



QUALYS SECURITY CONFERENCE 2018

# QLYS Analysts & Investors Day

Making the World Safer - One App at a Time

**Qualys Security Conference**

Las Vegas, November 15<sup>th</sup>, 2018

# Safe Harbor

Good morning, and welcome to Qualys 2018 Analyst and Investor Day. Today, we have a series of presentations from the Qualys executive team, including product demos by Sumedh Thakar, our Chief Product Officer. Before we get started, I'd like to note that the presentations given today at the event may include 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 these presentations 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 long-term financial model; our ability to sell additional solutions to our customer base and the strength of demand for those solutions; the expected rate of adoption of our platform; 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 Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on November 5, 2018, and our latest Annual Report on Form 10-K, filed with the Securities and Exchange Commission on February 23, 2018. The forward-looking statements in these presentations 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 these presentations 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 these presentations to the most directly comparable GAAP financial measures, are included in the appendix of this presentation.

At the conclusion of this event, a replay of the webcast, along with management presentations will be made available in our IR website. We'll open for Q&A once the presentation is finished. With that, I'd like to introduce you to Philippe Courtot, our Chairman and CEO.

# Agenda

9:00am-9:45am

**Where are we now. Where are we going and where is the industry going?**

by Philippe Courtot, Chairman and CEO

9:45am-10:45am

**QLYS Disruptive cloud platform and 2019 roadmap**

by Sumedh Thakar, Chief Product Officer, Qualys

10:45am-11:15am

**Measuring QLYS business model and performance**

by Melissa Fisher, CFO, Qualys

11:15am-11:30am

**Break**

11:30am-12:15pm

**The view from a QLYS customer**

by Peeyush Patel, VP of Information Security, Experian

12:15pm-1:30pm

**Keynote Lunch - The view from Industry Analysts**

by Scott Crawford, Research Director, 451 Research

# Our Beginnings

## **Qualys Cloud Platform 1.0**

The Vulnerability  
Management years  
– 1999 to 2011

Huge resistance to  
Cloud adoption

Scalability/accuracy

Consolidation  
of best-of-breed  
solutions



# Where Are We Now?

## **Qualys Cloud Platform 2.0**

Integrated suite of security and compliance solutions  
- 2012 to 2018

Major re-architecting of the Back-End

Started Ops, DevOps, Customer Support and Engineering In India

Expanded our solution to more than 10 Apps and made our first technology acquisitions

# Where Are We Going?

## **Qualys Cloud Platform 3.0**

Single pane view that unifies IT, security & compliance - Entering the OT and IOT space  
- 2019 to 2021

**Global IT Asset Inventory**

**Consolidating more solutions**

**Bringing to market an integrated Incidence response solution**

# Where is the Industry Going?

## **Major Consolidation**

The era of the Cloud is coming fast and unavoidable  
- 2019 to 2021

The Rise of the Public Cloud Platforms

Building-In  
Not Bolting-on

Accelerated Consolidation



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# Thank You

**Philippe Courtot**  
pcourtot@qualys.com



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# Regaining Our Lost Visibility

Making the World Safer - One App at a Time

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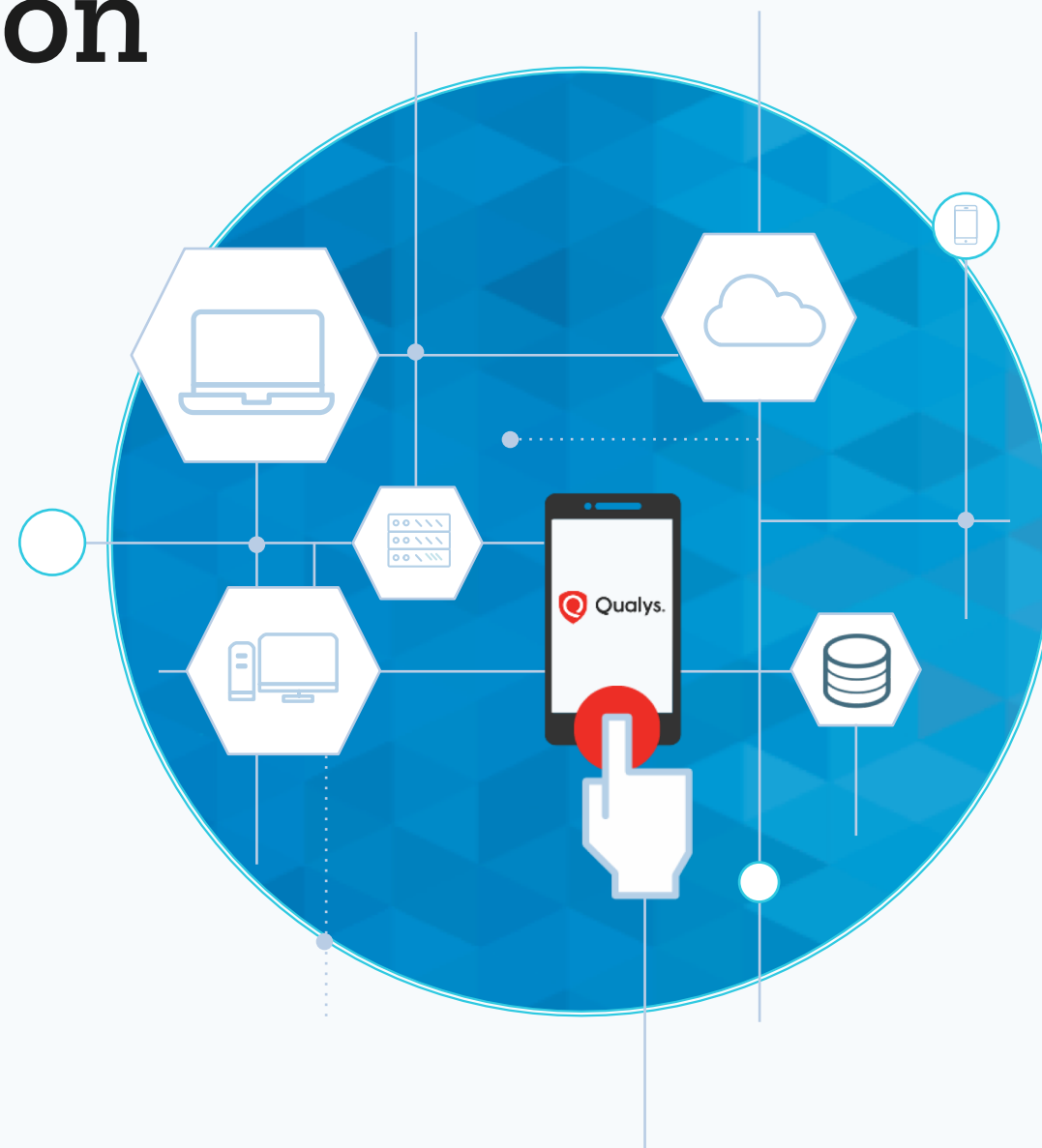
# IT Transformation

## Infrastructure & Application

# Digital Transformation

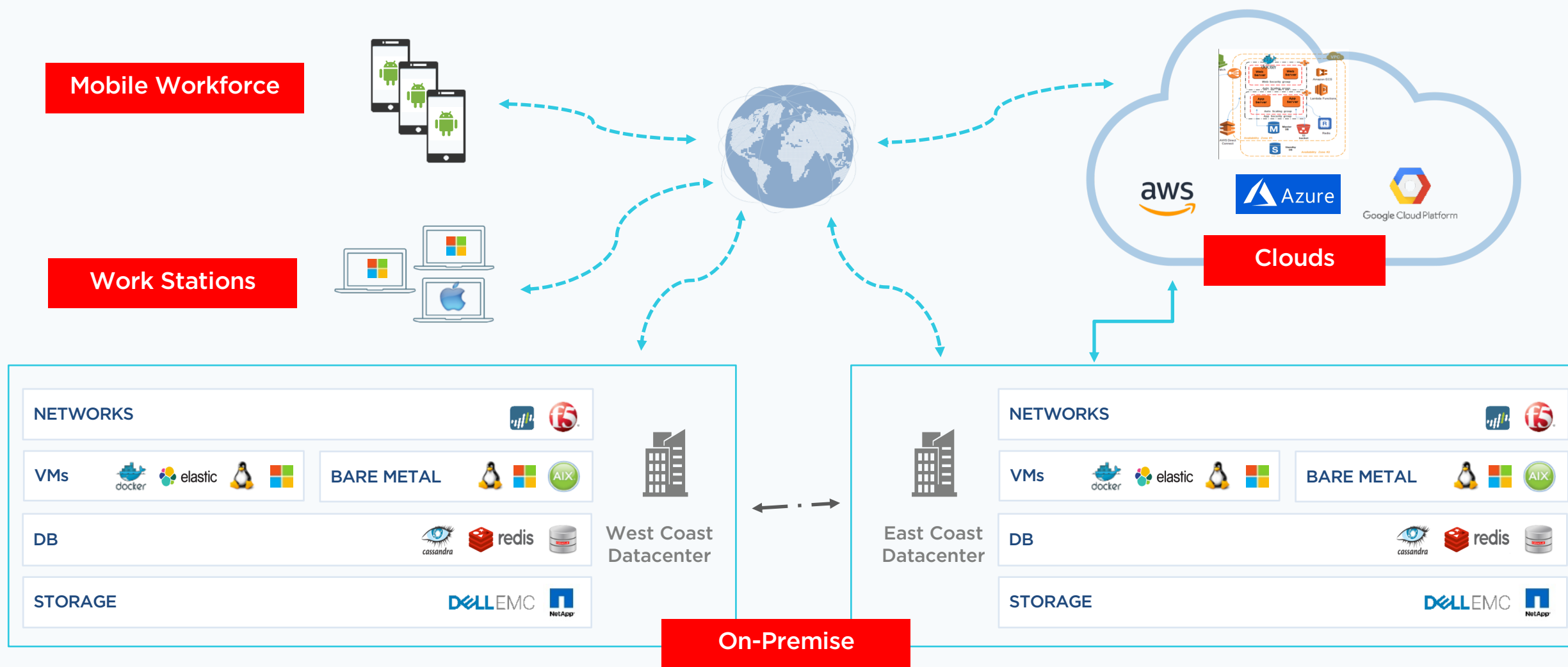
Holistic Transformation of  
Business to Digital

