Driving Sustainable Long-Term Profitable Growth in a Changing Industry

Philippe Courtot, Chairman & CEO
Sumedh Thakar, President & Chief Product Officer
Melissa Fisher, Chief Financial Officer
Laurie MacCarthy, EVP, Worldwide Field Operations

Analyst & Investor Luncheon – QSC San Francisco, February 26, 2020
Safe Harbor

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.
Agenda

Welcome and Agenda Review
Melissa Fisher, Chief Financial Officer, Qualys

Driving Sustainable Long-Term Profitable Growth in a Changing Industry
Philippe Courtot, Chairman and CEO, Qualys

The Evolution of the Qualys Platform and What is Next: Introducing Next-Gen VM, Data Lake/SIEM and EDR Initiatives
Sumedh Thakar, President and Chief Product Officer, Qualys

Qualys Scalable Sales Model
Laurie MacCarthy, EVP of Worldwide Field Operations, Qualys

Break

Qualys Scalable Business Model
Melissa Fisher, Chief Financial Officer, Qualys

Closing Remarks and Q&A
Philippe Courtot, Chairman and CEO, Qualys
Security at a Crossroads

The Role Qualys Plays in it and Where are We Going?

By Philippe Courtot, Chairman and CEO, Qualys Inc.

Analyst and Investor Luncheon at QSC20 San Francisco
Welcome to the Cloud-Based Computing Era

Internet + 5G
Cloud Platforms
Open Source Tools
DevOps
The DevOps Revolution

Embedding Security into the DevOps Cycle
What Does This Mean For Security?

Security now **Can** and **Must** be built-in

Bringing in its wake drastic and rapid changes to our industry as a whole
The Role Qualys Plays in it

Providing unprecedented real-time **visibility** across the global hybrid IT environment

Natively **embedding** security into cloud platforms

**Integrating** our solutions with DevOps tools

Expanding our Platform capabilities from **Detection** to **Response**
Introducing VMDR

Not a bundle of solutions – It is in fact many years in the making

It is the Foundation for a true Risk-Based Vulnerability Management approach

It is the Foundation for our forthcoming Next-Gen Incidence Response and EDR offerings coming later this year

February 26, 2020
Analyst and Investor Luncheon at QSC20 San Francisco
Thank You

Philippe Courtot
pc@qualys.com
Unveiling VMDR: A Game Changer for Vulnerability Management

Analyst and Investor Luncheon at QSC20 San Francisco

Sumedh Thakar
President & Chief Product Officer, Qualys, Inc
Time To Remediate
Time Organization is left exposed to risk
WannaCry Timeline and Remediation

- **March 14, 2017**: MS17-010 Patch Release
- **March 21, 2017**: Authenticated Scan / Agent Detection
- **March 28, 2017**: Remediation from VM/Patch processes
- **April 4, 2017**: EternalBlue Exploit
- **April 11, 2017**: Flat Remediation
- **April 18, 2017**: New Remote Detection
- **April 25, 2017**: "Emergency" Patching
- **May 2, 2017**: WannaCry
- **May 9, 2017**: Remediation
- **May 16, 2017**: Decrease
- **May 23, 2017**: More decrease
Effective Vulnerability Management Program

- Asset Inventory: Do you know what all your assets are and where they are?
- Vulnerability & Config Assessment: Do you know the type and amount of open vulnerabilities?
- Patch Management: How can you deploy patches to close high-impact vulnerabilities?
- Threat Risk and Prioritization: Can you prioritize remediation based on threat intelligence?
Rapid Expansion of IT infrastructure

Highly Dynamic environments with enterprise discovery tools make it hard to keep on top of up-to-date asset inventory

CMDBs are out-of-date

Manual grouping and classification of assets doesn’t scale
Vulnerability Management

More devices more vulnerabilities

Prioritization needs real-time Threat Intelligence & asset context

Risk based approach is lacking
Remediation Response

More than just patching

Struggle to find right mitigation

Decentralized IT tools & teams
Introducing Qualys.

VMDR

Vulnerability Management, Detection and Response

True Risk Based Vulnerability Management
One solution to Discover, Assess, Prioritize and Fix critical vulnerabilities
Discover & Inventory all managed & unmanaged assets – Global AI

Auto Organize assets with dynamic rule-based tagging

Continuous Vulnerability Assessment with Cloud Agents

Instant threat prioritization with new context engine

Rapid Response with built-in Remediation
Quick Demo
VMDR - simple asset-based model

Includes Cloud Agents
Unlimited Virtual Scanners
Unlimited Passive Inv Sensors
Certificate Inventory
Cloud Inventory
Container Inventory
Mobile Device Inventory

Available March 2020

Asset Categorization
Asset Normalization
Vulnerability Management
Configuration Assessment
CIS Benchmarks
Continuous Monitoring
Patch Detection and CVE Correlation
CI/CD DevOps Integration
Hello John!

