



## Transforming Innovative Security Concepts into Disruptive Security Companies

# A nostalgic (and sad) look at the past

In 2002, the cybersecurity market was consolidated and non-competitive.

- PKI
- Firewall
- Intrusion Detection
- Identity and Access
- Mobile Data Protection
- MSSPs

2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013



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# A nostalgic (and sad) look at the past

In 2002, the cybersecurity market was consolidated and non-competitive.

PKI

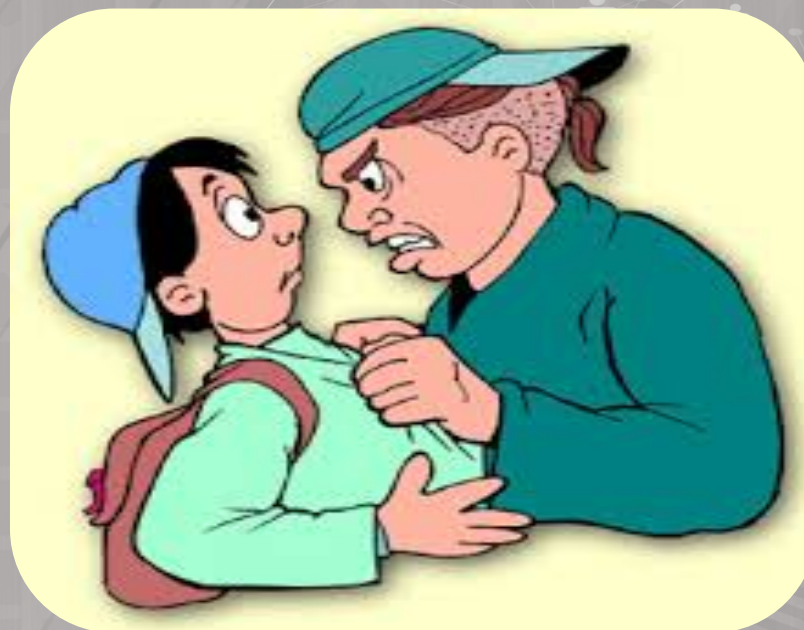
Firewall

Intrusion Detection

Identity and Access

Mobile Data Protection

MSSPs



2000

2001

2002

2003

2004

2005

2006

2007

2008

2009

2010

2011

2012

2013

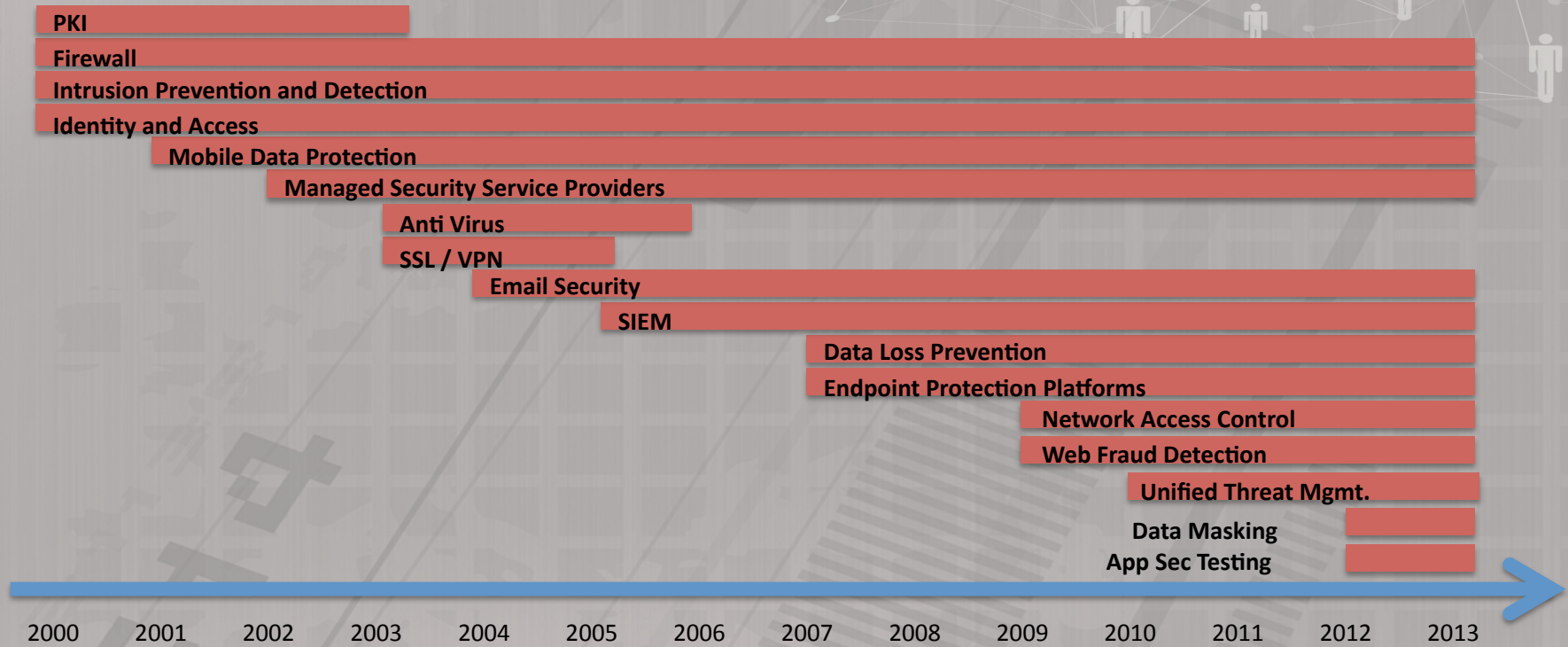


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# A lot has changed since 2002

Gartner's security product categories tripled by 2014.



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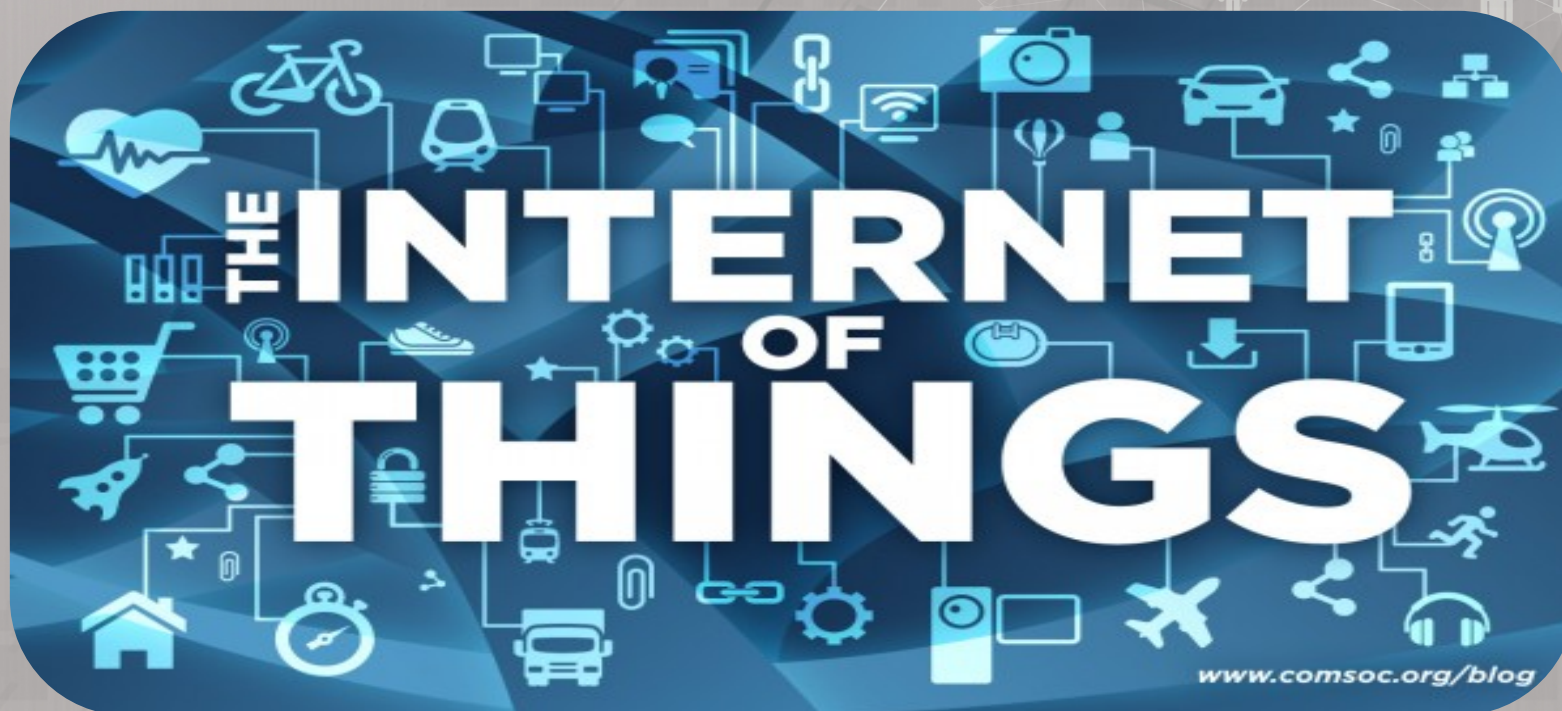
# Why the change?



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The problem is getting much worse



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Security is now a Main Street issue

THE WALL STREET JOURNAL.