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





# Hybrid Cloud Overview Architecture



# Containers

Real game changer

Hypervisor disappearing, bare metal is back

Kubernetes Infrastructure-as-code

Container-as-a-Service AWS Fargate

AWS Lambda function-as-a-service, serverless

Kubefed

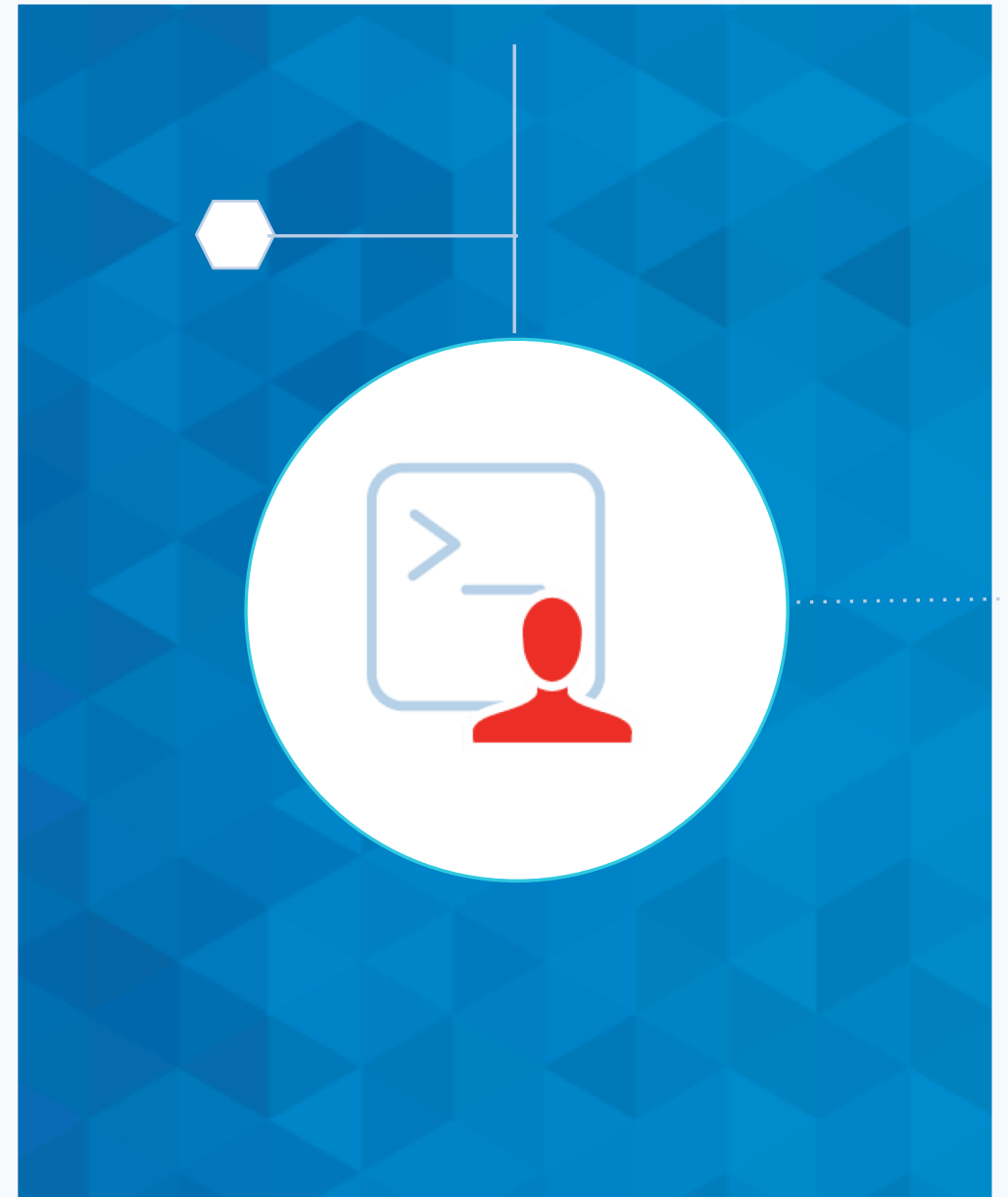


# DevOps

Accelerating Rapidly

Developer decides how infrastructure runs in production

Changing decision makers



# On-Prem

Shrinking Datacenter Footprint

Increasing OT & IIoT

Corp IT - more distributed & mobile

More IoT!



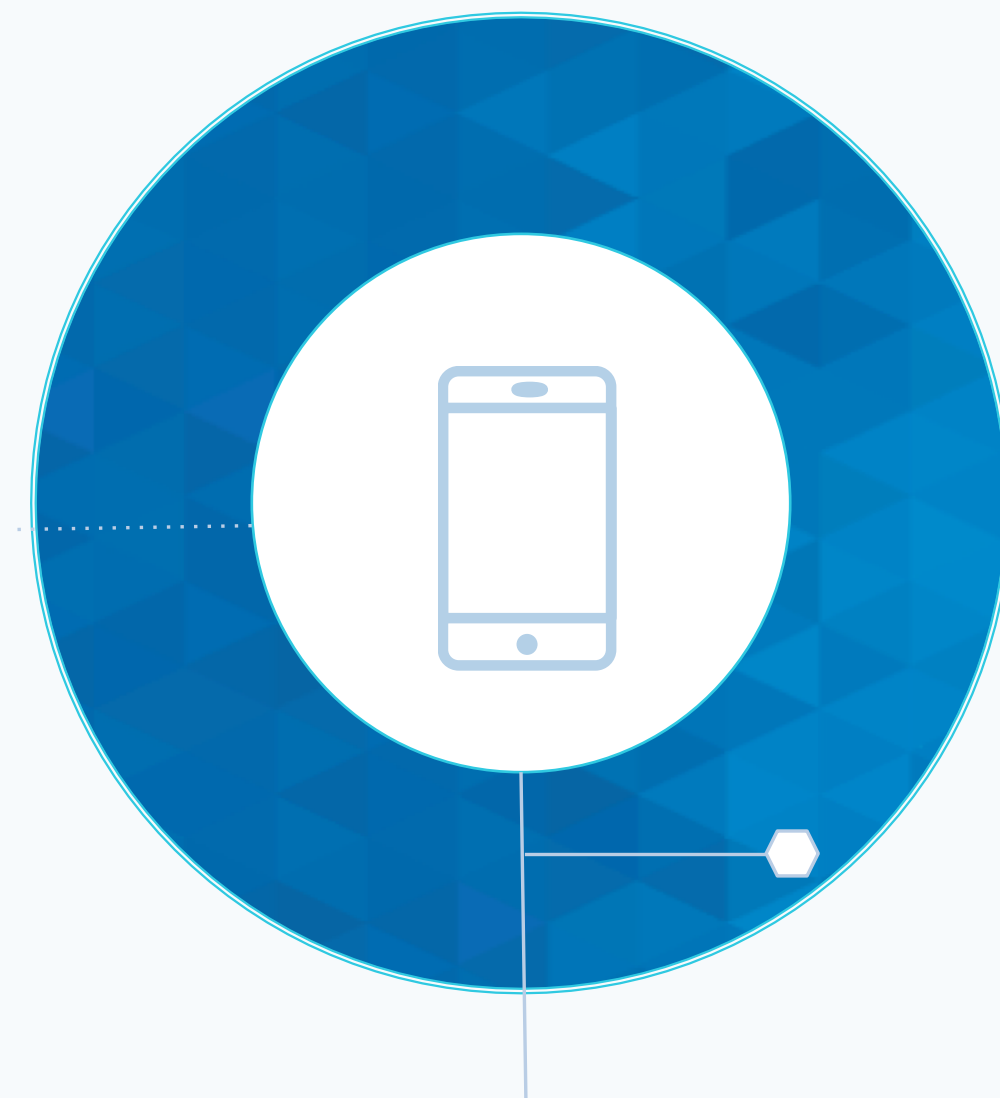
# Enterprise Mobility != BYoD

Enterprise owned handheld devices

Indispensable to modern business

Running apps handling sensitive  
business & consumer data

Mobile!



