



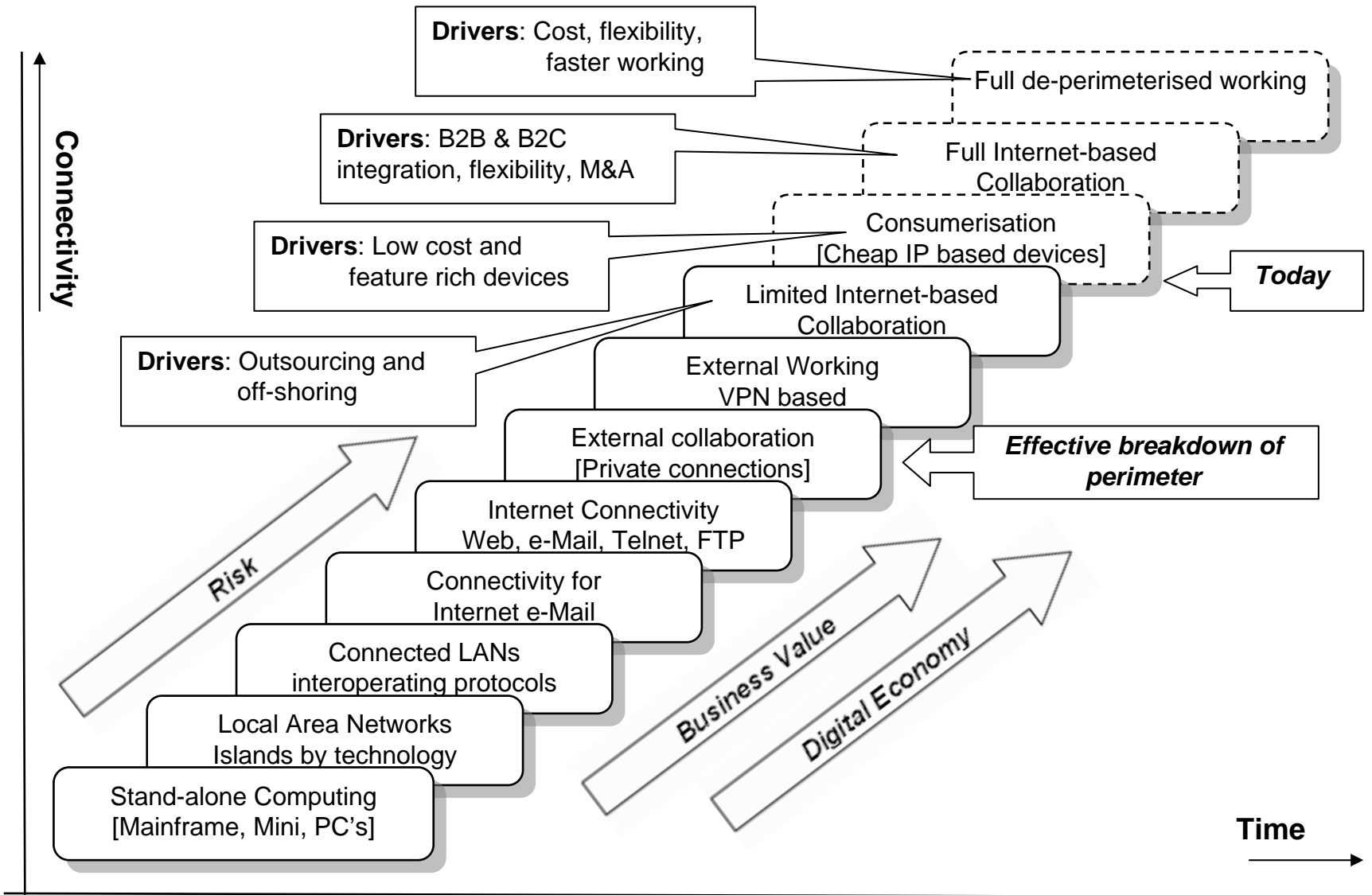
# The Business Case for Removing Your Perimeter

Paul Simmonds

*Jericho Forum Board of Management  
CISO, ICI Plc.*

# History

- Computing history can be defined in terms in increasing connectivity over time;
  - starting from no connectivity,
  - to the restricted connectivity we currently have today;
  - islands of corporate connectivity behind their managed perimeter.



# Trends and Signs

- Key indicators that indicate a de-perimeterised future:
  - Mismatch of the (legal) business border and network perimeter
  - Business demanding to directly interconnect systems where B2B relationships exist
  - Good network connectivity and access for all business relationships
  - Distributed / shared applications across business relationships
  - Applications that bypasses perimeter security
  - Malware that uses Web and e-Mail

# The future

- Many - and in some cases most - network security perimeters will disappear.
- Like it or not de-perimeterisation will happen;
- The business drivers will already exist within your organisation
- It's already started and it's only a matter of;
  - how fast,
  - how soon and
  - whether you decide to control it..