The  
New York  
Times

The Washington Post

Forbes



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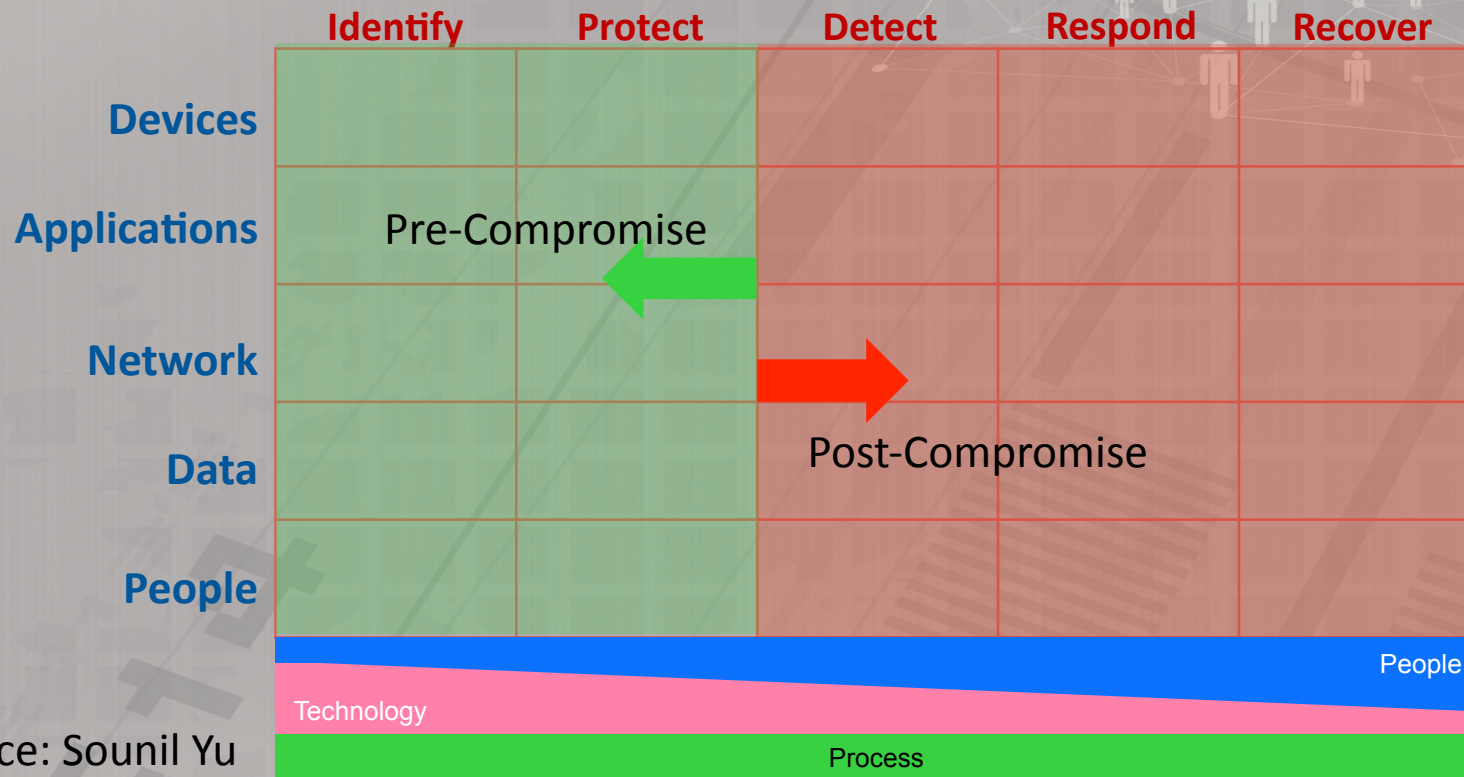
# The market is finally rewarding the innovators

SYMBOL	NAME	PRICE/SALES	MKT CAP
<b>PANW</b>	Palo Alto Networks, Inc.	17.75	14.68B
<b>SPLK</b>	Splunk, Inc.	17.50	8.51B
<b>CYBR</b>	CyberArk Software, Ltd.	14.64	1.91B
<b>FEYE</b>	FireEye, Inc.	14.18	6.81B
<b>CHKP</b>	Check Point Software Technologies Ltd.	9.40	14.62B
<b>FTNT</b>	Fortinet Inc.	9.11	7.95B
<b>QLYS</b>	Qualys, Inc.	8.02	1.14B
<b>VRSN</b>	VeriSign, Inc.	7.77	8.05B
<b>AKAM</b>	Akamai Technologies, Inc.	6.52	13.31B
<b>TMICY</b>	Trend Micro Inc.	5.19	5.03B
<b>CUDA</b>	Barracuda Networks, Inc.	4.78	1.38B
<b>SYMC</b>	Symantec Corporation	2.34	15.456B





# How we find areas ripe for innovation



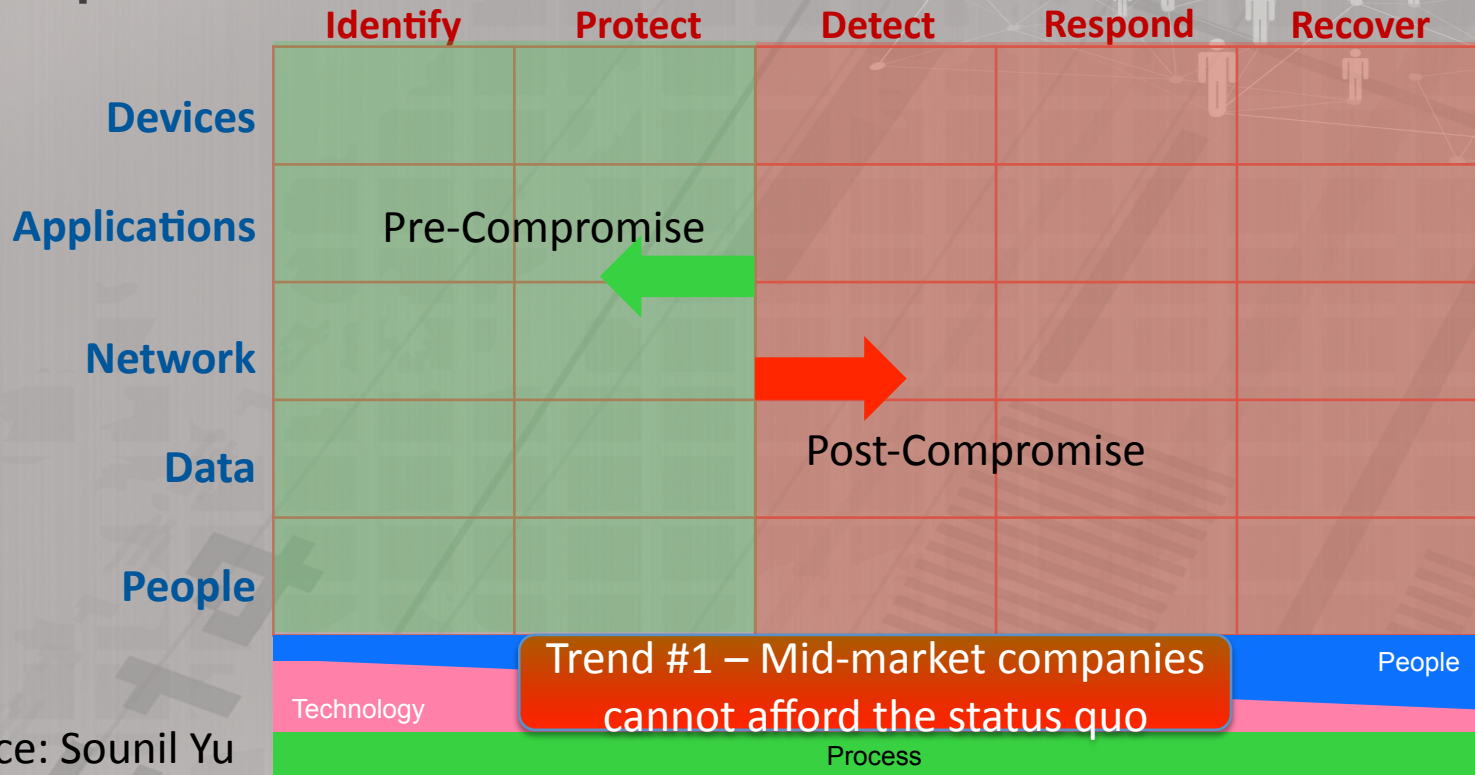
Source: Sounil Yu



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# Trend #1: The mid-market demands advanced capabilities