# Web Apps & APIs

Explosion for B2B and B2C interaction

Wide window into all sensitive data



# SaaS

No infrastructure to manage

No Applications to code or manage





# Security

# Current State

No visibility across global hybrid infrastructure

Still need to do Vulnerability & Configuration management

Still need to monitor integrity of systems(?)

More data incoming into “SIEM” deployments not scaling

Basically no visibility to respond

Compliance demands on new infrastructure





# Future of Security

Transparent Orchestration

Built-in Automation the only real solution

Starts in DevOPs

New generation of Security Analytics platforms



# Qualys

## Embracing our own Digital Transformation

# Cloud Platform Environment

Security at scale on hybrid clouds

**15+** products providing comprehensive suite of security solutions

**10,300+** customers

**7** shared cloud platforms across North America, Europe & Asia

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



# Cloud Platform Highlights

**1+ trillion** security events annually

**3+ billion** scans annually

**2.5+ billion** messages daily across Kafka clusters

**620+ billion** data points indexed in our Elasticsearch clusters

Unprecedented **2-second** visibility





# Qualys Cloud Platform Architecture

## Integrated Suite of Applications



## Analytics and Reporting Engines



## Distributed Sensors



# Qualys Sensors

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



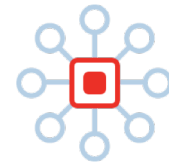
## Passive

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

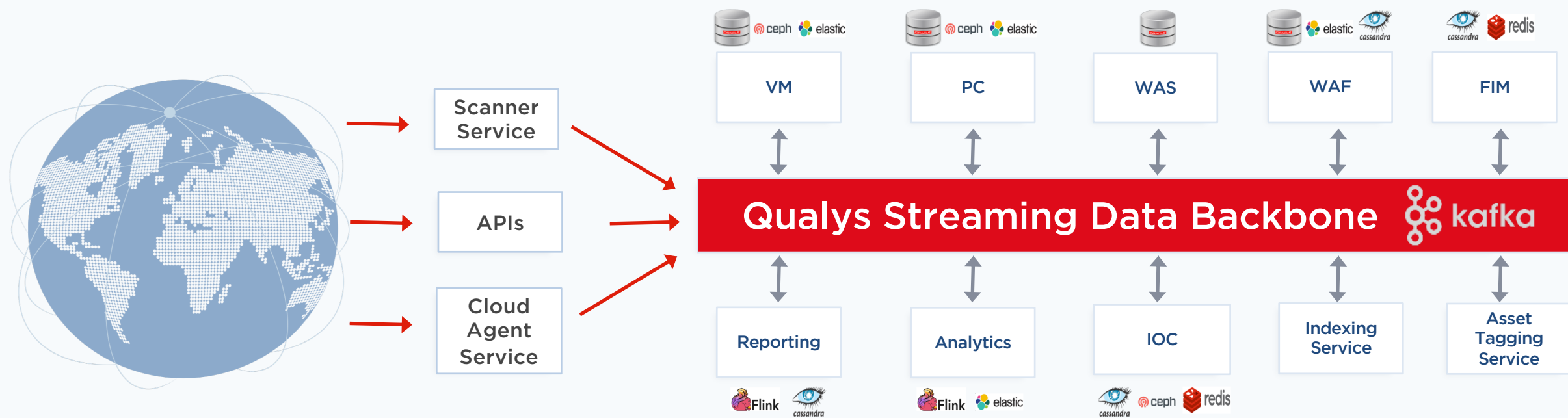
CMDB Integration

Log connectors

Agentless + Agent Based + Passive

# Qualys Cloud Platform Backend

Scalable, Micro-services, DevOps



# Qualys Platform Approach

Extending solutions into remediation & response

Rapid expansion of R&D org

Focus on data lake for security analytics

Key technology acquisitions & Investments



# Acquisitions & Investments

**Nevis**

Passive scanning & Secure access control

**Netwatcher**

Event Correlation Platform

**1Mobility**

Enterprise Mobility

**Layered Insight**

built-in Runtime container Security

**42Crunch Investment**

API security

# Qualys Cloud Apps

## ASSET MANAGEMENT

**AI** **Asset Inventory**  
Maintain full, instant visibility of all your global IT assets

**SYN** **CMDB Sync**  
Synchronize asset information from Qualys into ServiceNow CMDB

**CI** **Cloud Inventory**  
Inventory of all your cloud assets across AWS, Azure, GCP and others

**CRI** **Certificate Inventory**  
Inventory of TLS/SSL digital certificates on a global scale

## IT SECURITY

**VM** **Vulnerability Management**  
Continuously detect and protect against attacks, anytime, anywhere

**TP** **Threat Protection**  
Pinpoint your most critical threats and prioritize patching

**CM** **Continuous Monitoring**  
Alerts you in real time about network irregularities

**IOC** **Indication of Compromise**  
Continuously monitor endpoints to detect suspicious activity

**CS** **Container Security**  
Discover, track, and continuously protect containers

**CRA** **Certificate Assessment**  
Assess all your digital certificates for TLS/SSL vulnerabilities

## COMPLIANCE MONITORING

**PC** **Policy Compliance**  
Assess security configurations of IT systems throughout your network

**PCI** **PCI Compliance**  
Automate, simplify and attain PCI compliance quickly

**FIM** **File Integrity Monitoring**  
Log and track file changes across global IT systems

**SCA** **Security Configuration Assessment**  
Automate configuration assessment of global IT assets

**CSA** **Cloud Security Assessment**  
Get full visibility and control across all public cloud instances

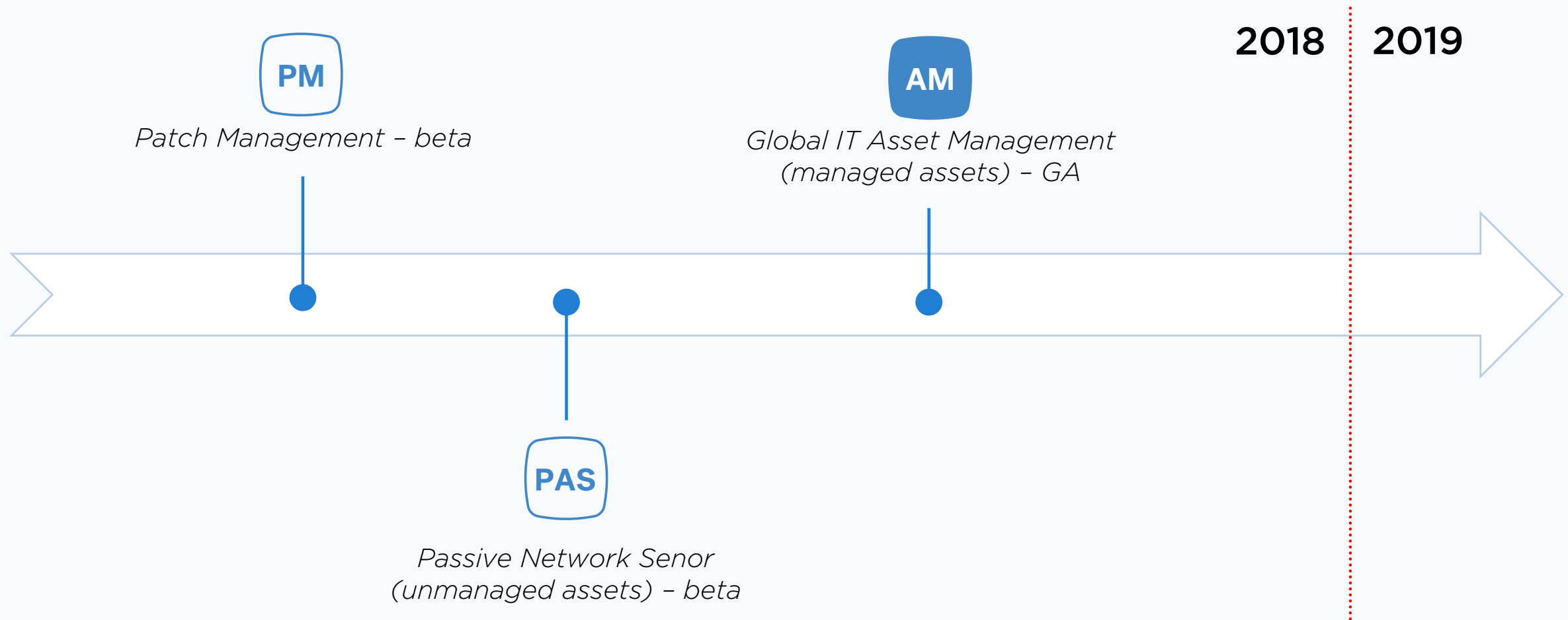
**SAQ** **Security Assessment Questionnaire**  
Minimize the risk of doing business with vendors and other third parties