# Architecting for a Jericho Forum Blueprint

- De-perimeterisation is the concept of architecting security for the extended business boundary
- It is not a solution in itself; however a Jericho Forum Blueprint promises to:
  - Reduce complexity, unifying and simplifying solutions and generally reduce cost
  - Business flexibility, cost-effective bandwidth and infrastructure provision
  - Increased security thereby reduce business risk
  - Enable multi-vendor outsourcing
  - Simpler and thus more auditable environment
  - Provides true defence in depth

# Business opportunity

- With change there are three options:
  - Resist the change
  - Let the change happen to you
  - Leverage the change for maximum business advantage
- De-perimeterisation is different to other change
  - To leverage this level of fundamental change needs a conscious change in architecture.
  - De-perimeterisation is happening now, so it is essential that de-perimeterisation is part of strategic planning today.

# Jericho Forum

## Shaping security for tomorrow's world



[www.jerichoforum.org](http://www.jerichoforum.org)



**BOSTON**  
**CORPORATE**  
**FINANCE**

## *CSO Interchange Market Commentary*

# **Software as a Service (SaaS): The Wall Street View**

## **Why the SaaS Model is Revolutionizing High Tech**



CSO Interchange

**February 7, 2007**

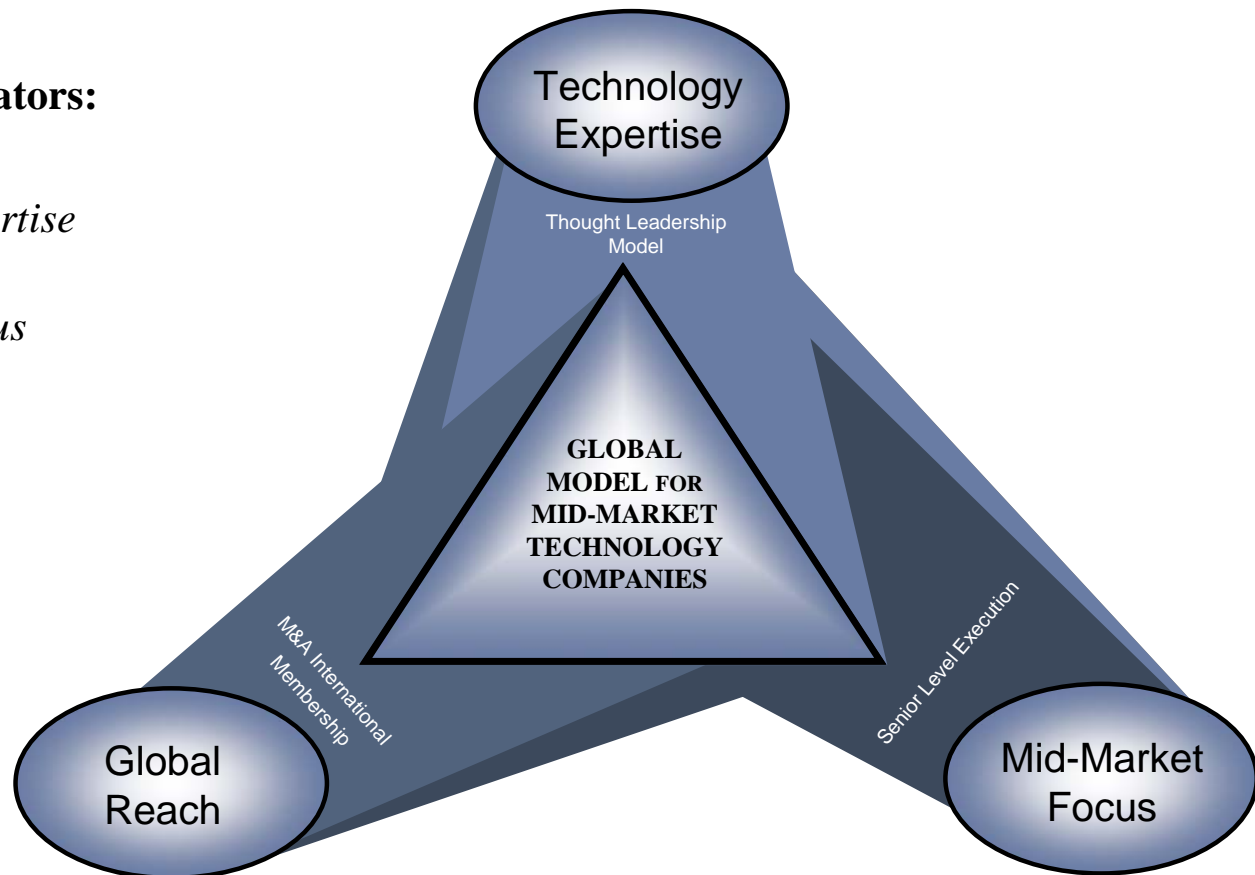
Member NASD / SIPC

# Introduction to Boston Corporate Finance

- BCF is a technology-focused investment banking firm providing advisory services to middle market companies
  - M&A advisory services, private placement services, business valuation services, strategic advisory
  - Led by senior professionals with global, as well as regional, investment banking experience

## Key BCF Differentiators:

- *Technology Expertise*
- *Mid-Market Focus*
- *Global Reach*



# Introduction to M&A International, Inc.

- M&A International is the world's largest M&A alliance with 40 office locations in 35 countries who focus primarily on mid-market acquisitions
- With over 380 professionals, our organization closed 561 transactions over the last two years totaling \$38.8 billion in value, many of which were cross border
- Seamless cooperation and fee sharing relationships keep all parties highly motivated