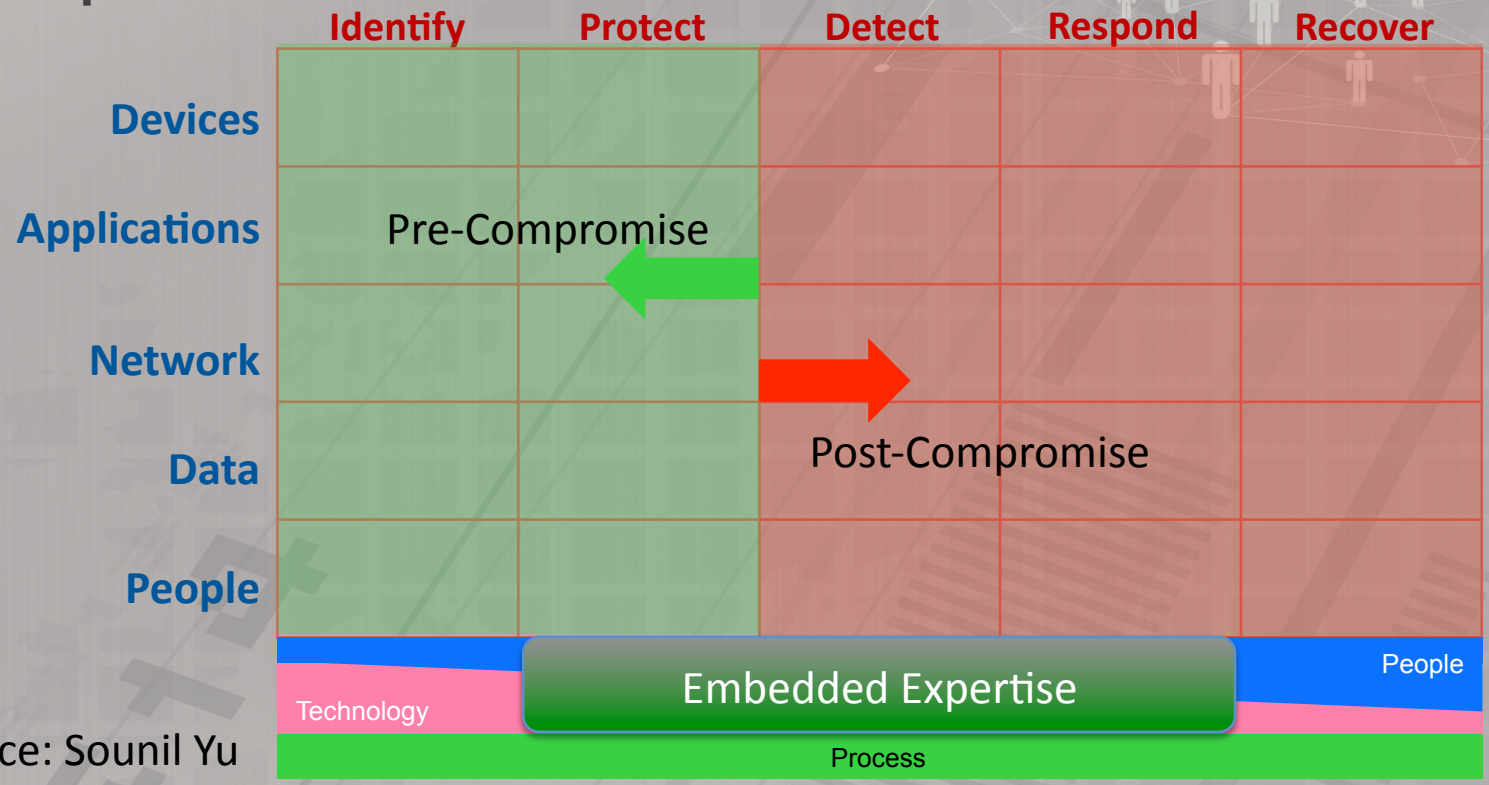
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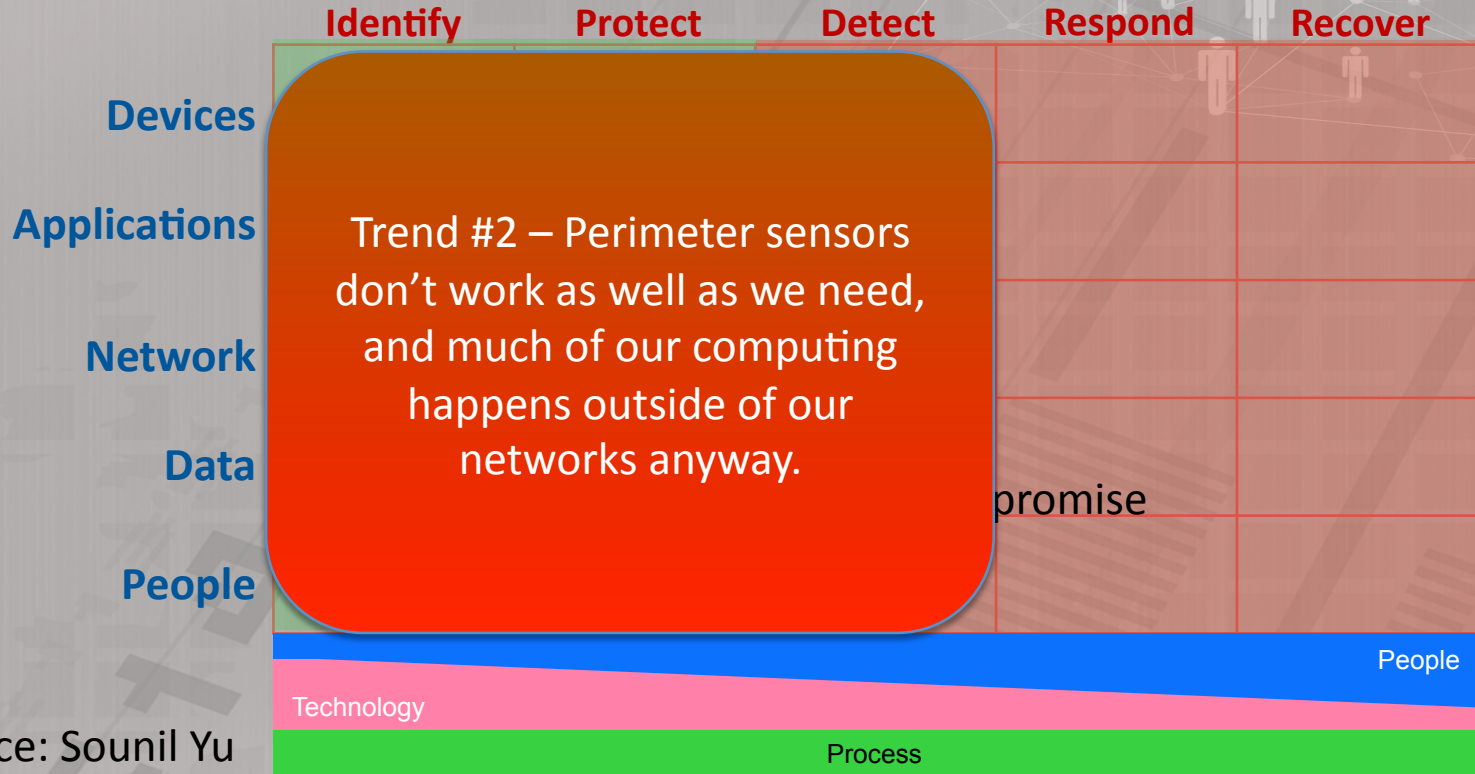
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# Trend #2: Perimeter solutions are obviated