## WEB APPLICATION SECURITY

**WAS** **Web Application Scanning**  
Secure web applications with end-to-end protection

**WAF** **Web Application Firewall**  
Block attacks and virtually patch web application vulnerabilities

# Q4 2018 – more apps to come





# H1 2019 – Even More Apps to Come!

**Secure Access Control** - Respond to threats automatically by controlling access to critical resources

**Certificate Management** - Automated renewing and management of digital certificates

**Cloud Security Management** - Remediation and management of cloud vulnerabilities

**Secure Enterprise Mobility** - Continuous visibility, security and compliance of enterprise mobile devices

**Run-Time Container Security** - Runtime defense and automated policy enforcement to protect against breaches and anomalies

DEMO

# It's the Platform!

Regaining our lost visibility



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# Thank You

**Sumedh Thakar**  
sthakar@qualys.com



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# Measuring QLYS' Business Model and Performance

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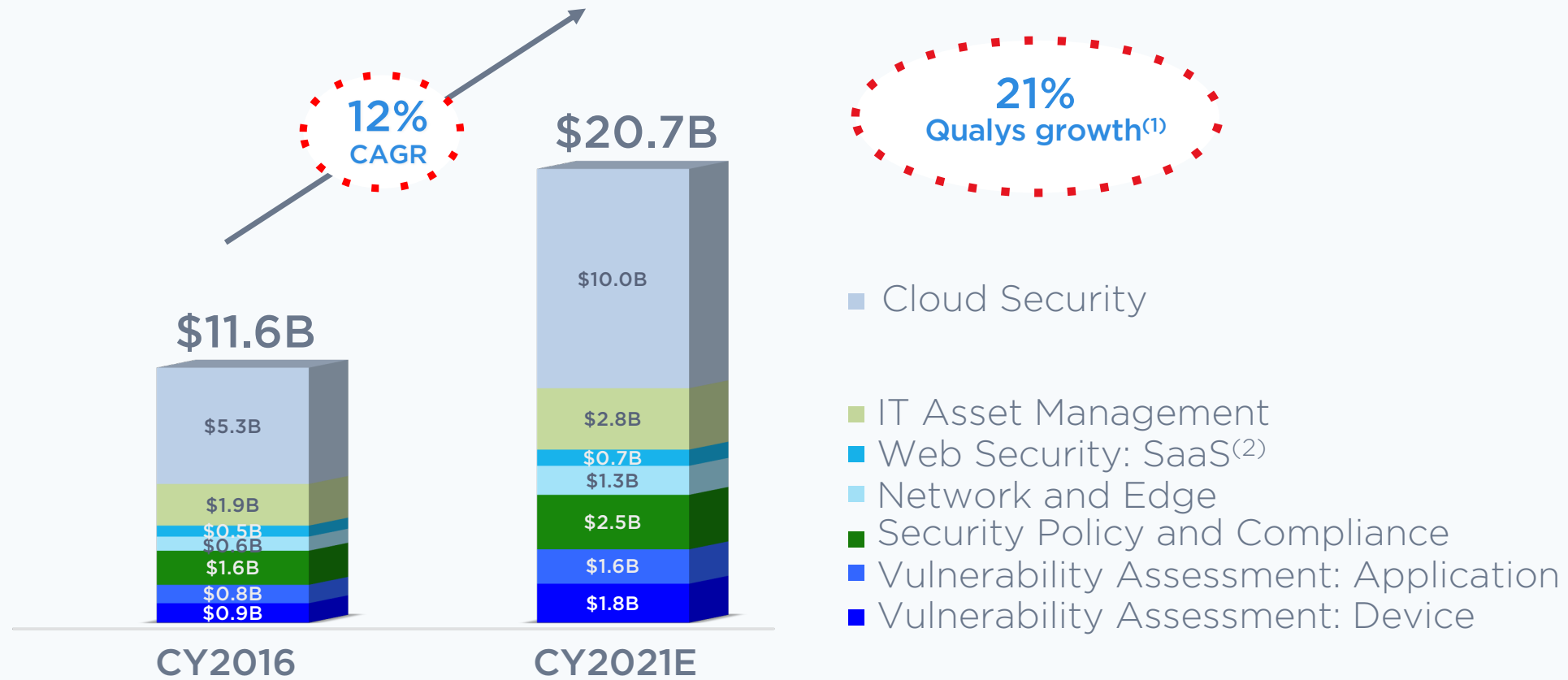
# The QLYS Cloud Platform Model