## M&A International Locations



## Global Mid-Market League Table (2005)

Global mid-market\* – 2005 by volume (value \$m)

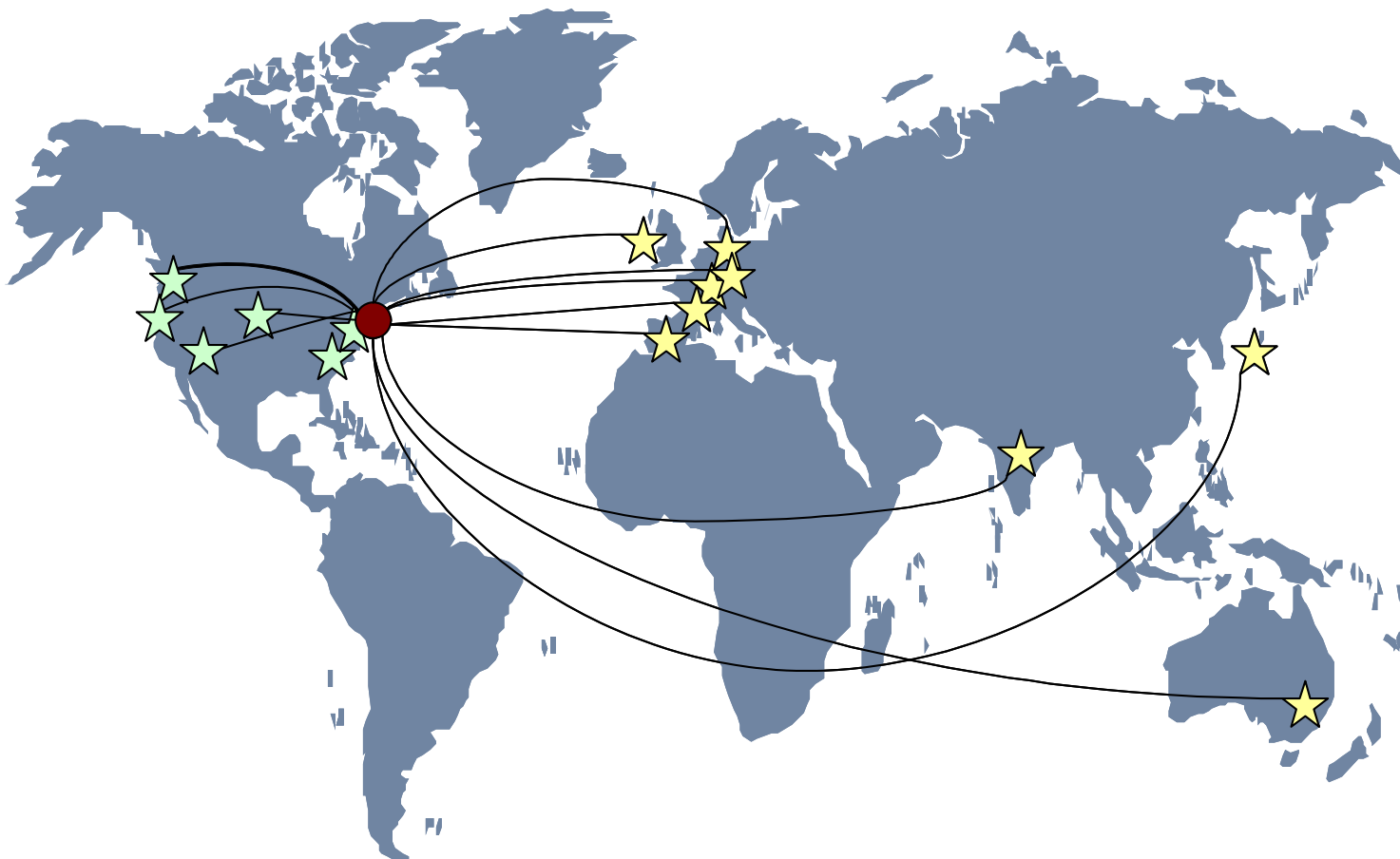
<b>M&amp;A INTERNATIONAL, INC.</b>	<b>178 deals</b>	<b>(8511)</b>
PwC	105	(7847)
KPMG	95	(5211)
Deloitte & Touche	78	(5673)
Ernst & Young	72	(5209)
Rothschild	66	(6552)
Global M&A	34	(1962)
AEN Amro	30	(3166)
Lazard	30	(3041)
Grant Th'n	27	(1172)

No. of deals

\* Deals completed from **US\$5m to US\$250m by volume & value**

Source: [www.mergermarket.com](http://www.mergermarket.com); M&A International, Inc.

# Cross-Border Deal Experts



BCF has recently or is currently working with technology companies from Australia, France, Germany, India, Ireland, Japan, the Netherlands, Spain and Switzerland within the context of its engagements.



