Security at a Crossroads

Our New Journey in the Cloud

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QLYS Investors & Analysts Day – Four Seasons San Francisco, March 6th 2019
This presentation includes forward-looking statements within the meaning of the federal securities laws. Forward-looking statements generally relate to future events or our future financial or operating performance. Forward-looking statements in this presentation include, but are not limited to, the following list:

- our business and financial performance and expectations for future periods, including the rate of growth of our business and market share gains;
- our ability to sell additional solutions to our customer base and the strength of demand for those solutions;
- our plans regarding the development of our technology and its expected timing;
- our expectations regarding the capabilities of our platform and solutions;
- the anticipated needs of our customers;
- our strategy, the scalability of our strategy, our ability to execute our strategy and our expectations regarding our market position;
- the expansion of our platform and our delivery of new solutions;
- the expansion of our partnerships and the related benefits of those partnerships; and
- our ability to effectively manage our costs.

Our expectations and beliefs regarding these matters may not materialize, and actual results in future periods are subject to risks and uncertainties that could cause actual results to differ materially from those projected. These risks include those set forth in our filings with the Securities and Exchange Commission, including our latest Form 10-Q and 10-K. The forward-looking statements in this presentation are based on information available to us as of today, and we disclaim any obligation to update any forward-looking statements, except as required by law.

We also remind you that this presentation will include a discussion of GAAP and non-GAAP financial measures. The non-GAAP financial measures are not intended to be considered in isolation or as a substitute for results prepared in accordance with GAAP. The GAAP financial measures, and a reconciliation of the non-GAAP financial measures discussed in this presentation to the most directly comparable GAAP financial measures are included in the appendix of this presentation.
Going Back to our Origins – 1999

Our Original Mission and Vision

Apply nascent Internet Technologies to automate Vulnerability Assessment making it accurate, continuous and scalable.

11,000+ customers in 160 countries
Where are we now?

**Today’s Mission and Vision**

Unifying IT, Security and Compliance in a single pane of glass with 2 second visibility across on-premise, endpoints, cloud(s), containers, web apps, API, mobile and OT/IoT environments
QLYS a Company Built to Last

![2018 EBITDA margin vs. select Security and SaaS peers](chart)

Source: Morgan Stanley
Go to Market
The Platform is the Distribution Channel
The Inconvenient Truth we all must Acknowledge

Data Breaches continue to be on the rise

Despite massive investments in security and an explosion of solutions all claiming they will make us more secure

The digital transformation has created an explosion of new technology and opportunities.

It has left chaos and many gaping security holes in its wake.

Today’s plethora of current IT, security and compliance tools create more problems than they solve – delivering diminishing returns.
We must Adopt a new Mindset to Cybersecurity

Building Security in
- Stop Bolting it on
Continuously Assess, Detect and Respond to attacks

In our hyper connected new world where everything connects with everything, we simply cannot secure what we do not know.

We need to know what connects to our networks and changes that are occurring.

Current Incident Response solutions crucially lack context and automation.
Mindset Change
Embracing the Digital Transformation

Holistic Transformation of Business to Digital

Cloud, Containers, IaaS, PaaS, OT, IIoT, IoT, Mobility, Web apps, APIs, Mobile Apps
DevOps and Security
the new Frontier

This is real and highly contagious

Developers decide how infrastructure runs in production

Speeds up significantly how fast code goes to production
Moving Toward the Future of Security

**Transparent Orchestration**
Built-in Automation is the only real solution - Starts in DevOps

**Our continuing mission**
Building-in Security into DevOps
Building-in Secure Access Control
Building the next generation of Security Analytics platform
Next-Gen Analytics Platform (Blue Print)
Summary

Bringing a Unique Value Proposition to our Customers and Investors

Global IT Asset Inventory
Stack Consolidation
Building Security into their Digital Transformation
A Company Highly Profitable and Built to Last
Thank You

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Security at a Crossroads
Regaining our lost visibility

Sumedh Thakar, Chief Product Officer

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IT Transformation
Infrastructure & Applications
Digital Transformation

Holistic Transformation of Business to Digital

Cloud, Containers, IaaS, PaaS, OT, IIoT, IoT, Mobility, Web apps, APIs, Mobile Apps
Hybrid Cloud Overview Architecture

- Mobile Workforce
- Work Stations
- Clouds
- On-Premises

West Coast Datacenter:
- NETWORKS
  - VMs
  - DB
- BARE METAL
- STORAGE
- Dell EMC

East Coast Datacenter:
- NETWORKS
  - VMs
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- STORAGE
- Dell EMC

Clouds:
- AWS
- Azure
- Google Cloud Platform

- NETWORKS
- VMs
- DB
- STORAGE
- BARE METAL
Containers

Real game-changer

Hypervisor disappearing, bare metal is back

Kubernetes Infrastructure-as-code
Containers – no servers?