Drives Multi-Product Adoption

Provides Operating Leverage

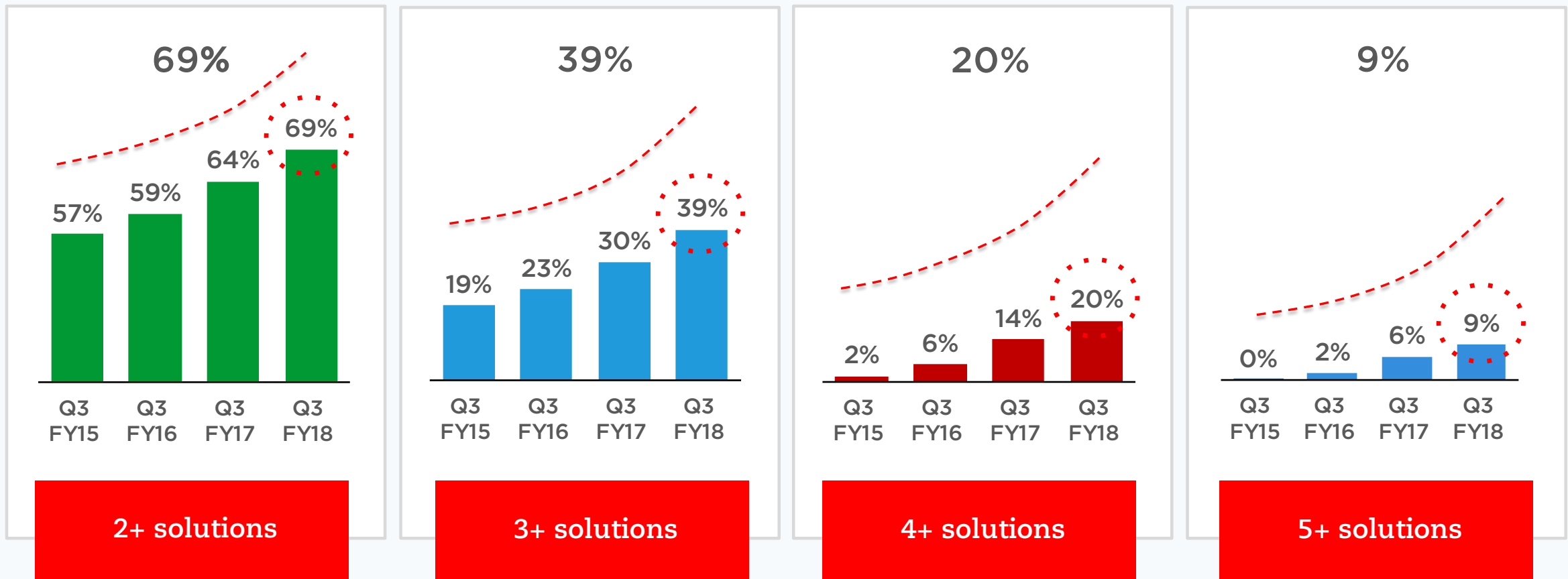
Delivers Profitable Growth

# Expanding Our TAM



(1) Midpoint of 2018 Revenue Guidance  
 (2) 2015 to 2020E period  
 Source: IDC

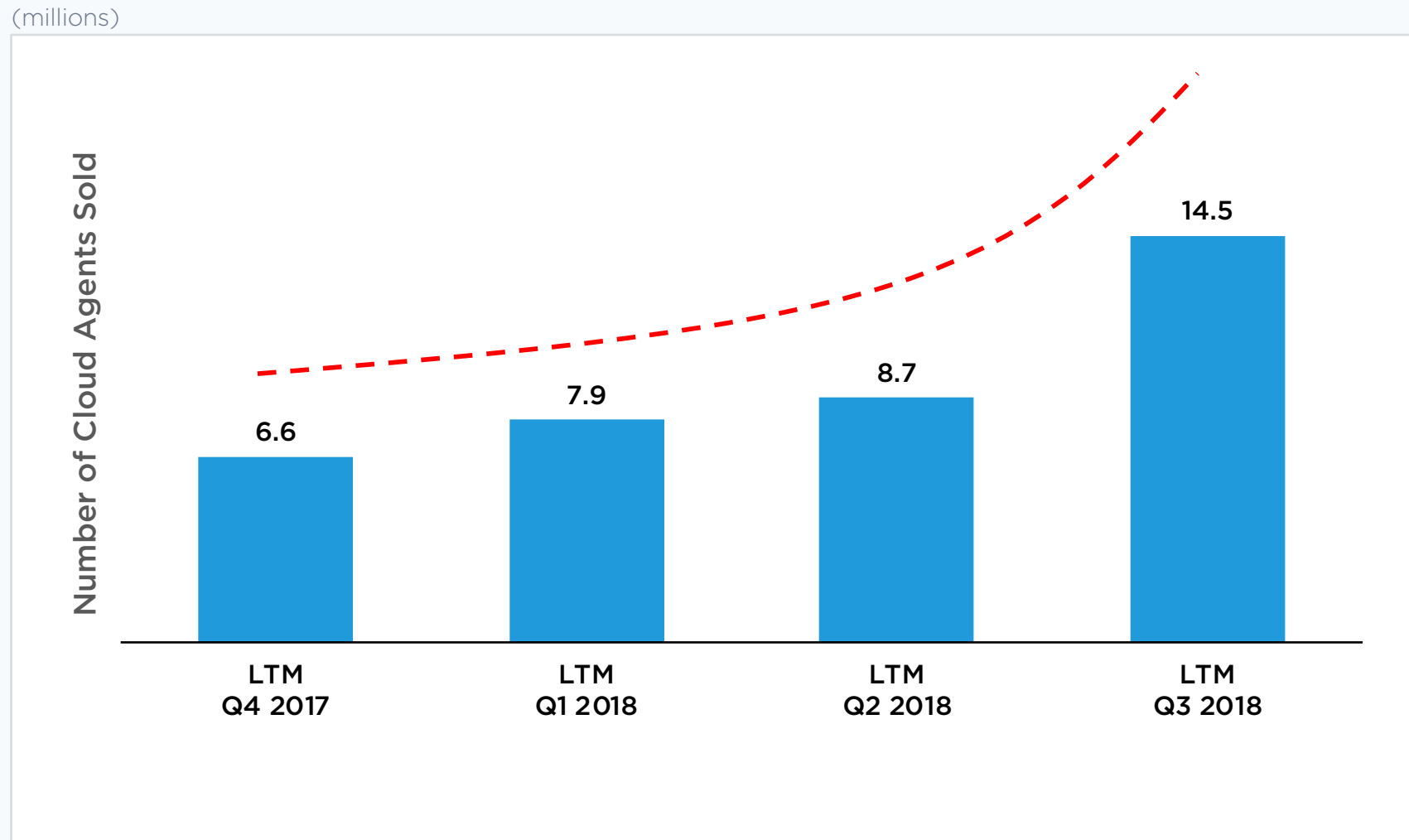
# Platform Adoption Is Accelerating...



% of Enterprise customers with select number of solutions



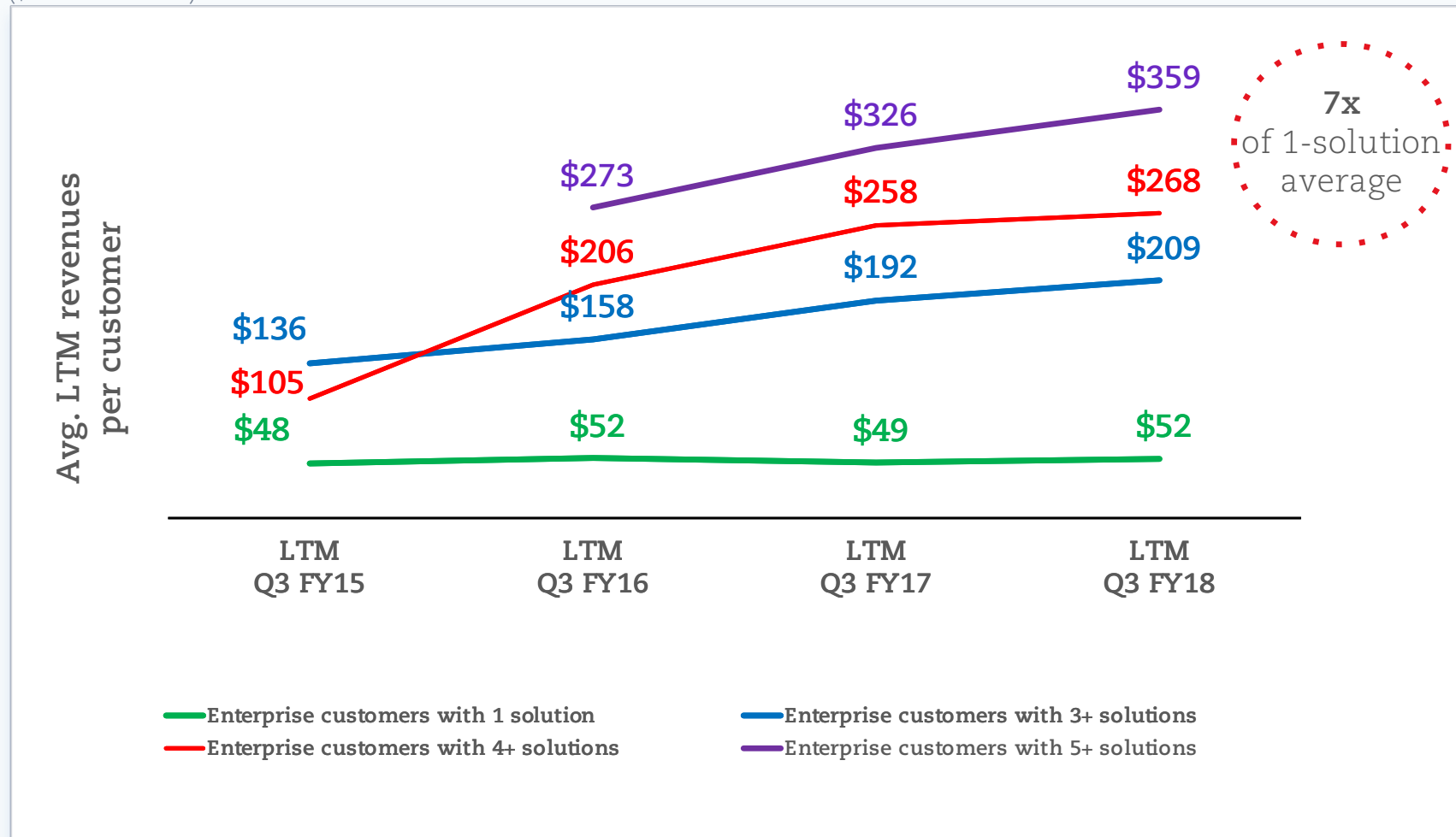
# ...In Part Due to Increasing Cloud Agent Adoption...