# SaaS: Revolutionizing High Tech

# Incredible Buzz Throughout the Market

*“By 2011, 25% of new business software will be delivered as SaaS”*

- Gartner, September 2006

*“In our view, SaaS will become 50% of the app software license market in eight years”*

- Deutsche Bank, November 2006

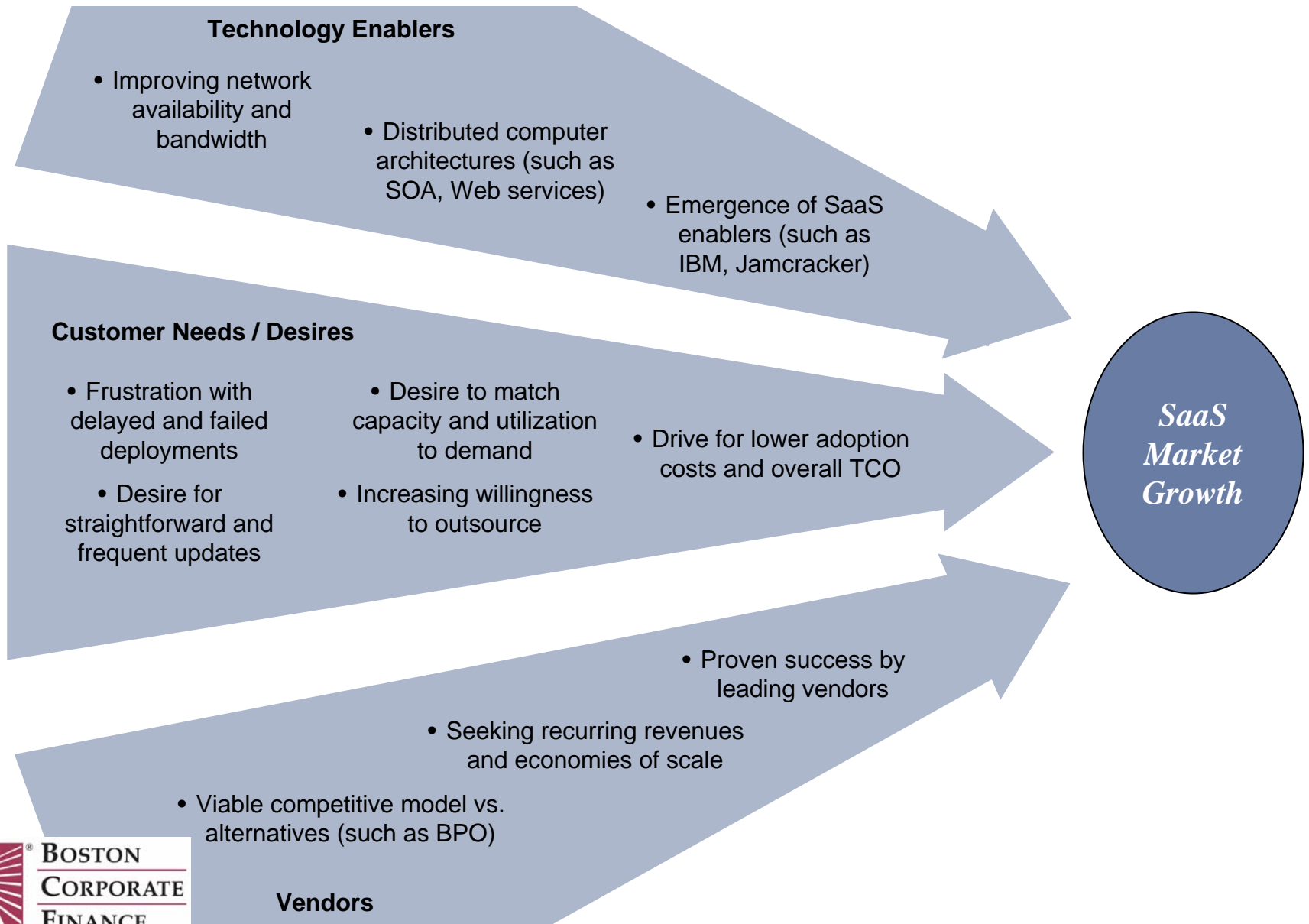
*“Software as a Service... is one of the game-changing forces in the technology industry”*

- TripleTree, 4Q06

*“SaaS is undergoing a fundamental shift in how software is acquired, used and paid for”*