You are now upgraded to the VMDR Experience

Discover, assess, prioritize, and patch critical vulnerabilities in real time, across your global hybrid-IT landscape all from a single solution.

How does it impact me?

VMDR Experience upgrade gives you

Near-instant searching and dynamic widgets for tracking and trending vulnerability detections

Fully Customizable Dashboards

Fully customizable dynamic dashboards with trending information

Dashboards help you visualize your assets and prioritize vulnerabilities for remediation. Add widgets with search queries to see exactly what you’re interested in. You can also export and import Dashboard and Widget configurations to a file in a json format allowing you to share them between accounts or within the Qualys community.
Cloud Platform Architecture

- Out-of-Band Sensors
- Cloud Agent
- Internet Scanners
- Passive Scanners
- APIs
- Virtual Scanners
- Scanner Appliances
- Cloud Connectors
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
Qualys Cloud Platform

19+ products providing comprehensive suite of security solutions

15,700+ customers

8 shared cloud platforms across North America, Europe & Asia

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

19+ PB storage and 27,000 cores
Qualys Cloud Platform

3+ billion IP scans/Audits per year
50,000+ Scanner Appliances
30+ million Cloud Agents
2+ trillion security events annually
5+ billion messages daily across Kafka clusters
3.2+ trillion data points indexed in our Elasticsearch clusters
Continued Platform Expansion

ICS OT Environments

SaaS Security & Compliance
More DRs coming 2020

Endpoint Detection & Response
Cloud Detection & Response
Container Detection & Response
Mobile Device Detection & Response
SaaS Security Detection & Response
Security Analytics, Correlation & Data Lake

Powerful cloud-based correlation and analytics of Known & Unknown Threats

Qualys built-in!

Plug-n-Play Analytics
Correlation and Data Platform Architecture

Qualys Apps
- CA
- VM
- AI
- WAS
- PC
- IOC
- FIM
- PM
- WAF
- PCI
- CS
- CI

Third Party Sources
- Apps
- Firewall
- Users
- IoT
- Cloud
- IPS

Qualys Streaming Data Backbone

Normalization and Enrichment

Real-time Stream Processing

Batch Processing

Security Data Lake
- hadoop
- elastic
- cassandra
- JanusGraph
- Amazon

Machine Learning

Visualization

Threat Hunting

Orchestration Automation

APIs
Thank You

Sumedh Thakar
sthakar@qualys.com
Qualys Global Sales Model

Analyst and Investor Luncheon at QSC20 San Francisco

Laurie MacCarthy
EVP, Worldwide Field Operations
Agenda

Bringing VMDR to Market for General Availability
Asset Based Pricing Model
Customer Transition and Interest
Case Studies (3 unique scenarios)
Growing into 2020
What makes our pricing model scalable?

Qualys has now transitioned to a per asset licensing model that is consistent across all employer/customer sizes.

- Small Business
- Medium Enterprise
- Enterprise
2020 Key Revenue Drivers

We are the ONLY solution in our space that provides:

• Global Visibility
• Entire VM lifecycle
• Consolidates multiple enterprise security and compliance solutions
• Built Security into the Digital Transformation
Initial Customer Transition

As Qualys prepares for the GA release in March of 2020, we are already seeing demand and heightened interest.

- 24 Customers that have transitioned generating total bookings of $7.3M
- Currently have provided 576 quotes with total bookings of approximately $24.8M
Case Study (Customer Transition– Healthcare)

• Engaged in a head to head bake off with Rapid7 and Tenable at a large non-profit health care company with 70,000 assets

• Why Qualys VMDR won?:
  • The per asset pricing model
  • Less restriction on sensor infrastructure
  • Global Asset Inventory functionality
  • The logic-based workflow built into the VMDR Platform
Case Study (Customer Transition– Financial)

• Customer M&A which caused a need to standardize on one platform which resulted in a displacement of Rapid7

• How we came out on top:
  • Cloud based and SaaS deliver model- the client was seeking to virtualize their entire environment
  • FedRAMP Certified Platform
  • Inherent built-in threat intelligence and prioritization
  • Excess budget based on VMDR pricing allowed for the purchase of additional modules (FIM, CSA, WAS, and CS)
  • Doubled annual bookings from $1.2M to $2.4M
Case Study (New Logo C2C Consumer Web App)

• Competitive vs Tenable.io and Rapid7 with 5,000 assets and growing
• Why was Qualys the better choice?:
  • Single pane of glass perspective with VMDR and Container Security
  • Integrated patch management workflow
  • AWS and Azure asset identification and inventory
  • Future requirement for configuration management
In summary....