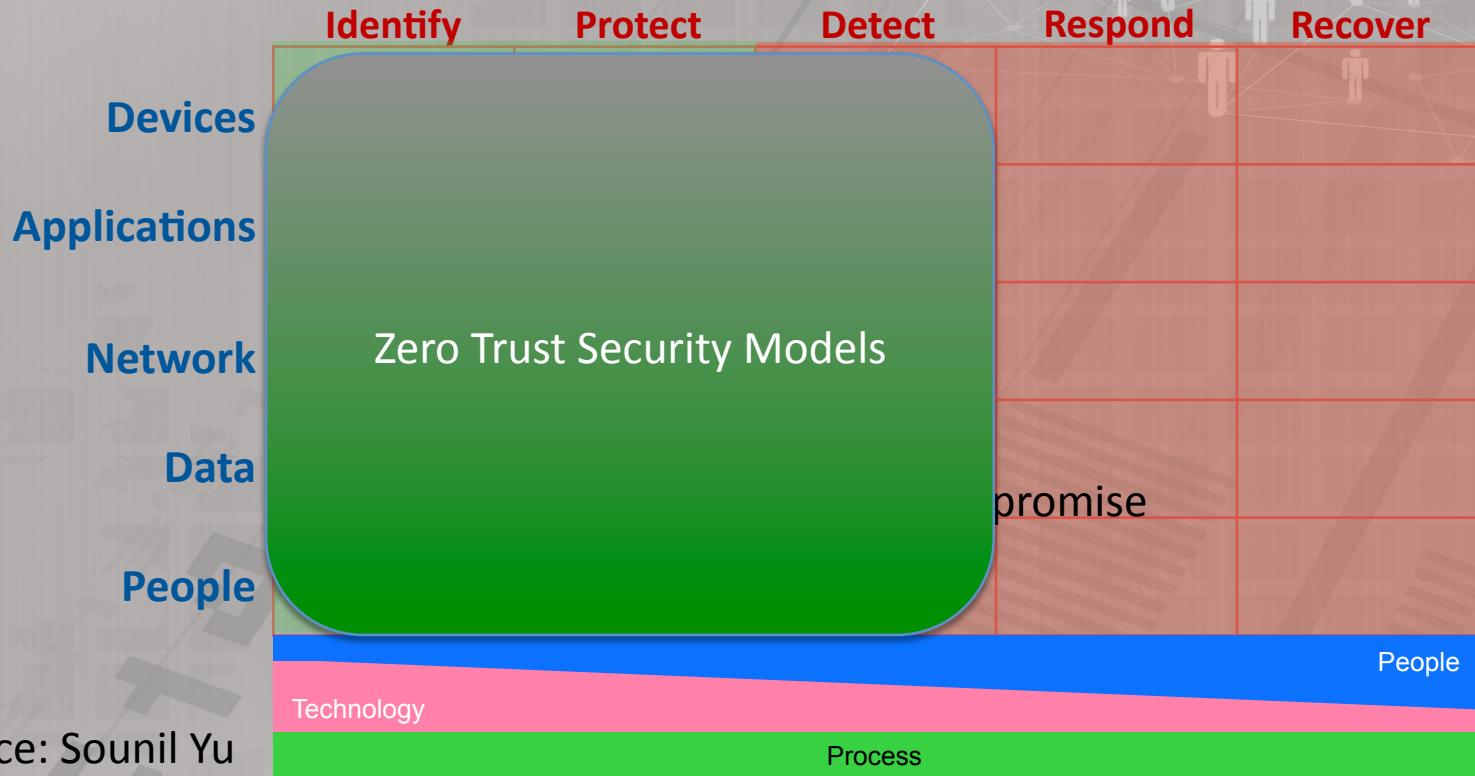
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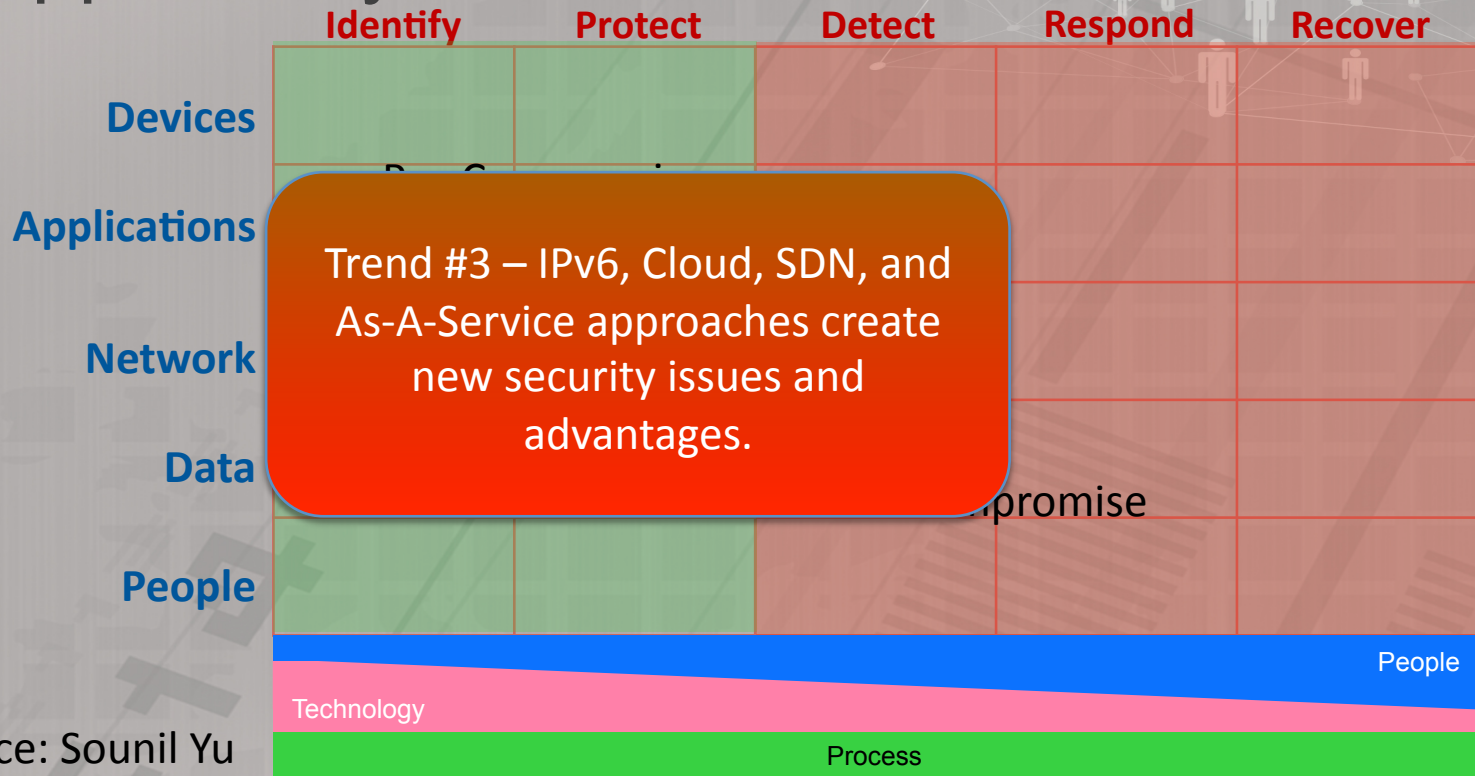
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# Trend #3: New infrastructure creates opportunity



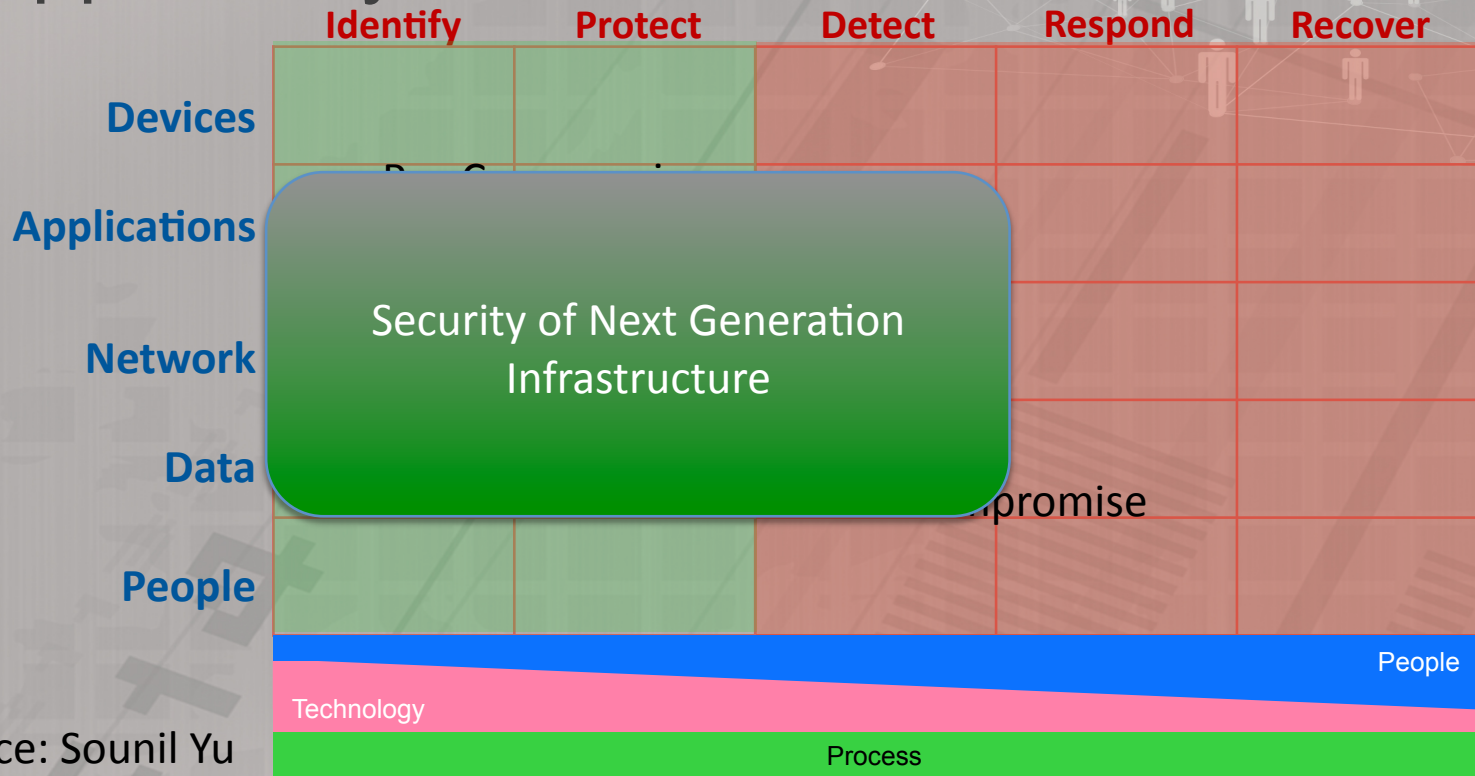
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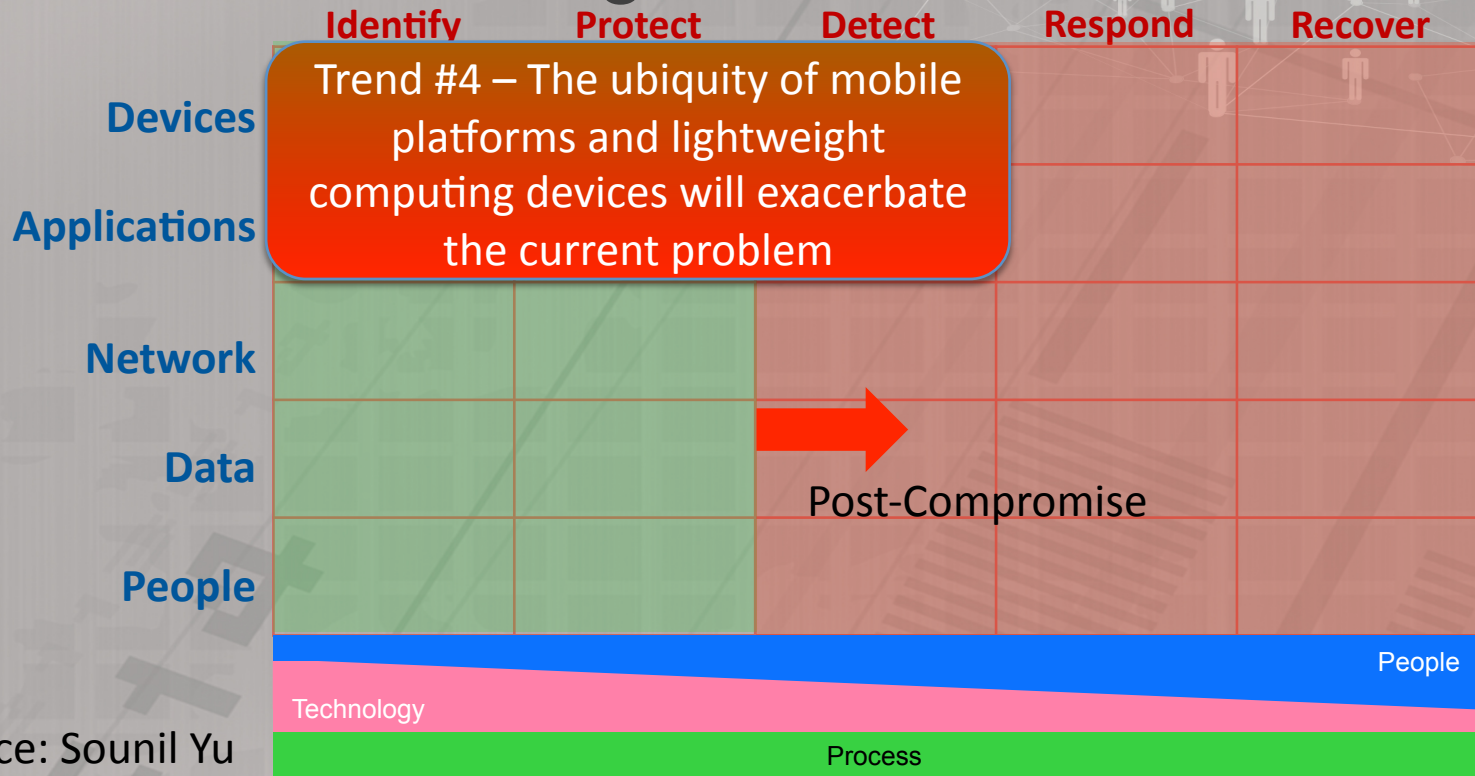
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# Trend #4: Mobile and lightweight IOT presents challenges