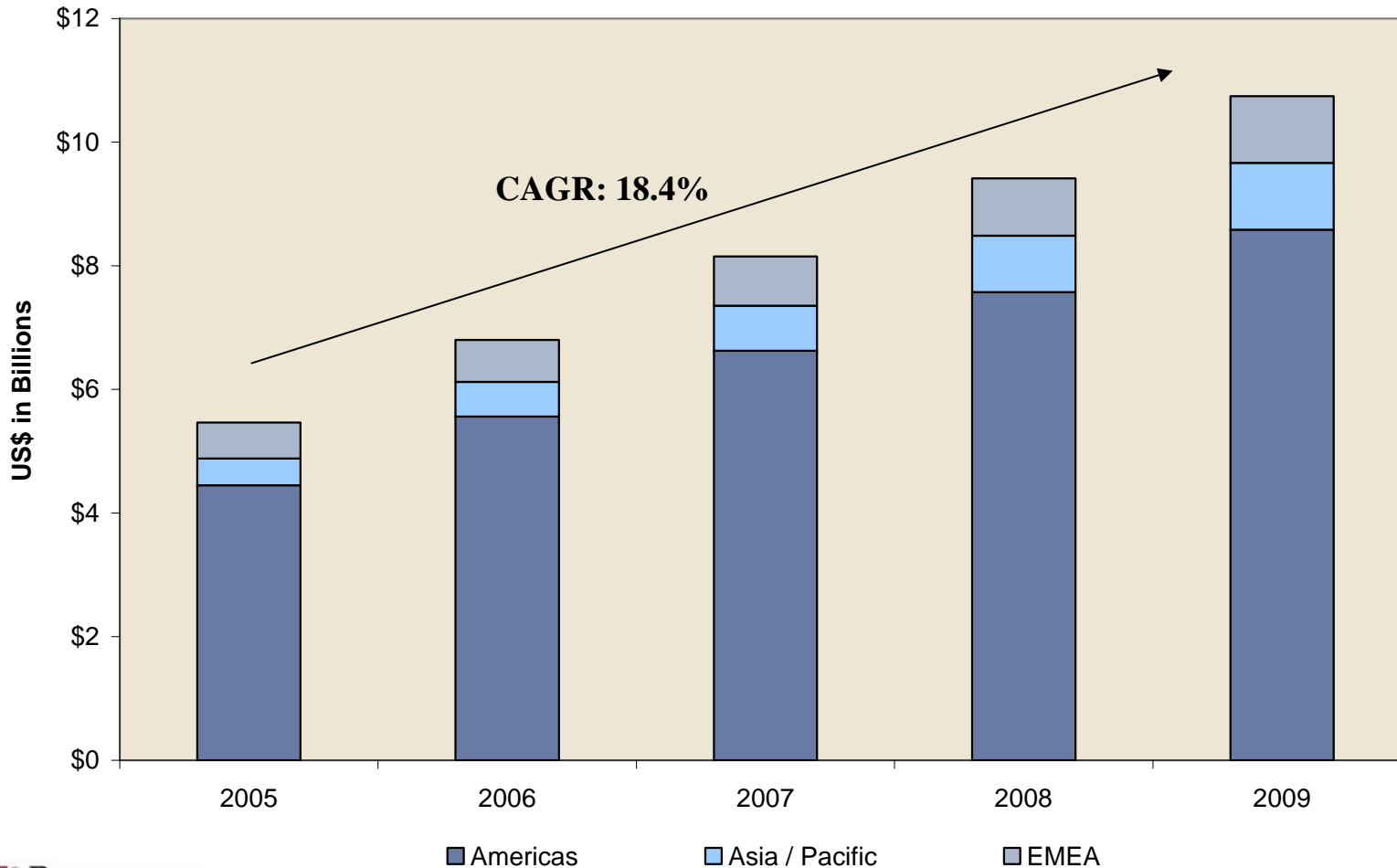
- Saugatuck Technology, April 2006

# Numerous Factors Driving Growth



# Projected Market Growth

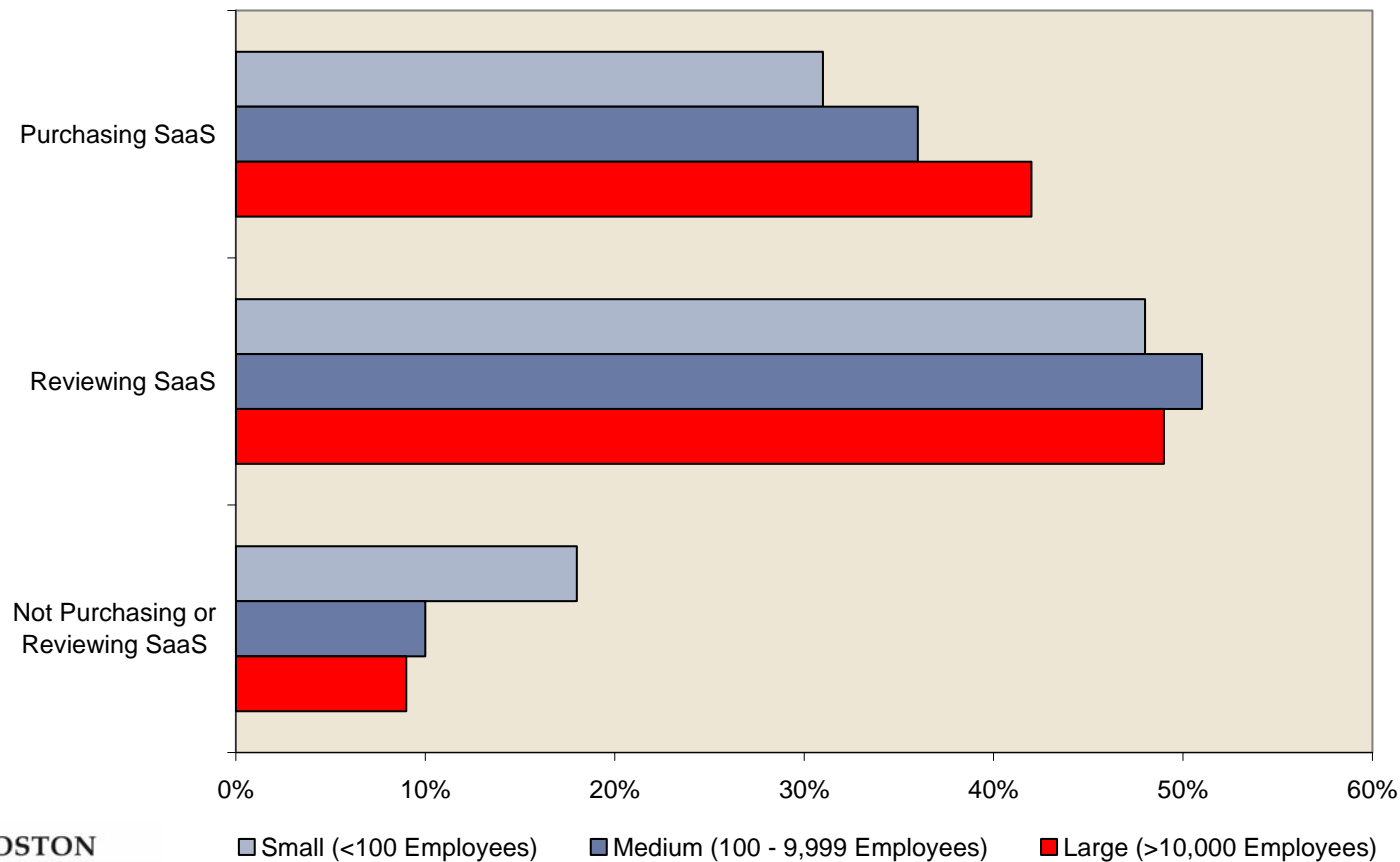
## Worldwide SaaS Market Growth



# Increasing Enterprise Adoption

- Historically a solution for the small and mid-sized business, SaaS is now being adopted by the large enterprise at an even faster rate