Container-as-a-Service AWS Fargate

AWS Lambda Function-as-a-Service, serverless!

Kubefed?

“Priceline” for Containers?
DevOps

This is real and highly contagious

Developer decides how infrastructure runs in production

Significantly speeds up how fast code goes to production
On-Prem

Shrinking Datacenter Footprint

Increasing OT & IIoT

Corp IT – more distributed & mobile

More IoT!
Enterprise Mobility != BYoD

Enterprise owned handheld devices

Indispensable to modern business

Running apps handling sensitive business & consumer data

Mobile!
Web Apps & APIs

Web Apps for the humans

APIs for the non-humans

Wide window into all customer data
SaaS

More aaS everywhere

No infrastructure to manage

No applications to code or manage
SaaS

Lead the charge against bloated cloud software.
Security
Security Transformation

Transparent Orchestration

Built-in automation the only real solution
Starts in DevOps

DevSecOps

Strict CI/CD pipeline controls

CI: Eliminate majority issues before prod

CD: Embed security artifacts in Image
Agile SecOps

SecOps focus on monitoring & response

Drastically reduce security solutions deployed after the fact

New generation of Security Analytics platforms – Data Lake
Qualys
Qualys Platform Approach

Embracing our own Digital Transformation

Massive expansion of backend for visibility – 2+ Trillion security data points indexed

Comprehensive coverage of sensors – scanners, agents, cloud connectors, container sensors, passive sniffers and mobile agents
Cloud Platform Environment
Security at scale on hybrid clouds

19+ apps providing comprehensive suite of security & compliance solutions

12,000+ customers and active users

7 shared cloud platforms across North America, Europe & Asia

70+ private clouds platforms deployed globally... on-prem, AWS, Azure, GCP

16+ PB storage and 16,000 cores
Cloud Platform Highlights

2+ trillion security events annually
3+ billion scans annually
2.5+ billion messages daily across Kafka clusters
2+ trillion data points indexed in our Elasticsearch clusters

Unprecedented 2-second visibility
Qualys Cloud Platform
Sensors, Data Platform, Microservices, DevOps
Qualys Sensor Platform
Scalable, self-updating & centrally managed

Physical
- Legacy data centers
- Corporate infrastructure
- Continuous security and compliance scanning

Virtual
- Private cloud infrastructure
- Virtualized Infrastructure
- Continuous security and compliance scanning

Cloud/Container
- Commercial IaaS & PaaS clouds
- Pre-certified in market place
- Fully automated with API orchestration
- Continuous security and compliance scanning

Cloud Agents
- Light weight, multi-platform
- On premise, elastic cloud & endpoints
- Real-time data collection
- Continuous evaluation on platform for security and compliance

Passive
- Passively sniff on network
- Real-time device discovery & identification
- Identification of APT network traffic
- Extract malware files from network for analysis

API
- Integration with Threat Intel feeds
- CMDB Integration
- Log connectors
Physical & Virtual scanners

Large scale active scanning across on-prem & cloud
50,000 + Appliances globally deployed

Network Asset mapping, discovery & inventory
Vulnerability Assessment
Configuration Assessment
Web Application Vulnerability Assessment
Digital Certificate discovery, inventory & Assessment
Cloud Agents

Large scale continuous assessment on-prem, multi-cloud & laptops
16+ Million Agents

Hardware & Software Asset Inventory
Vulnerability Assessment
Configuration Assessment
File Integrity Monitoring
Threat Hunting (Malware IOC detection)

Patch Management (GA March 2019)
Cloud Agents - Mobility

H1 2019 beta

Extend Agents to Enterprise Mobile Devices
Android, IOS and Windows Mobile
Device & Application Inventory
Vulnerability & Configuration Assessment