• Per asset licensing
• Unlimited sensor licensing
• Global visibility
• The only all-in-one cloud-based app that fully automates the entire VM lifecycle across your entire environment
• Qualys has listened to our clients and is meeting their needs...
Scalable Business Model
Strong and Consistent Performance

2016-2019 CAGR

Note: 2017 & 2019 non-GAAP Free cash flow margin normalized for headquarters office facility costs (net)
Qualys’ Balanced Customer Mix

Note: Excludes revenues and customer count of those with only PCI or scanner subscriptions and those from consultants/MSSPs with limited end customer information.
Qualys’ Diversified End Markets

Note: Excludes revenues and customer count of those with only PCI or scanner subscriptions and those from consultants/MSSPs with limited end customer information.
Multiple Levers of Revenue Growth
Expanding Market Opportunity

(1) 2017 to 2021E period
(2) 2015 to 2020E period
Source: IDC

CAGR
8%  □ IT Asset Management
14%  □ Cloud Security
6%  □ Endpoint Management (1)
8%  □ Web Security: SaaS (2)
16%  □ Network and Edge
10%  □ Security Policy and Compliance
13%  □ Vulnerability Assessment: App
15%  □ Vulnerability Assessment: Device

Qualys' current Total Addressable Market
Strong Organic Revenue Growth
Outperforming Market and Gaining Share

($ in millions)
Significant Opportunity Remains for Cross-sell and Upsell...

% Customer Penetration

<table>
<thead>
<tr>
<th></th>
<th>VM</th>
<th>WAS</th>
<th>CAP-VM</th>
<th>TP</th>
<th>PC</th>
<th>CM</th>
<th>CAP-PC</th>
<th>SAQ</th>
</tr>
</thead>
<tbody>
<tr>
<td>63%</td>
<td>46%</td>
<td>24%</td>
<td>18%</td>
<td>12%</td>
<td>11%</td>
<td>6%</td>
<td>1%</td>
<td></td>
</tr>
</tbody>
</table>
...As Well as to Grow Our Customer Base

Qualys is only 4% of Global Enterprise Market

Qualys is only 1% of Global SME Market

Global Enterprise Company Count 38K

Global SME Company Count 1.5M

Note: Global Enterprise company count includes companies with more than 5,000 employees or more than $1B in LTM revenues; Global SME company count includes companies with less than 5,000 employees and more than $1M but less than $1B LTM Revenues; Source: Morgan Stanley
Multi-Solution Adoption Increasing

% of Enterprise customers with select number of solutions
Cloud Agents Driving Adoption of New Solutions

Number of Cloud Agents Sold

- LTM Q1 2019: 17.9
- LTM Q2 2019: 23.6
- LTM Q3 2019: 27.9
- LTM Q4 2019: 30.7
Multiproduct Adoption Drives Increased Stickiness...

2019 Enterprise Gross Dollar Retention Rate

<table>
<thead>
<tr>
<th>Products</th>
<th>2 Products</th>
<th>3 Products</th>
<th>4 Products</th>
<th>5 Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retention</td>
<td>94%</td>
<td>97%</td>
<td>98%</td>
<td>99%</td>
</tr>
</tbody>
</table>

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

Enterprise Customers with 4+ solutions spend over 5x that of 1-solution customers
Multiple Levers for Expanding Margins...

Adjusted EBITDA

2016: $68
2017: $85
2018: $112
2019: $141

Adjusted EBITDA margin (%)

2016: 34%
2017: 37%
2018: 40%
2019: 44%

CAGR: 27%
...and Driving Strong Cash Flow Generation

![Chart showing free cash flow and margin growth from 2016 to 2019.]

Note: 2017 & 2019 non-GAAP Free cash flow normalized for headquarters office facility costs (net)
Cloud Platform Drives Operational Efficiencies

operations % of revenue

Support as % of revenue

COGS % of Revenue


Operations % of Revenue

Support as % of Revenue

COGS % of Revenue
Scalable R&D Model
Platform Leverage & Strong Engineering Presence in India

% of R&D Headcount in India

- 2016: 47%
- 2017: 63%
- 2018: 72%
- 2019: 79%

Attracting Top & Loyal Talent

R&D as % of Revenue

- 2019: 17%

R&D as % of Revenue: PF for all US Team

- 2019: 42%

Note: ‘PF for all US Team’ represents the estimated cost as % of revenue if India R&D headcount were employed in US based on average cost of U.S.-based employees in R&D; % of Headcount in India as of year-end
High Sales Leverage

Platform as Distribution Channel

Revenue Per S&M Headcount

$1.0M

$1.2M

2015

2019
Delivering the 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>8%</td>
<td>11%</td>
</tr>
<tr>
<td>S&amp;M</td>
<td>21%</td>
<td>38%</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>17%</td>
<td>19%</td>
</tr>
<tr>
<td>COGS</td>
<td>19%</td>
<td>23%</td>
</tr>
</tbody>
</table>

Note: 2019 Expenses as % of revenue (Non-GAAP); Source: Morgan Stanley excluding OneSpan

# of Products

- Qualys: 19
- Peer Median: 6
Q3 CY2019 Adjusted EBITDA margin vs. select Security and SaaS peers

QLYS 47%

Peer Median: 13%