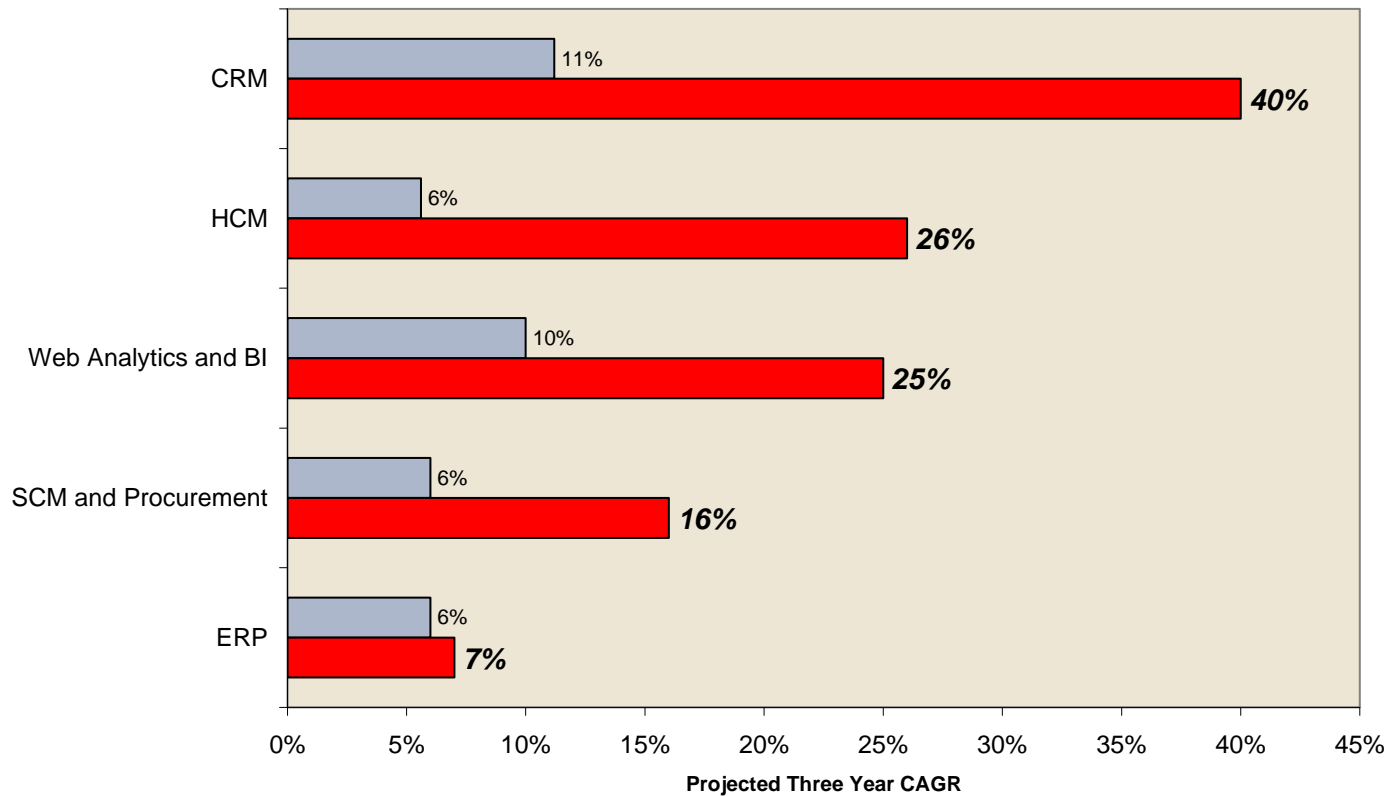
SaaS Adoption by Customer Size



# Huge Growth Potential For All Enterprise Apps

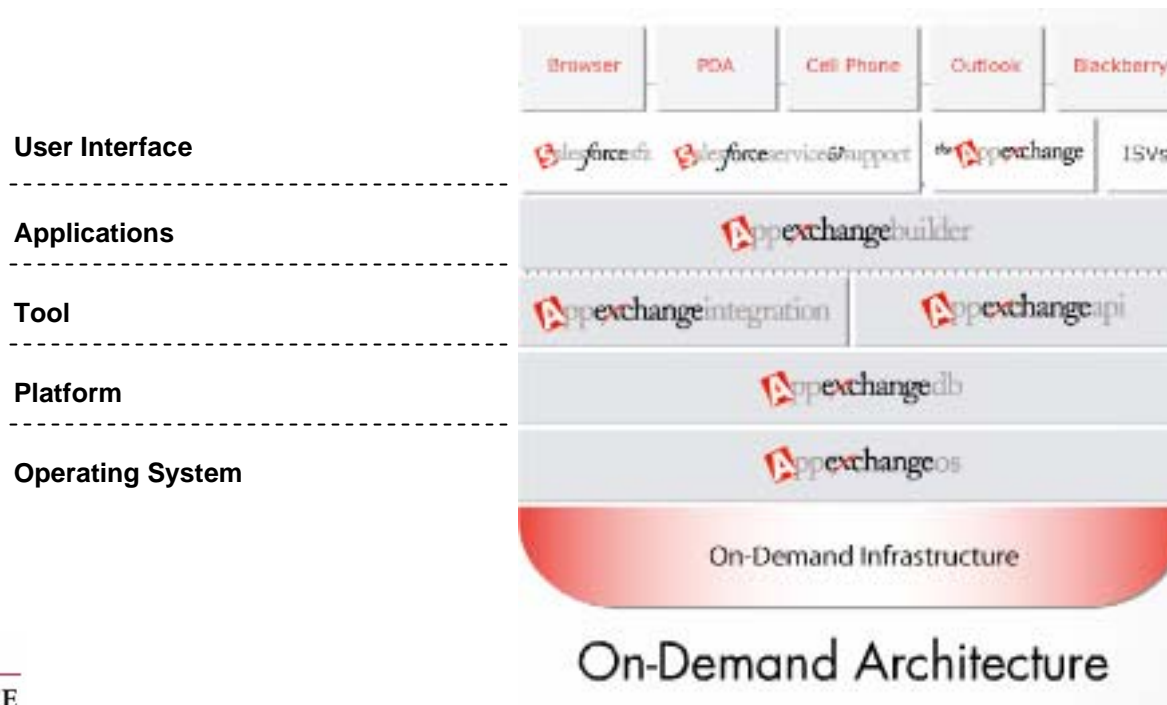
- All enterprise applications are being revolutionized through the SaaS model

Projected Growth for Leading Enterprise Applications



# SaaS as a Platform Play

- “Over 90% of SaaS users are so satisfied with their on-demand applications that they intend to expand their use of SaaS”
  - THINKstrategies; October 2006
- Salesforce.com, the current market leader in SaaS applications, is currently on a mission to turn itself into an on demand platform, capable of catering to all application functionalities
  - Leveraging AppExchange and Apex, its proprietary programming language



# The Hurdles That Have Been Surpassed

- **Customization**
  - Solutions are increasingly customizable
  - User interfaces and templates provide an additional layer between user and multi-tenant application
  - Templates and customizations are maintained from version to version for leading application vendors