Note: Adjusted from Q3 2018 Earnings

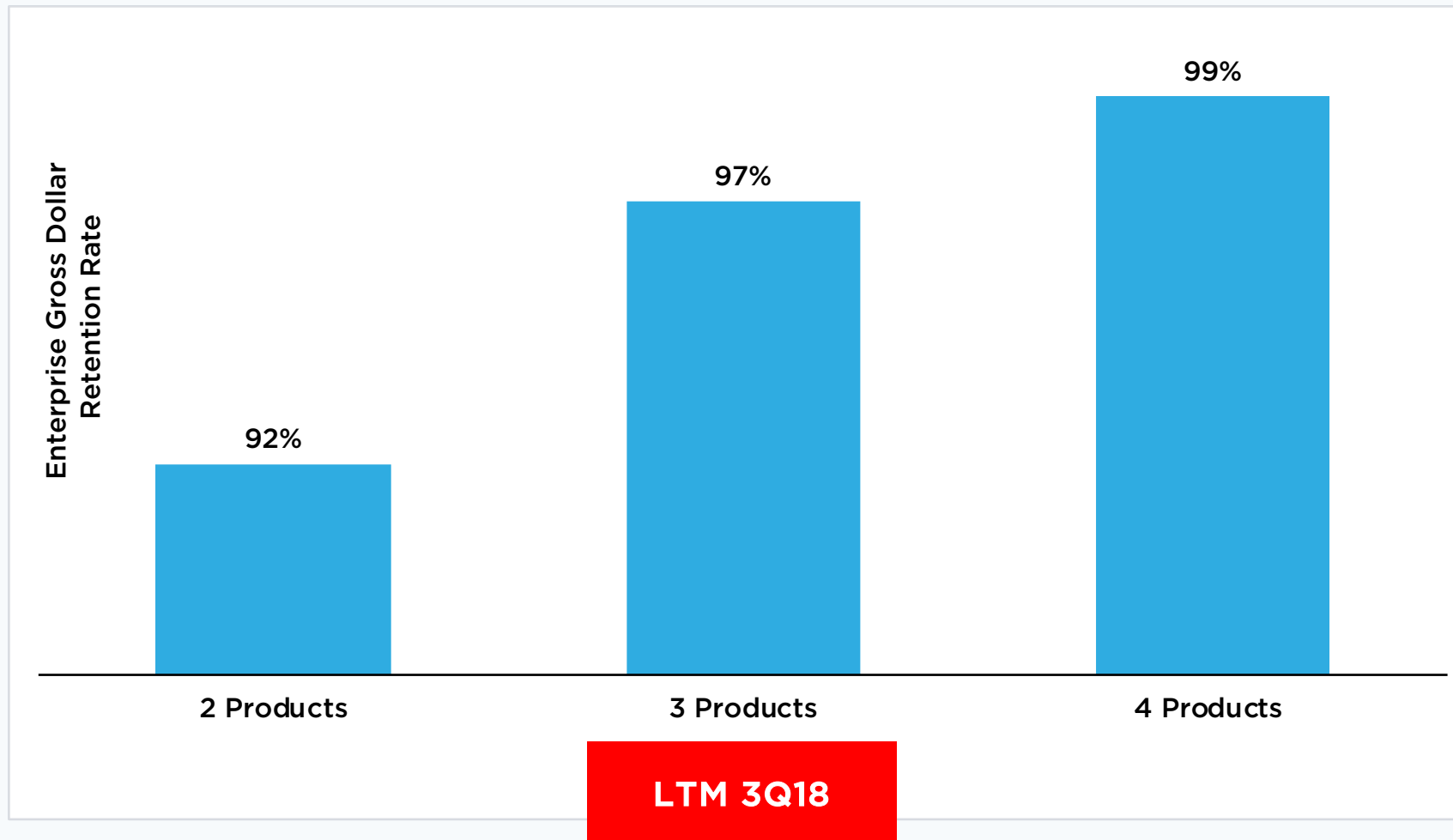
# ...Driving Higher Revenues...

(\$ in thousands)



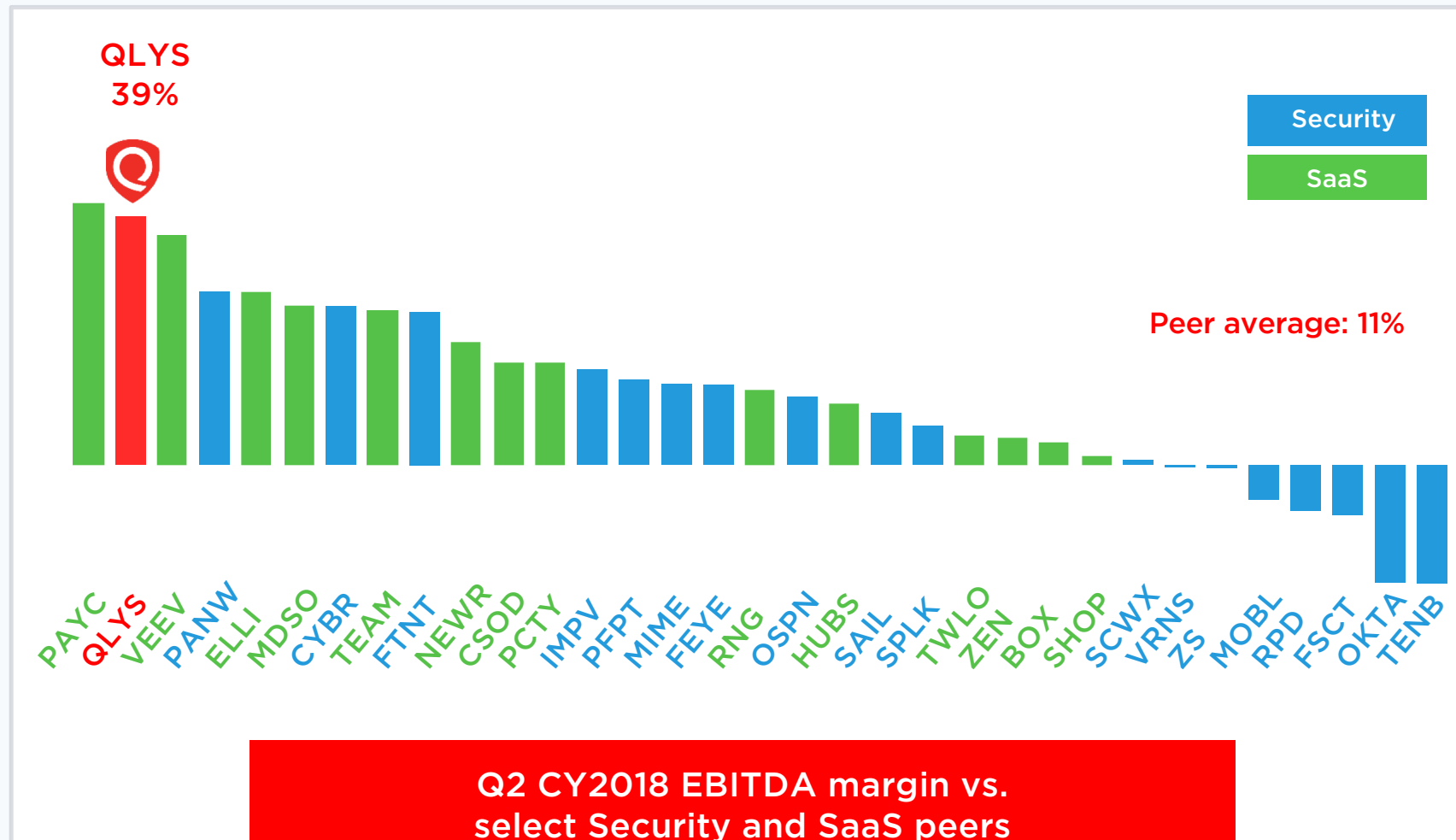
Note: Enterprise customers with 5+ solutions not meaningful in Q3 FY15

# ...and Increased Stickiness



Note: Gross Dollar Retention Rate is the retention rate of prior year Enterprise ARR (excluding upsell and downsell) averaged over the last four quarters