Security Policy enforcement (pin, password, geo-fencing, etc.)
App white/black listing & Kiosk mode
Cloud Connectors

Continuous assessment of Multi-Cloud data centers
AWS, Azure & GCP (more coming 2019)

IaaS & PaaS discovery & inventory
Cloud Config & Threat assessment

Remediation of cloud threats like S3 buckets (H2 2019)
SaaS security & compliance (H2 2019)
Container Sensors

Continuous assessment of Docker Containers
Vulnerability & Configuration assessment

DevOps: CI/CD build pipeline integration
Jenkins, Bamboo, Kubernetes etc.
DevSecOps: Runtime container monitoring

Container instrumentation runtime protection (H2 2019)
Passive Network Sensor

Continuous Network Traffic Analysis
Tap port mirroring

Complete visibility of ALL devices on network
Device Identification: Fingerprinting & ML
Discovery of OT, IOT & IIoT and web applications
Threat monitoring for malicious traffic

Secure Access Control: Enforce policy based controls (H2 2019)
19 solutions on single platform .. and counting – reduce agent/vendor fatigue

DevOps-friendly capabilities

Solutions for CI/CD

Extending solutions into remediation & response
Qualys Platform Approach

Rapid expansion of R&D org

Building dedicated Data Lake & Data Science team

Key technology acquisitions & investments
# Acquisitions & Investments

<table>
<thead>
<tr>
<th>Company</th>
<th>Product</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nevis</td>
<td>Passive Scanning &amp; Secure Access Control</td>
</tr>
<tr>
<td>Netwatcher</td>
<td>Event Correlation Platform</td>
</tr>
<tr>
<td>1Mobility</td>
<td>Enterprise Mobility</td>
</tr>
<tr>
<td>Layered Insight</td>
<td>Built-in Runtime Container Security</td>
</tr>
<tr>
<td>42Crunch Investment</td>
<td>API Security</td>
</tr>
<tr>
<td>Adya</td>
<td>SaaS Security &amp; Compliance</td>
</tr>
<tr>
<td>Frog 1</td>
<td></td>
</tr>
</tbody>
</table>
Qualys Cloud Apps

**ASSET MANAGEMENT**
- **Asset Inventory**
  - Maintain full, instant visibility of all your global IT assets
- **CMDB Sync**
  - Synchronize asset information from Qualys into ServiceNow CMDB
- **Cloud Inventory**
  - Inventory of all your cloud assets across AWS, Azure, GCP and others
- **Certificate Inventory**
  - Inventory of TLS/SSL digital certificates on a global scale

**IT SECURITY**
- **Vulnerability Management**
  - Continuously detect and protect against attacks, anytime, anywhere
- **Container Security**
  - Discover, track, and continuously protect containers
- **Threat Protection**
  - Pinpoint your most critical threats and prioritize patching
- **Certificate Assessment**
  - Assess all your digital certificates for TLS/SSL vulnerabilities
- **Indication of Compromise**
  - Continuously monitor endpoints to detect suspicious activity

**COMPLIANCE MONITORING**
- **Policy Compliance**
  - Assess security configurations of IT systems throughout your network
- **Cloud Security Assessment**
  - Get full visibility and control across all public cloud instances
- **PCI Compliance**
  - Automate, simplify and attain PCI compliance quickly
- **File Integrity Monitoring**
  - Log and track file changes across global IT systems
- **Security Configuration Assessment**
  - Automate configuration assessment of global IT assets

**WEB APPLICATION SECURITY**
- **Web Application Scanning**
  - Secure web applications with end-to-end protection
- **Web Application Firewall**
  - Block attacks and virtually patch web application vulnerabilities
Q4 2018 releases

- **PM**: Patch Management – beta
- **AM**: Global IT Asset Management (managed assets) – GA
- **PAS**: Passive Network Sensor (unmanaged assets) – beta

2018 2019
2019 – Even more apps to come!