- **Integration**
  - SaaS applications are increasingly designed to speak with SAP, ORCL, MSFT, etc.
  - Connectors have been built between major apps and leading in-house enterprise platforms
  - Innovative SIs have become familiar with these issues and are helping to ensure better deployments
- **Availability**
  - The Internet is increasingly ubiquitous and available in real-time
  - Leading vendors are willing to offer strict SLAs (NetSuite offers 99.5% uptime)
- **Security**

# Assuaging Security Concerns for SaaS Solutions

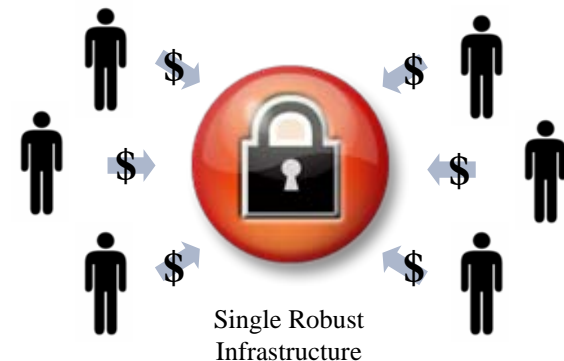
- On-premise software typically forces customers to:
  - Build and maintain their own security infrastructures
  - Manage data from numerous locations, opening the door for significant breaches (lost laptops)
- Economies of scale allow SaaS vendors to create systems with higher security standards than individual customers can meet on their own
  - Easier to monitor potential points of attack; easier to encrypt