Source: Sounil Yu

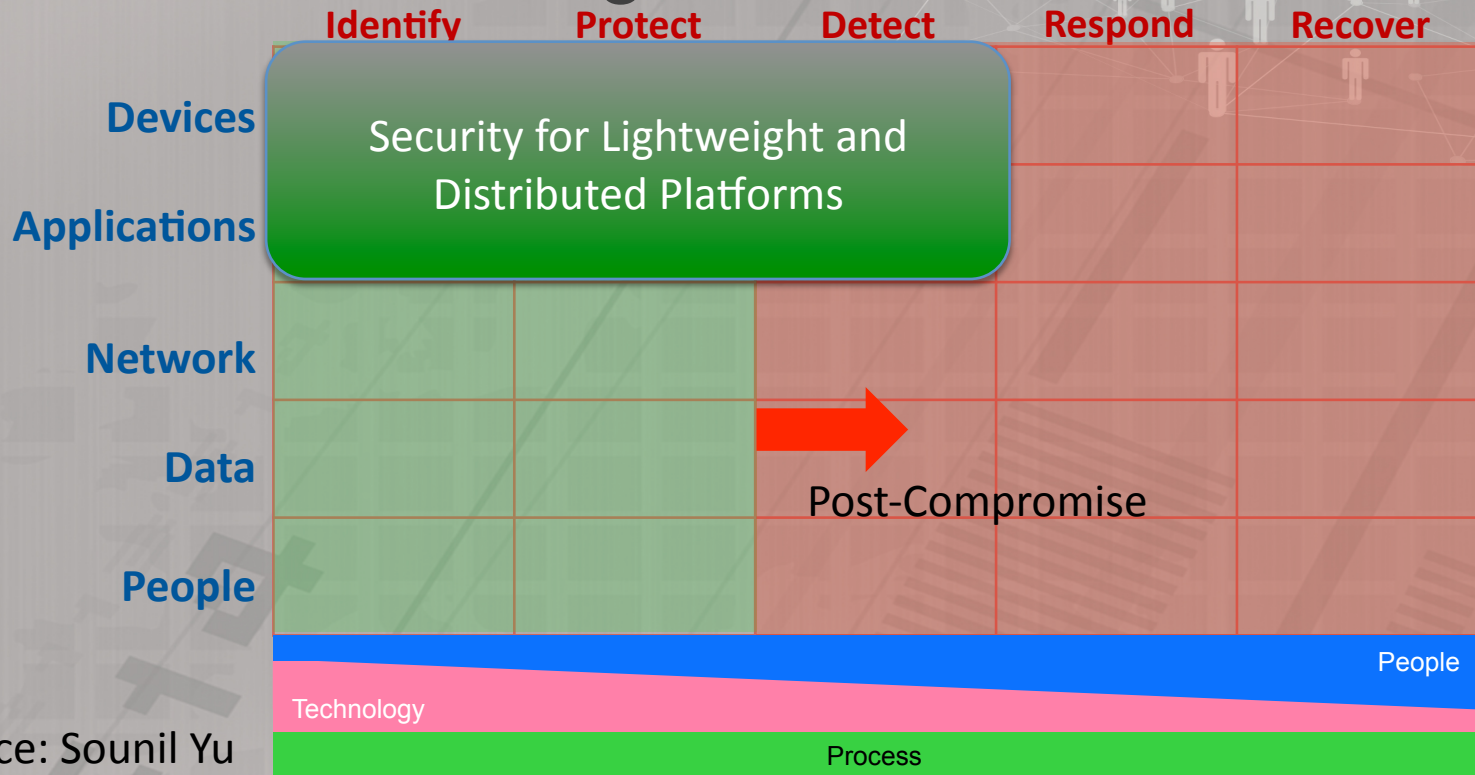


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# Trend #4: Mobile and lightweight IOT presents challenges



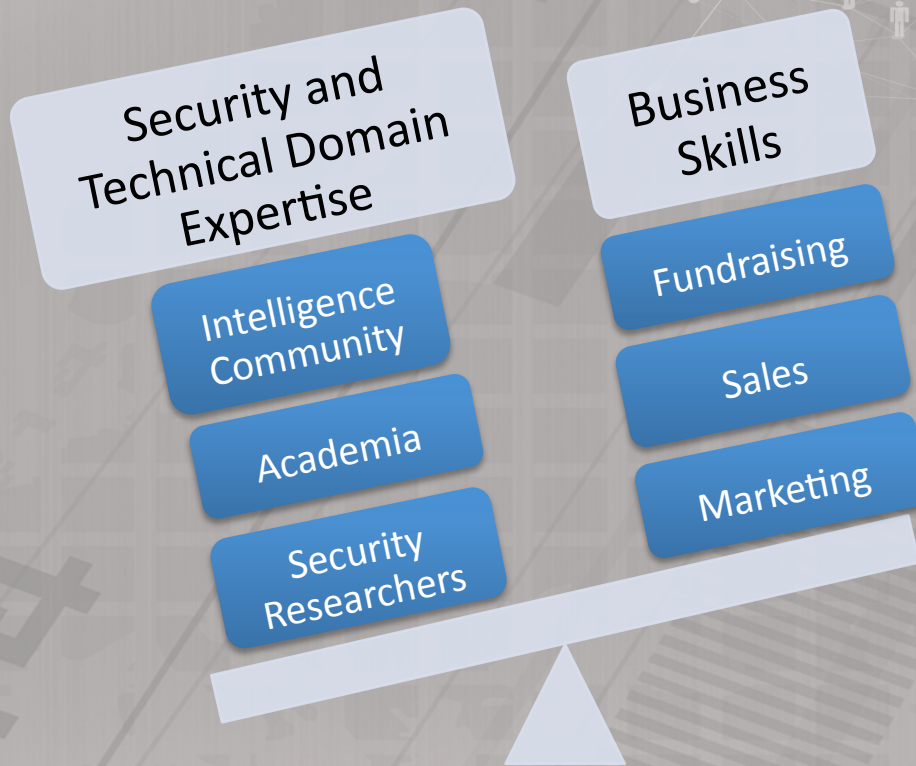
Source: Sounil Yu



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# This is not sharing economy stuff.<sup>1</sup>



1. Bob Ackerman – Allegis Capital, seasoned security investor



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The dirty little secret is....

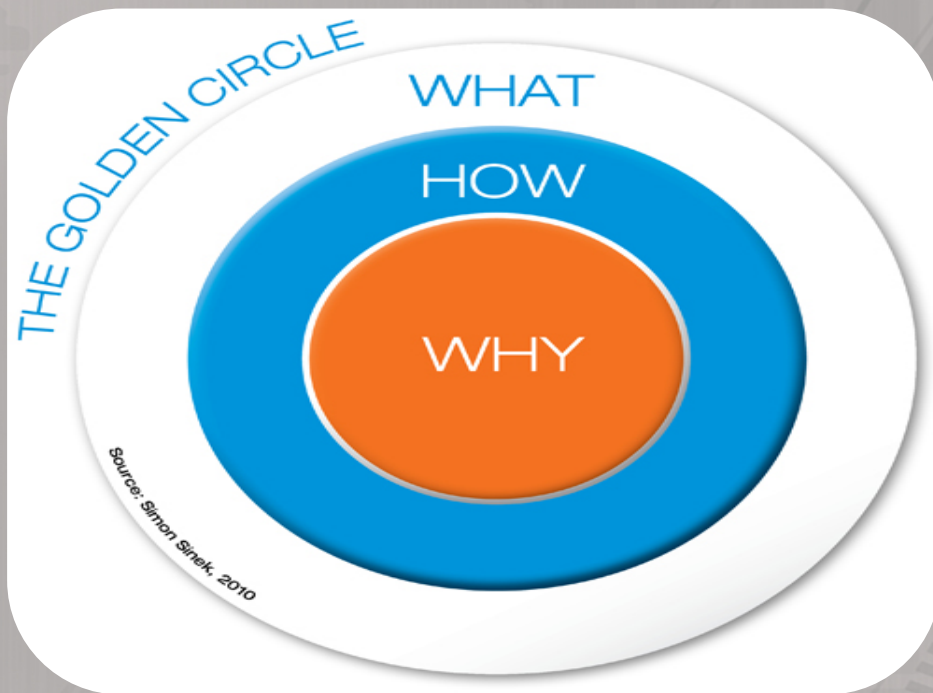
Shhhhhh.....