# Platform Enables Best in Class Margins...

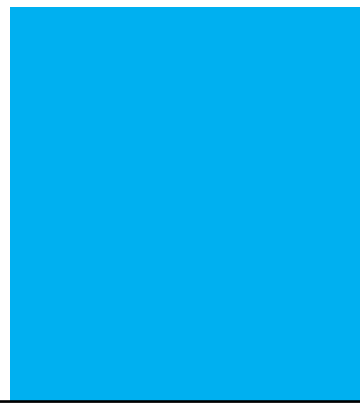


Source: J.P. Morgan

# ...Driven by a Scalable Operational Model...

**% of Customer Support, Operations, and R&D headcount in India**

58%



2017

**Attracting Top & Loyal Talent**

**R&D as a % of 2017 Revenues**

16%



Actual

29%



PF for all US Team

**Leveraging Low Cost Geos**

**Revenue per S&M headcount**

\$1.2M

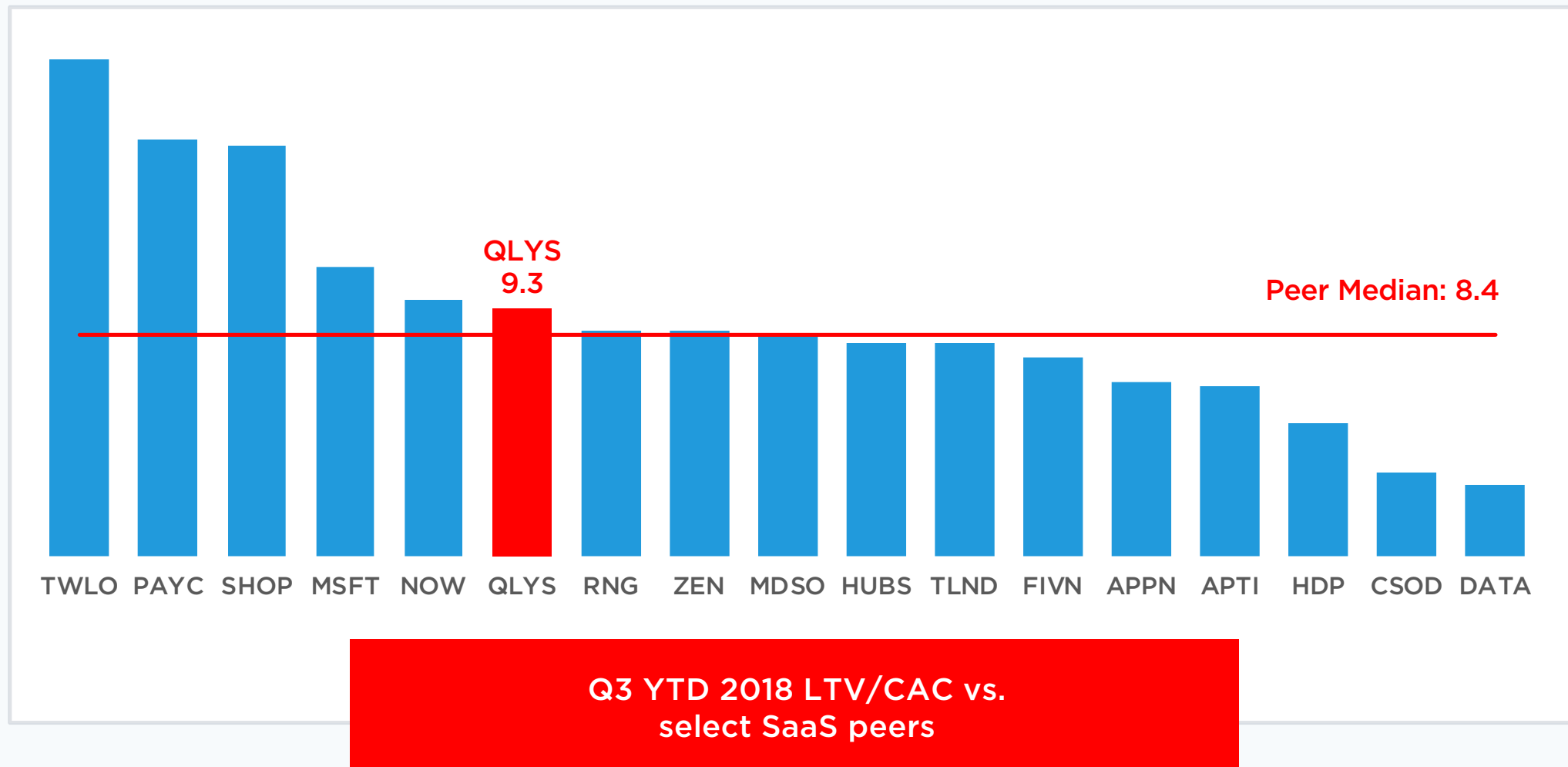


2017

**High Sales Leverage**

Note: 'PF for all US Team' represents the estimated cost as % of revenue if India R&D headcount were employed in US

# ... And a Top Tier LTV/CAC

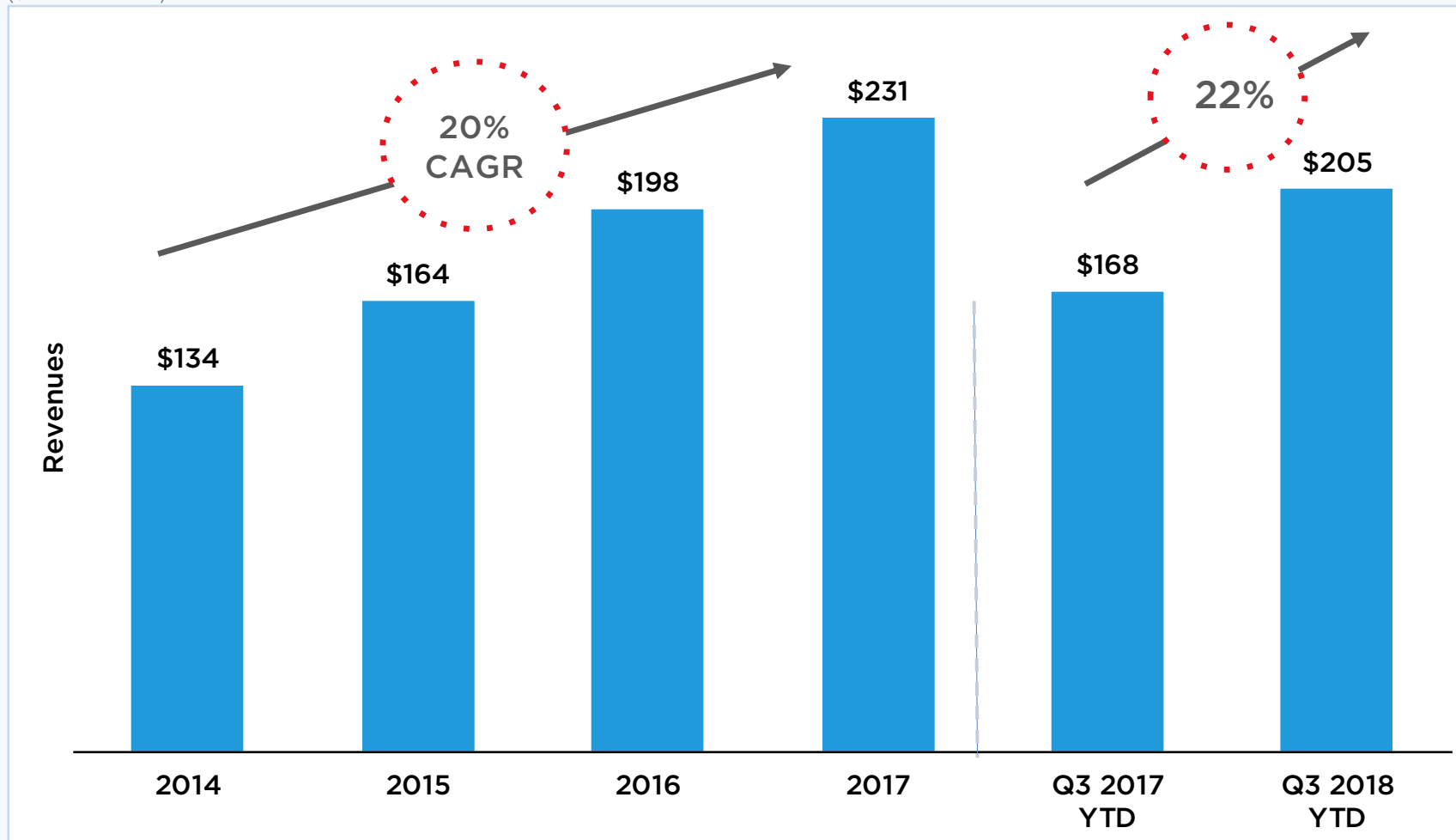


Note: Calculated using Barclay's Research methodology using GAAP financials:  
CAC = 80% of PY S&M; LTV = Net New Revenue multiplied by Gross Margin divided by Churn Rate (assumption 8%)

# Strong and Consistent Organic Revenue Growth

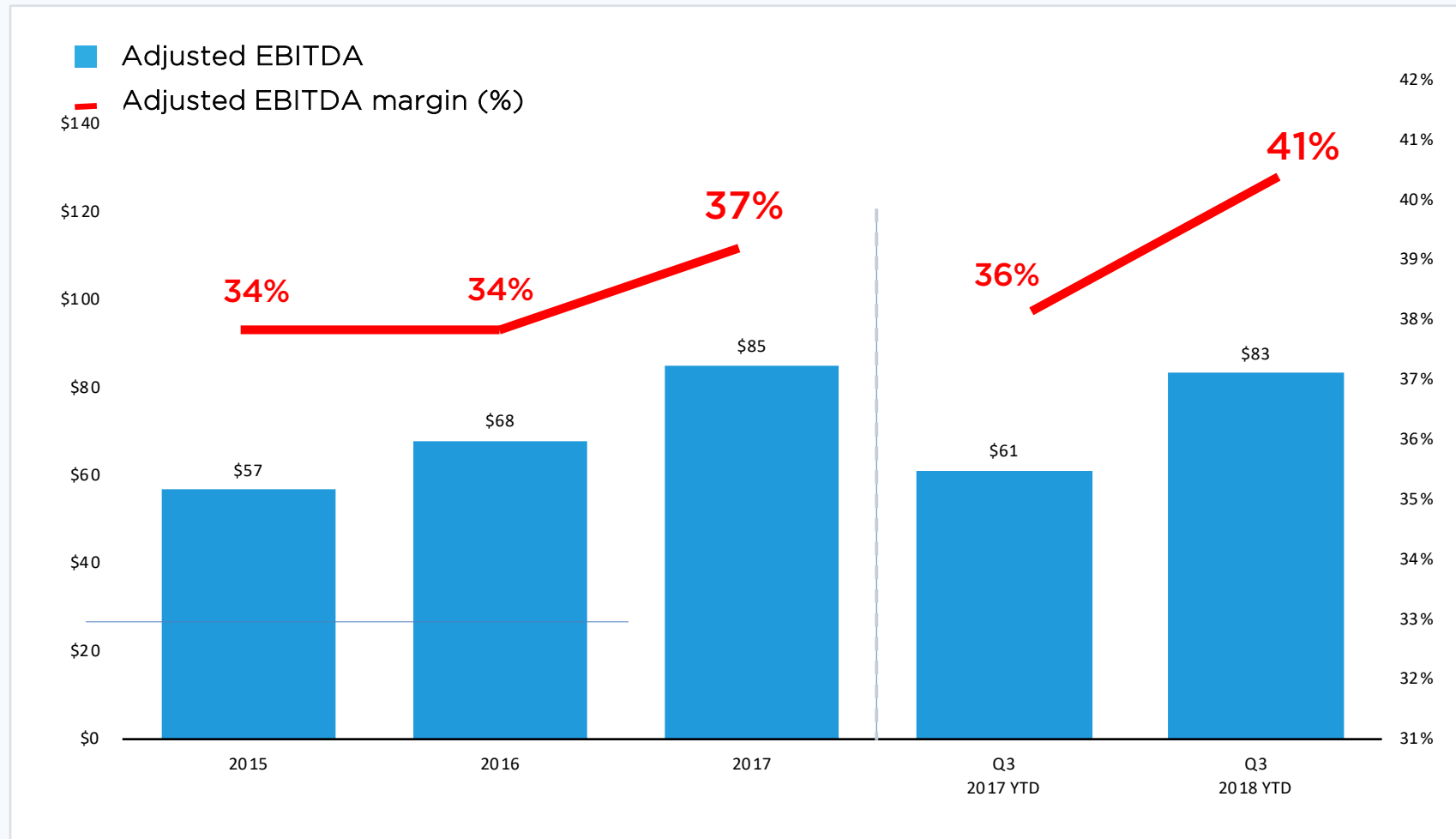
## Outperforming Market and Gaining Share