Patch Management - GA
Secure Enterprise Mobility
Secure Access Control
API Security
Software Composition Analysis
Breach and Attack Simulation
Security Data Lake & Correlation Platform
Run-Time Container Security
Certificate Management
Cloud Security
DEMO
Unified Dashboards
Thank You

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Qualys’ Business Model For the Digital Age

Melissa Fisher, CFO

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Qualys Business Model
Leveraging Cloud Based Delivery

The Platform is the distribution channel

Key Elements of a disruptive model delivering high profitability
# Qualys Cloud Platform Scalability

**GLOBAL IT ASSET MANAGEMENT**
- AI: Asset Inventory
- SYN: CMDB Sync
- CRI: Certificate Inventory

**COMPLIANCE**
- PC: Policy Compliance
- SCA: Security Configuration Assessment
- PCI: PCI Compliance
- FIM: File Integrity Monitoring
- SAQ: Security Assessment Questionnaire
- OCA: Out-of-Band Configuration Assessment

**IT SECURITY**
- VM: Vulnerability Management
- TP: Threat Protection
- CM: Continuous Monitoring
- IOC: Indication of Compromise
- CRA: Certificate Assessment

**CLOUD/CONTAINER SECURITY**
- CI: Cloud Inventory
- CSA: Cloud Security Assessment
- CS: Container Security

**WEB APP SECURITY**
- WAS: Web App Scanning
- WAP: Web App Firewall
Maintaining Low Cost of Revenue while Launching New Products

Source: Morgan Stanley excluding OneSpan
Maintaining R&D Efficiency while Increasing Product Deployment

Source: Morgan Stanley excluding OneSpan
Attracting Top R&D Talent while Leveraging a Low Cost Geography

- % of R&D Headcount in India: 2016 - 47%, 2017 - 63%, 2018 - 72%
- R&D as % of Revenue: 2016 - 16%, 2017 - 16%, 2018 - 16%
- R&D as % of Revenue: PF for all US Team: 2016 - 23%, 2017 - 29%, 2018 - 35%

Note: 'PF for all US Team' represents the estimated cost as % of revenue if India R&D headcount were employed in US
Built-In Sales Productivity as “Farmers” Support Customer Growth

($ in millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Renewal and Upsell Revenue</th>
<th>Sales HC of “Farmers”</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$185</td>
<td>15% CAGR</td>
</tr>
<tr>
<td>2017</td>
<td>$219</td>
<td>20% CAGR</td>
</tr>
<tr>
<td>2018</td>
<td>$267</td>
<td></td>
</tr>
</tbody>
</table>

($ in millions)
... through Multi-Product Adoption

<table>
<thead>
<tr>
<th></th>
<th>2+ solutions</th>
<th>3+ solutions</th>
<th>4+ solutions</th>
<th>5+ solutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q4 FY15</td>
<td>58%</td>
<td>20%</td>
<td>3%</td>
<td>0%</td>
</tr>
<tr>
<td>Q4 FY16</td>
<td>61%</td>
<td>26%</td>
<td>8%</td>
<td>3%</td>
</tr>
<tr>
<td>Q4 FY17</td>
<td>66%</td>
<td>32%</td>
<td>15%</td>
<td>6%</td>
</tr>
<tr>
<td>Q4 FY18</td>
<td>70%</td>
<td>41%</td>
<td>21%</td>
<td>10%</td>
</tr>
</tbody>
</table>

% of Enterprise customers with select number of solutions
...Generating Higher ARPU
Enterprise customers with 4+ solutions spend over 5x that of 1-solution customers

Avg. LTM revenues per customer ($ in thousands)

2015 2016 2017 2018

$49 $52 $49 $52

$140 $207 $200 $212

$142 $164 $273 $266

= 5x spend

1 app

3+ apps

4+ apps

($ in thousands)
Qualys Cloud Platform Enables Top Tier LTV/CAC

Note: Calculated using Barclay’s Research methodology using GAAP financials:
CAC = 80% of PY S&M; LTV = Net New Revenue multiplied by Gross Margin divided by Churn Rate (assumption 8%)
Delivering a Best-In-Class Operating Model

### Expense as a % of revenue

<table>
<thead>
<tr>
<th>Category</th>
<th>Qualys</th>
<th>Peer Median</th>
</tr>
</thead>
<tbody>
<tr>
<td>G&amp;A</td>
<td>9%</td>
<td>11%</td>
</tr>
<tr>
<td>S&amp;M</td>
<td>23%</td>
<td>40%</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>16%</td>
<td>17%</td>
</tr>
<tr>
<td>COGS</td>
<td>22%</td>
<td>22%</td>
</tr>
</tbody>
</table>