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# Good Product Management Starts with Why <sup>20</sup>



WHY your customers want your product may surprise you.

(Read Simon Sinek)



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To understand WHY, you have to ask...

Then,  
stop talking  
and

**LISTEN**



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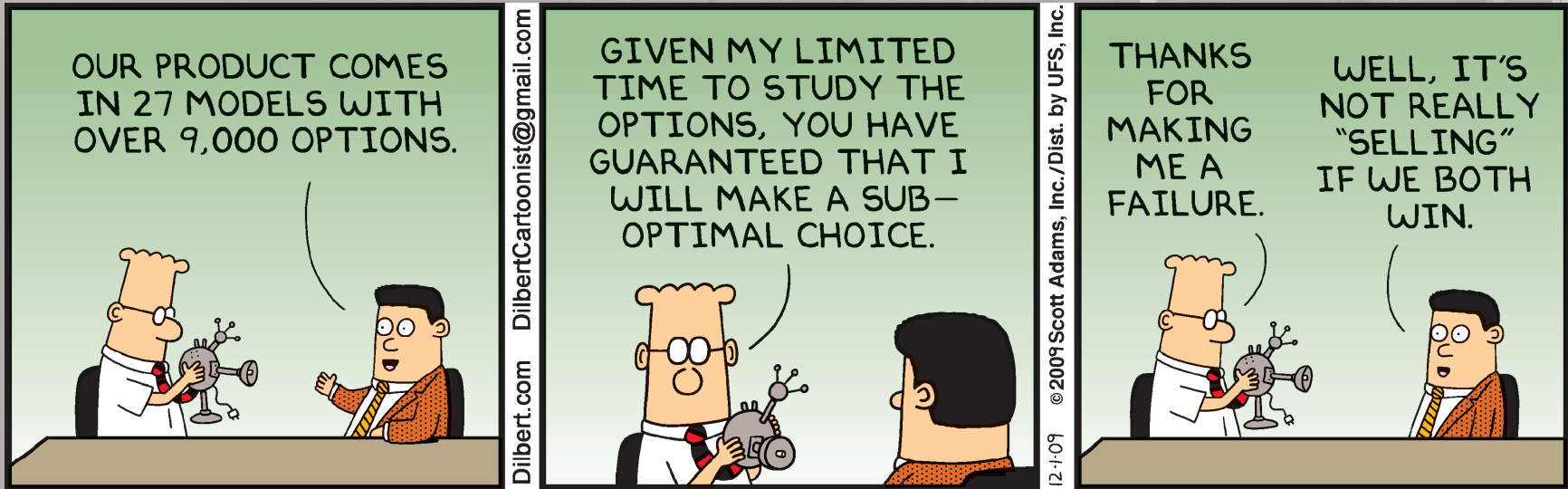
# Know your competition



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# Make your MVP easy to use



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# Building a product is more than building a prototype

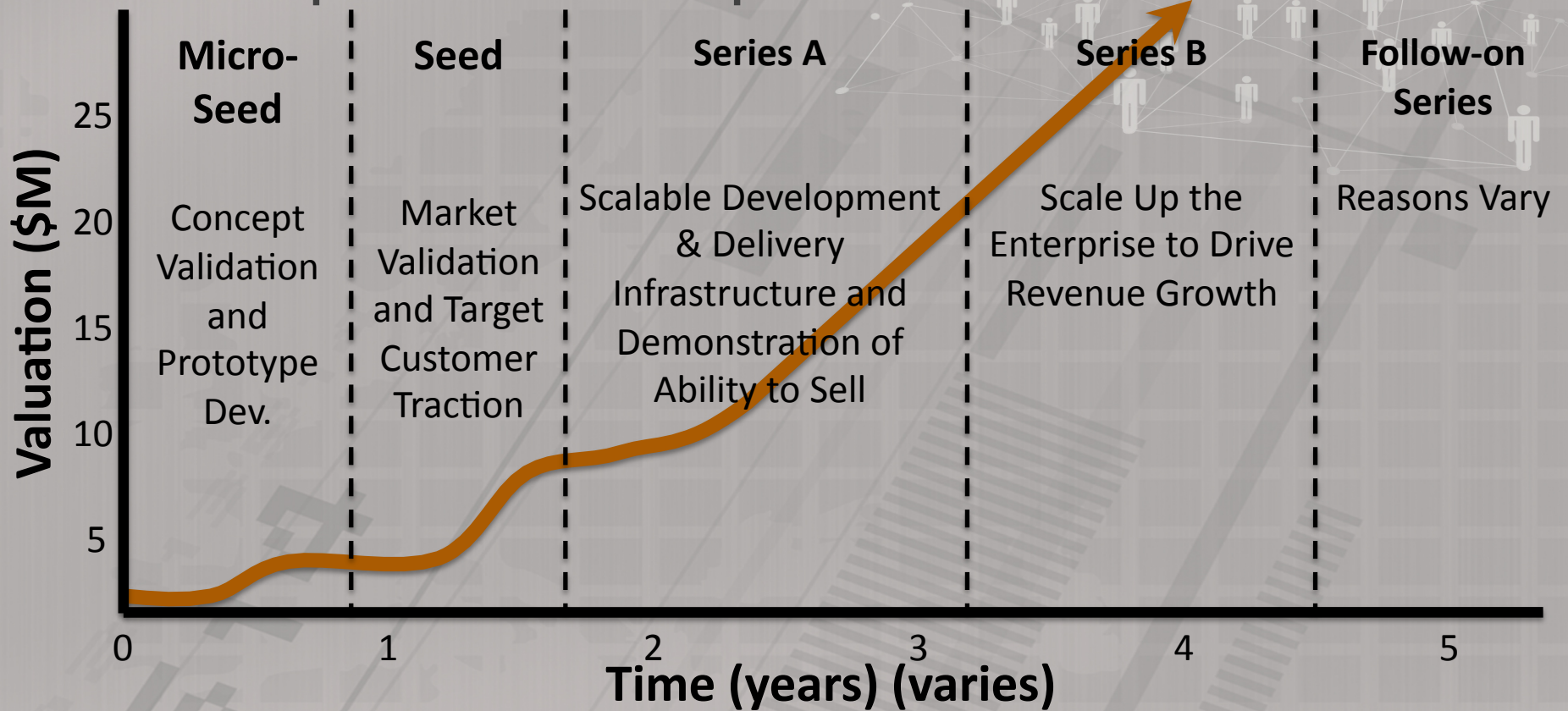


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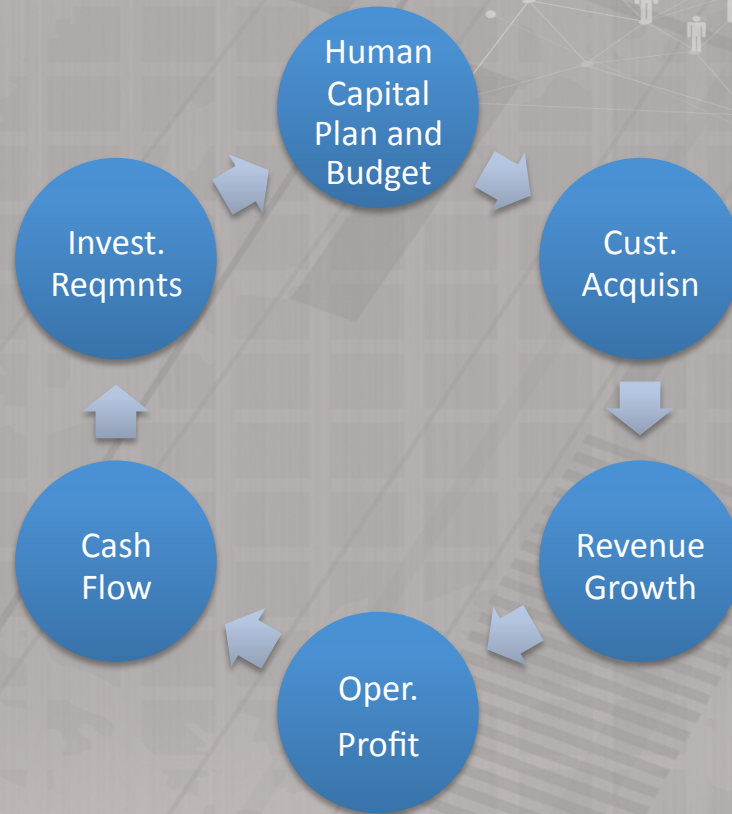
# Develop a business plan that looks familiar