(\$ in millions)



# Expanding Industry-Leading EBITDA Margins

(\$ in millions)



Note: Non-GAAP financial measure. See Appendix for reconciliation to most comparable GAAP measure



# 2021 Long-Term Financial Model

As the platform adoption continues to increase, we expect to see in 2021:

Revenue growth of low 20s to mid 20s

Gross margins of approximately 80%

EBITDA margins of 40% to 42%

Non-GAAP free cash flow margins of 35% to 40%  
(assuming a 23% cash tax rate)

# QLYS Investment Highlights

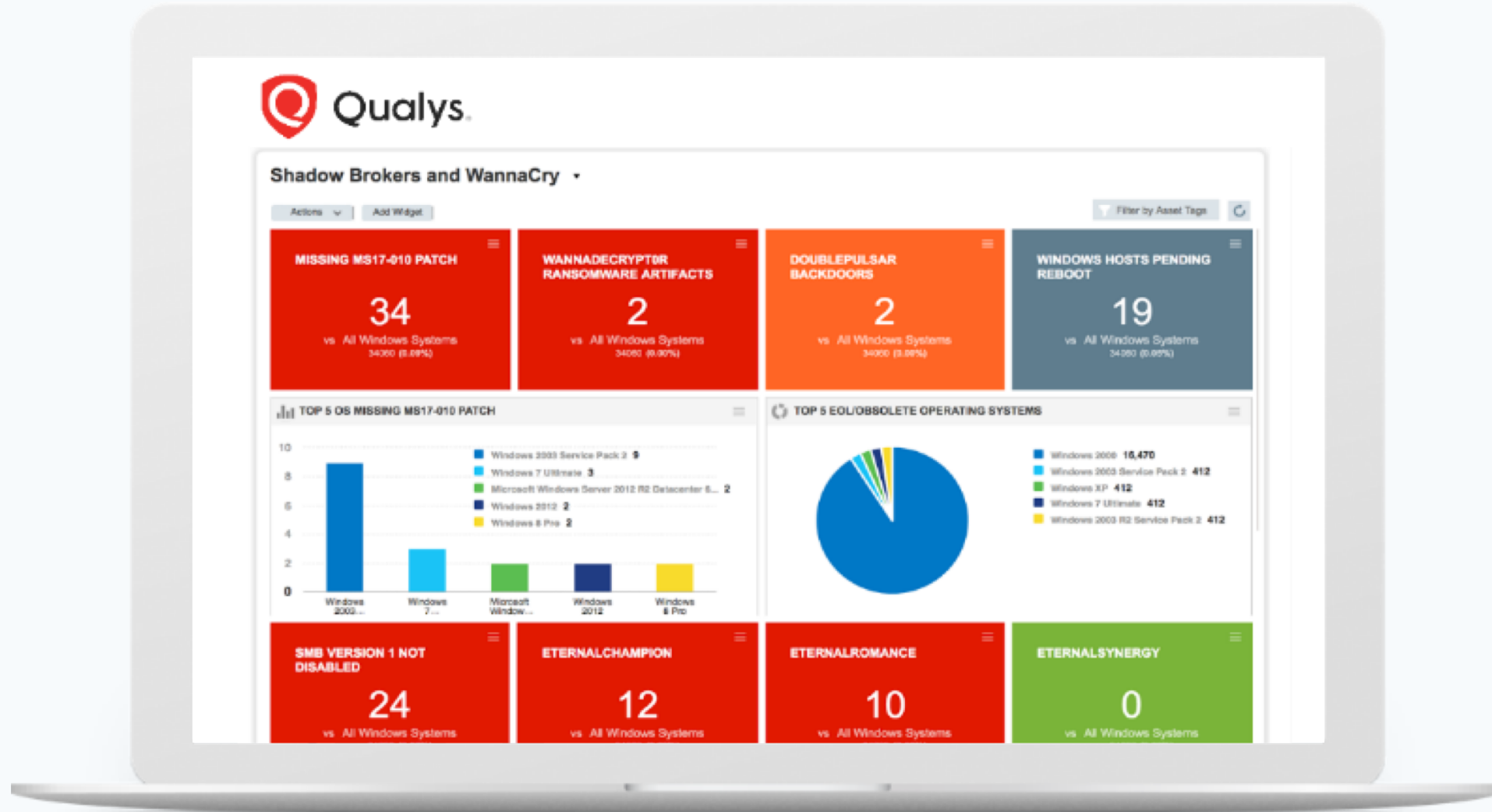
Uniquely positioned to capitalize on stack consolidation and move to the cloud

Multiple levers of recurring revenue growth

Scalable business model and industry-leading profitability

Early stages of building a highly profitable \$Bn+ revenue company

# Appendix



# Q4 2018 and Full Year 2018

## Guidance Reminder

### Q4 2018

Revenues in the range of \$73.7 to \$74.5 million, representing 17% to 18% growth over the same quarter in 2017

GAAP EPS in the range of \$0.17 to \$0.19 per diluted share

Non-GAAP EPS in the range of \$0.39 to \$0.41 per diluted share

### Full year 2018

Revenues in the range of \$278.4 million to \$279.2 million, representing 21% growth over the full year FY2017

GAAP EPS in the range of \$1.19 to \$1.21 per diluted share

Non-GAAP EPS in the range of \$1.62 to \$1.64 per diluted share

# Reconciliation of Adjusted EBITDA

(\$ in millions)

	2014	2015	2016	2017	Q3 2017 YTD	Q3 2018 YTD
Net income	\$30.2	\$15.9	\$19.2	\$40.4	\$37.6	\$42.9
Depreciation and amortization of property and equipment	11.5	14.0	16.6	19.8	14.7	18.9
Amortization of intangible assets	0.4	0.4	0.4	0.8	0.4	2.4
Interest expense	0.0	0.0	0.0	0.0	0.0	0.1
Provision for (benefit from) income taxes	(21.6)	8.7	11.2	(1.1)	(8.6)	(2.3)
Stock-based compensation	10.5	17.5	20.1	27.0	18.5	22.7
Other (income) expense, net	0.6	0.3	(0.3)	(2.1)	(1.5)	(3.4)
Acquisition-related expense	---	---	---	0.1	---	1.9
One-time tax related expense	---	---	0.7	---	---	---
<b>Adjusted EBITDA</b>	<b>\$31.7</b>	<b>\$56.7</b>	<b>\$68.0</b>	<b>\$84.9</b>	<b>\$61.1</b>	<b>\$83.2</b>

# Reconciliation of Non-GAAP Net Income

(\$ in millions, except per diluted share metric)

	2017	Q3 2018
GAAP Net income	\$40.4	\$23.5
Stock-based compensation	27.0	6.8
Intangible asset amortization (1)	0.5	0.8
Acquisition-related expense (2)	0.1	0.0
Tax adjustment	(24.5)	(10.4)
<b>Non-GAAP Net income</b>	<b>\$43.5</b>	<b>\$20.7</b>
<b>Non-GAAP Net income per diluted share</b>	<b>\$1.09</b>	<b>\$0.49</b>

(1) Includes amortization of intangible assets from acquisitions of Nevis Networks, NetWatcher and 1Mobility.

(2) Relates to compensation expense from the acquisition of NetWatcher.



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# Thank You

**Melissa Fisher**  
mfisher@qualys.com