Note: 2018 Expenses as % of revenue (Non-GAAP); Source: Morgan Stanley excluding OneSpan
Resulting in Industry-leading Margins

2018 EBITDA margin vs. select Security and SaaS peers

Peer Median: 12%

Source: Morgan Stanley
Summary

Bringing a Unique Value Proposition to our Customers and Investors

Global IT Asset Inventory
Stack Consolidation
Building Security into their Digital Transformation
A Company Highly Profitable and Built to Last
Thank You

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Q&A
Appendix
## Reconciliation of Adjusted EBITDA

($ in millions)

<table>
<thead>
<tr>
<th>Item</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income</td>
<td>$19.2</td>
<td>$40.4</td>
<td>$57.3</td>
</tr>
<tr>
<td>Depreciation and amortization of property and equipment</td>
<td>16.6</td>
<td>19.8</td>
<td>25.1</td>
</tr>
<tr>
<td>Amortization of intangible assets</td>
<td>0.4</td>
<td>0.8</td>
<td>3.8</td>
</tr>
<tr>
<td>Interest expense</td>
<td>0.0</td>
<td>0.0</td>
<td>0.2</td>
</tr>
<tr>
<td>Provision for (benefit from) income taxes</td>
<td>11.2</td>
<td>(1.1)</td>
<td>(1.8)</td>
</tr>
<tr>
<td>Stock based compensation</td>
<td>20.1</td>
<td>27.0</td>
<td>30.1</td>
</tr>
<tr>
<td>Other (income) expenses, net</td>
<td>(0.3)</td>
<td>(2.1)</td>
<td>(5.3)</td>
</tr>
<tr>
<td>Acquisition-related expense</td>
<td>-</td>
<td>0.1</td>
<td>3.0</td>
</tr>
<tr>
<td>One-time tax related expense</td>
<td>0.7</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Adjusted EBITDA</strong></td>
<td><strong>$68.0</strong></td>
<td><strong>$84.9</strong></td>
<td><strong>$112.4</strong></td>
</tr>
</tbody>
</table>
## Reconciliation of Non-GAAP Expenses

($ in millions, except per diluted share metric)

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GAAP Cost of revenues</strong></td>
<td>$43.1</td>
<td>$51.6</td>
<td>$66.2</td>
</tr>
<tr>
<td>Less: Stock-based compensation</td>
<td>(1.9)</td>
<td>(2.2)</td>
<td>(2.5)</td>
</tr>
<tr>
<td>Less: Intangible asset amortization</td>
<td>-</td>
<td>(0.5)</td>
<td>(3.6)</td>
</tr>
<tr>
<td><strong>Non-GAAP Cost of revenues</strong></td>
<td>$41.3</td>
<td>$49.0</td>
<td>$60.1</td>
</tr>
</tbody>
</table>

| **GAAP Research and development** | $36.6  | $42.8  | $53.3  |
| Less: Stock-based compensation   | (5.7)  | (5.9)  | (8.0)  |
| Less: Cash acquisition-related expense (1) | - | (0.0)  | (1.2)  |
| Less: Intangible asset amortization | -  | (0.3)  | (0.1)  |
| **Non-GAAP Research and development** | $30.9  | $36.6  | $44.0  |

| **GAAP Sales and marketing**     | $59.0  | $63.9  | $70.0  |
| Less: Stock-based compensation   | (4.9)  | (4.8)  | (4.7)  |
| Less: Cash acquisition-related expense (1) | - | (0.1)  | (1.8)  |
| **Non-GAAP Sales and marketing** | $54.1  | $59.0  | $63.6  |

| **GAAP General and administrative** | $29.1  | $35.3  | $39.0  |
| Less: Stock-based compensation   | (7.7)  | (14.1) | (15.0) |
| Less: One-time tax related expense | (0.7)  | -     | -      |
| **Non-GAAP General and administrative** | $20.7  | $21.2  | $24.1  |

(1) Relates to compensation expense from the acquisition of NetWatcher and Layered Insight.