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# Build a Financial Model



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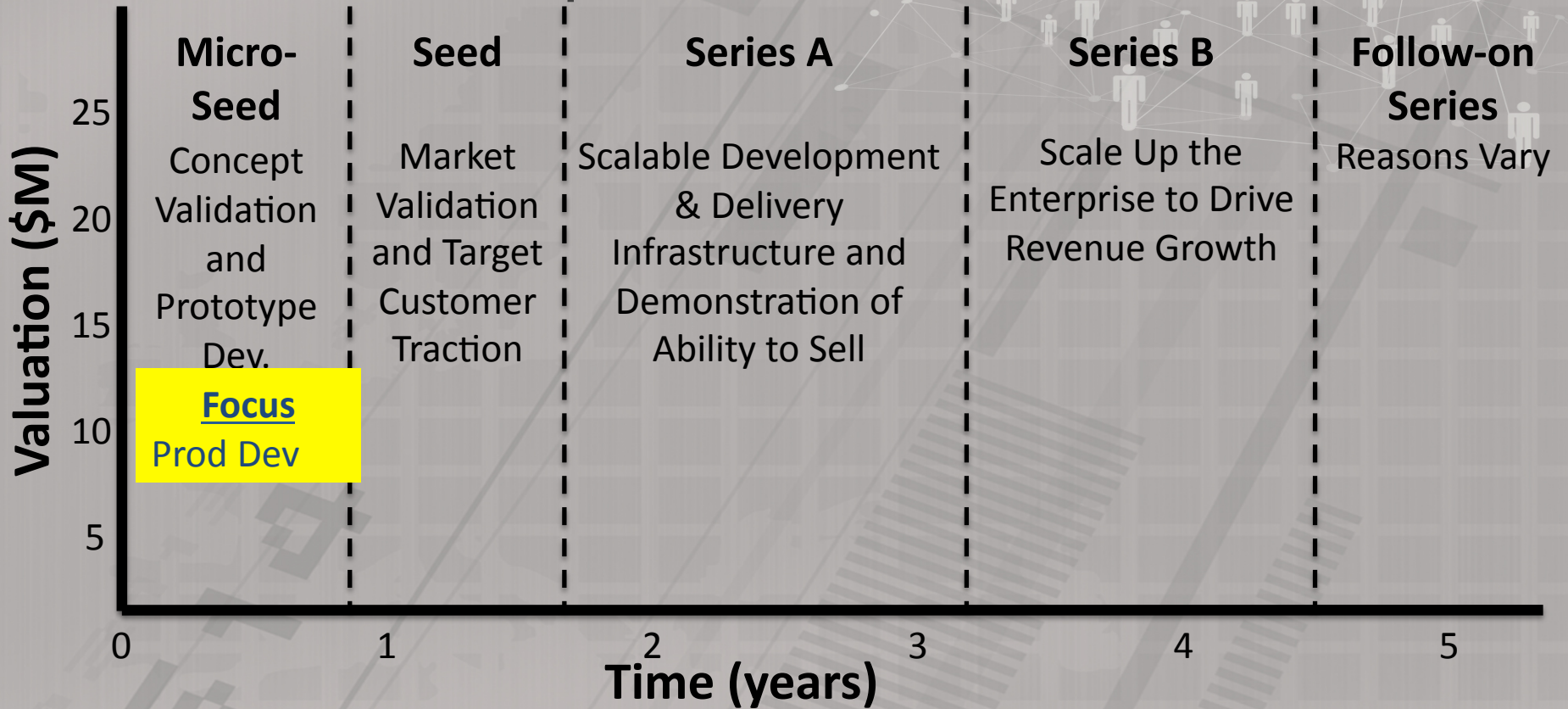
# Have a plan to build a team



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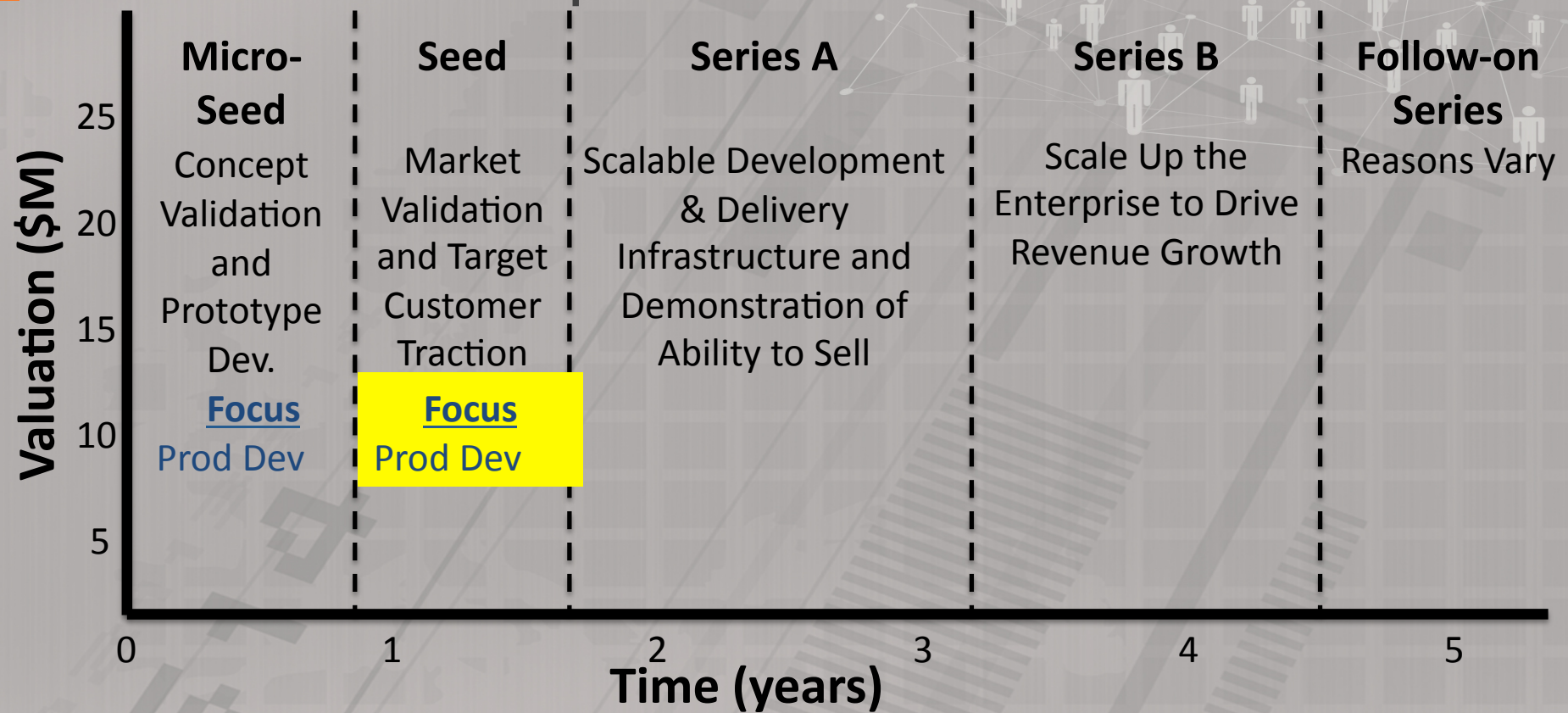
# Your human capital needs will evolve



