experience on Wall Street as Technology Analyst
• Frequent Guest on CNBC. Often Quoted by Investment Publications such as Barron’s, Investor’s Business Daily, Reuters, and Bloomberg
• Prior to Wall Street, Held Senior-Level Product Management Positions at Various Telecommunications Firms Including Time Warner Telecom, Level 3 Communications, Lucent Technologies and AT&T
• MBA - University of Chicago;
• BS in Chemistry – University of Maryland
Agenda

• Update Cyber Security Marketplace
• Next Generation Techniques Replacing Legacy Software Tools
• Lessons Never Learned: A Way Through the Valley
• Discussion on Defense M&A
• Investing Through the Lens of Accredited Investors and Thought Leaders
What’s Happening With Security Spending

• Given the rising quantity and severity of cyber attacks, cybersecurity continues to be one of the hottest tech sectors in recent history. Following mega-breaches in 2014/2015 security spend hit 18% Y/Y and in 2016 slowed to 9% Y/Y.

• However, with recent high volume breaches spending has again picked up. Attacks and breaches remain as prevalent as ever.
Market Pulse ...Cyber Security Global Annual Financing History

- Companies and governments are seeking to better secure their networks, data, and devices resulting in investors making more deals to private cybersecurity companies.
- Cybersecurity deals hit an all-time quarterly high of 146 deals in Q1’17, up 26% Y/Y.
- Q2’17, 145 total deals were completed and equity funding reached $1.6B.
- Six firms obtained funding runs over $100M plus, highest record quarter.
- Notable 2017 IPOs. Okta and ForeScout expected later this week.
Key Cyber Security Investors

- New Enterprise Associates, Accel Partners, Intel Capital, Andreeseen Horowitz, Sequoia Capital, etc.
- Cross over investors from Fidelity (CloudFlare), Franklin Templeton (Tanium), Blackstone Grp (Carbon Black)
- Cross over from Cloud providers: Baidu, Amazon, Salesforce Ventures...
- Private Equity Playing a role (TPT, Thoma Bravo)
- M&A companies such as Americas Growth Capital
- California is home to over 30% of US cybersecurity firms.
- Seven CA based companies have raised over $200M to date. Including: Tanium ($329M), Lookout ($281M), illumio ($267M), CrowdStrike ($256M), Sumo Logic ($235M), netskope ($221M). While over 25 have raised over $100M
- Top 9 Cyber states have raised $100M as of 9/25/2017.
- The other 8 Cyber states with security startups are located in Virginia, Massachusetts, New York, Texas, Maryland, Florida, Colorado, and Washington
Cybersecurity Investment Across the US

1. California: Tanium ($329M), Lookout ($281M), illumio ($267M), Crowdstrike ($256M), Sumologic ($235M), Netskope ($221M), Druva ($198M), CloudFlare ($182M), LogicMonitor ($152M), Zcaler ($148M), Skybox Security ($145M)
2. Virginia: Lookinglass ($104M), ENDGAME ($96M), Verisys ($73M), distil ($59M), PHISHME ($58M).
3. Massachusetts: CarbonBlack ($119M, cybereason ($189M), Digital Guardian ($113M), CounterTack ($98M), BITSIGHT ($87M), threatstack ($72M)
4. New York: PayFone ($69M), dashlane ($50M), Flashpoint ($43M)
5. Texas: StackPath ($180M), Armor ($148M), Alert Logic ($118M), SecureLink ($66M), ClearDataa ($54M), Ziften ($50M).
6. Maryland: tenable ($302M), Zerofox ($80M), Fugue ($76M)
8. Florida: Sonavag ($59M), Reliaquest ($30M)
9. Washington: AuthO ($54M), Tempered ($25M)
10. Arizona’s BeyondTrust ($195M) and Minnesota’s Code42Software ($138M)