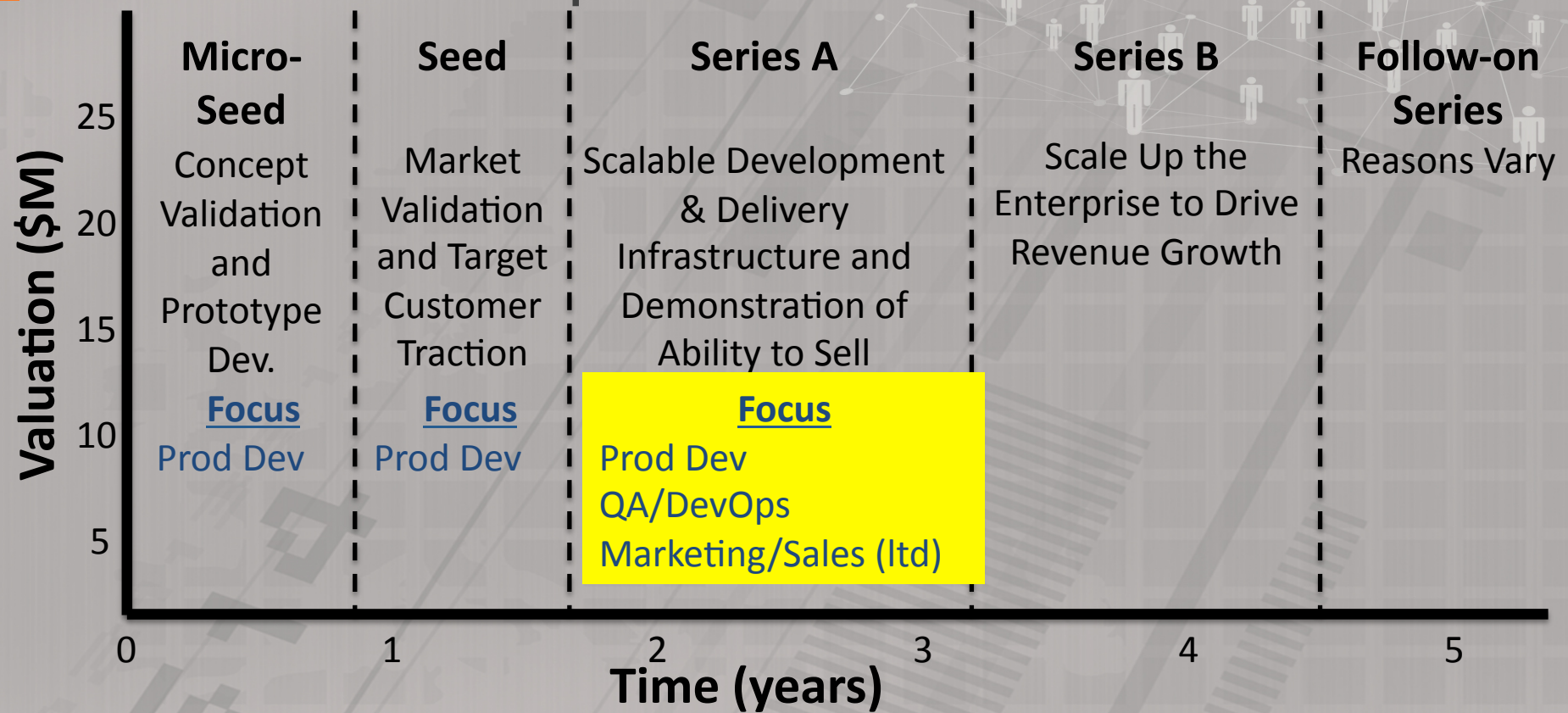
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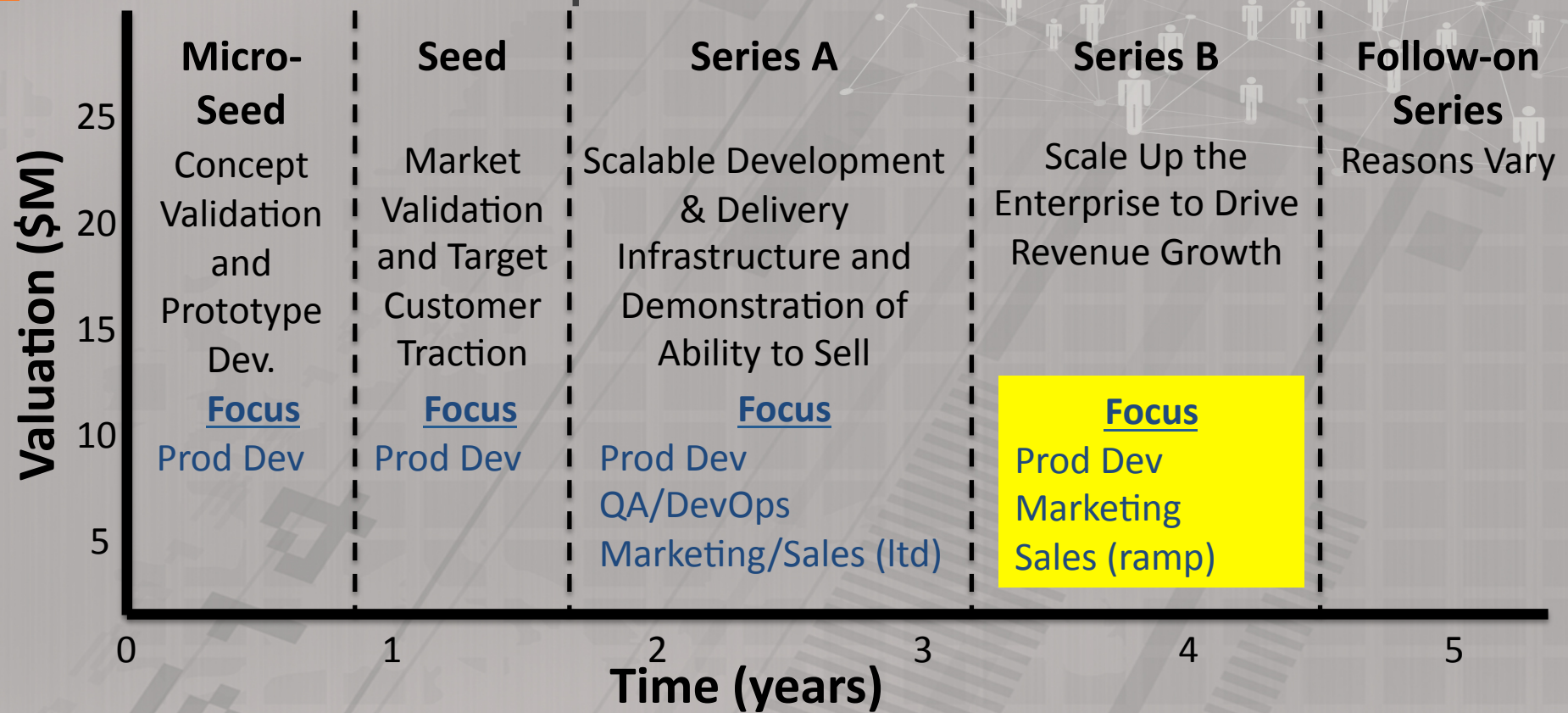
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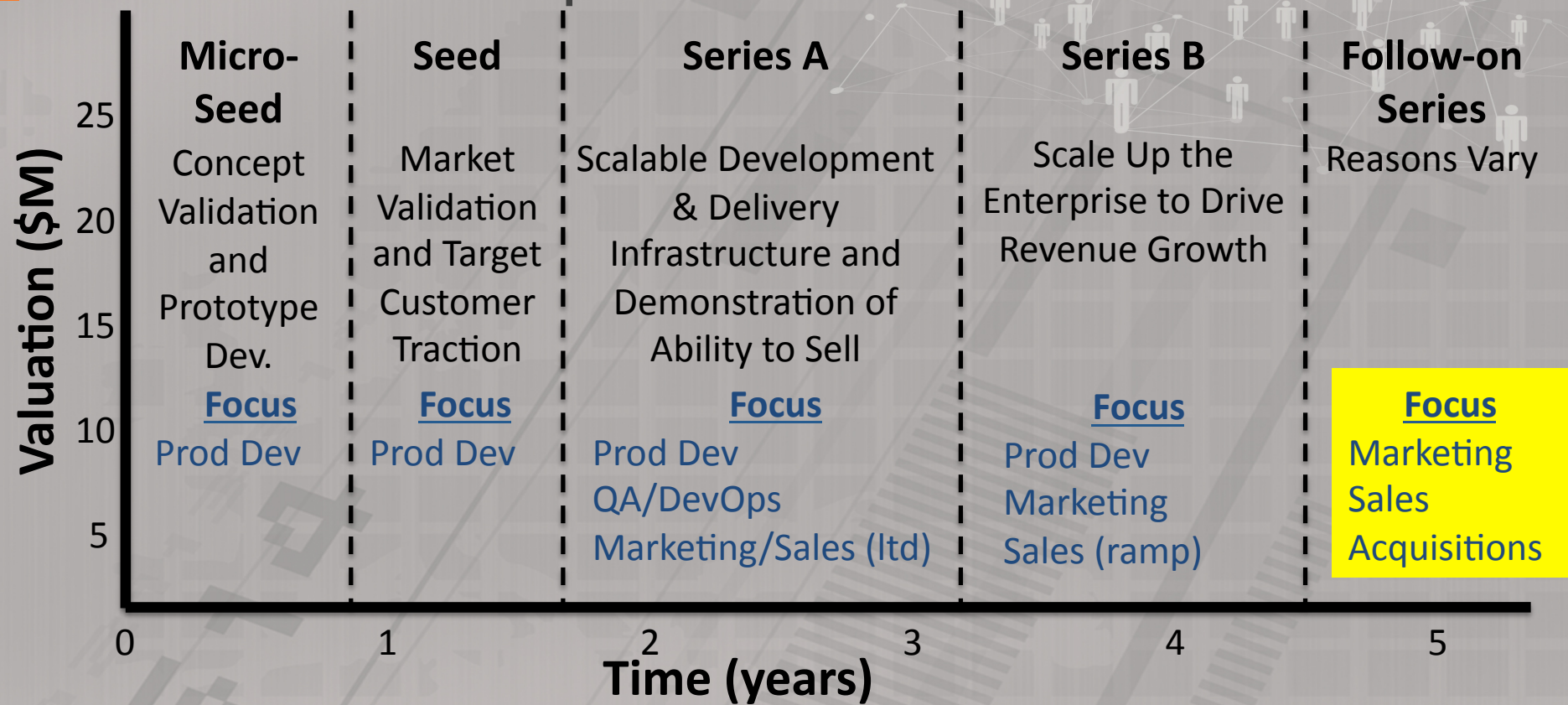
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# Your human capital needs will evolve



# Your human capital needs will evolve





# Pricing and Customer Acquisition

## Delivery Model

On-Premise  
Software  
Appliance  
As-A-Service  
Hybrid

## Channel

Direct  
VAR  
OEM  
Online Marketplace

## Pricing Structure

Perpetual License  
Annual License  
Monthly Subscription  
Freemium  
Utility  
ARPU



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## The Purpose of the Model

Demonstrate that you know how to grow and finance a high-margin, high-growth business that will support venture investment.

- Forget everything you know about DCAA accounting, you are product companies
- Gross margins must exceed 80%
- Accept the fact that your projections will be wrong
- Your models will tell you when and how much capital you need

**Never, never never run out of cash!**



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# Understand financial statements for software

	Year Ended December 31,		
	2013	2012	2011
(In thousands)			
<b>Revenue:</b>			
Product	\$ 88,253	\$ 52,265	\$ 24,888
Subscription and services	73,299	31,051	8,770
<b>Total revenue</b>	<b>161,552</b>	<b>83,316</b>	<b>33,658</b>
<b>Cost of revenue:</b>			
Product	28,912	14,467	
Subscription and services	18,853	3,163	
<b>Total cost of revenue</b>	<b>47,765</b>	<b>17,630</b>	<b>7,280</b>
<b>Total gross profit</b>	<b>113,787</b>	<b>65,686</b>	<b>26,378</b>
<b>Operating expenses:</b>			
Research and development	66,036	16,000	
Sales and marketing	167,466	67,000	
General and administrative	52,503	15,000	
<b>Total operating expense</b>	<b>286,005</b>	<b>98,000</b>	
<b>Operating loss</b>	<b>(172,218)</b>	<b>(33,000)</b>	
Interest income	68		
Interest expense	(525)		
Other expense, net	(7,257)	(2,572)	(806)
<b>Loss before income taxes</b>	<b>(179,932)</b>	<b>(36,721)</b>	<b>(16,711)</b>
Provision for (benefit from) income taxes	(59,297)	(965)	71
<b>Net loss attributable to common stockholders</b>	<b>\$ (120,635)</b>	<b>\$ (35,756)</b>	<b>\$ (16,782)</b>

R&D 40% of revenue

Sales & Marketing  
103% of revenue

G&A 32% of revenue

93% annual growth

70% gross margin  
(may explain their current focus on cost control)



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# The #1 job of the founder is to sell



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# Contact

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