*Individual On-Premise Security Systems*



Multiple Adequate Security Infrastructures

*Multi-Tenant SaaS System*



Single Robust Infrastructure

- Large enterprise customers, such as Merrill Lynch, have opted to keep valuable customer data within the walls of salesforce.com and other leading application vendors
  - Able to pass rigorous diligence efforts

# Delivering IT Security Solutions via SaaS

## SaaS Security Market Competitive Landscape

### Network Security

- Enterprise Firewall
- Network Intrusion Prevention
- Network Antivirus
- Network Access Control

### Web Security

- URL Filtering
- Intrusion Prevention
- Firewall / VPN
- Gateway Antivirus
- Gateway Antispyware



### EndPoint Security

- Client Antivirus
- Personal Firewall
- Client Antispyware
- Host Intrusion Prevention
- USB Security
- EndPoint Encryption
- Identity Management
- Network Access Control



### Messaging Security

- Mail Server Antivirus
- Antispam
- Outbound Content Compliance
- Policy and Compliance



### Security Compliance & Vulnerability Mgmt.

- Patching and Remediation
- Forensics
- Policy and Compliance
- Security Information and Event Management
- Security Systems and Information Management
- Vulnerability Assessment



### Solution-Focused Vendors Delivering via SaaS Model

### Multi-Category Solution Providers Shifting to SaaS Model



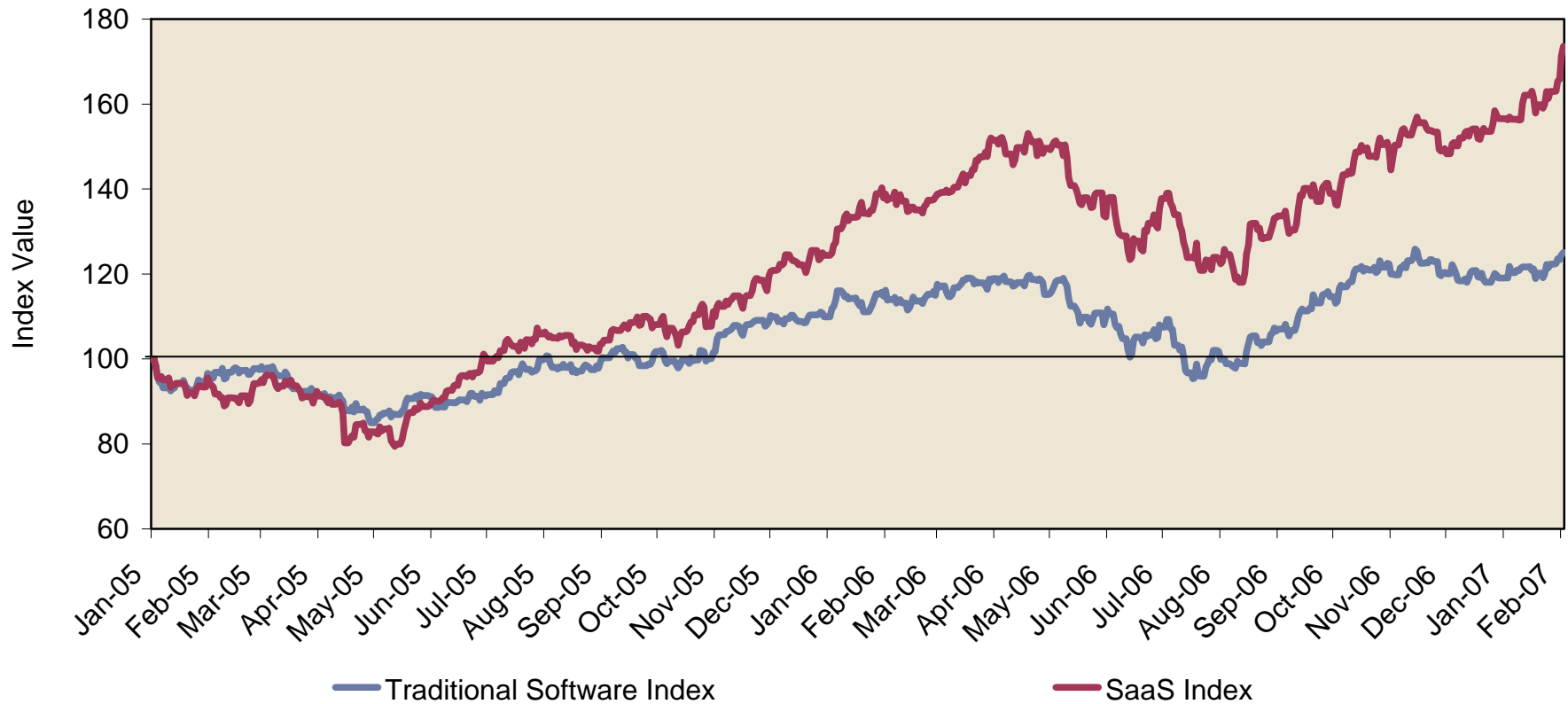
In November 2006, announced that the company is preparing to launch a range of hosted security products in an effort to tap into the growing demand for SaaS

# Wall Street Perspective



# Strong Equity Market Performance

## Equity Market Performance

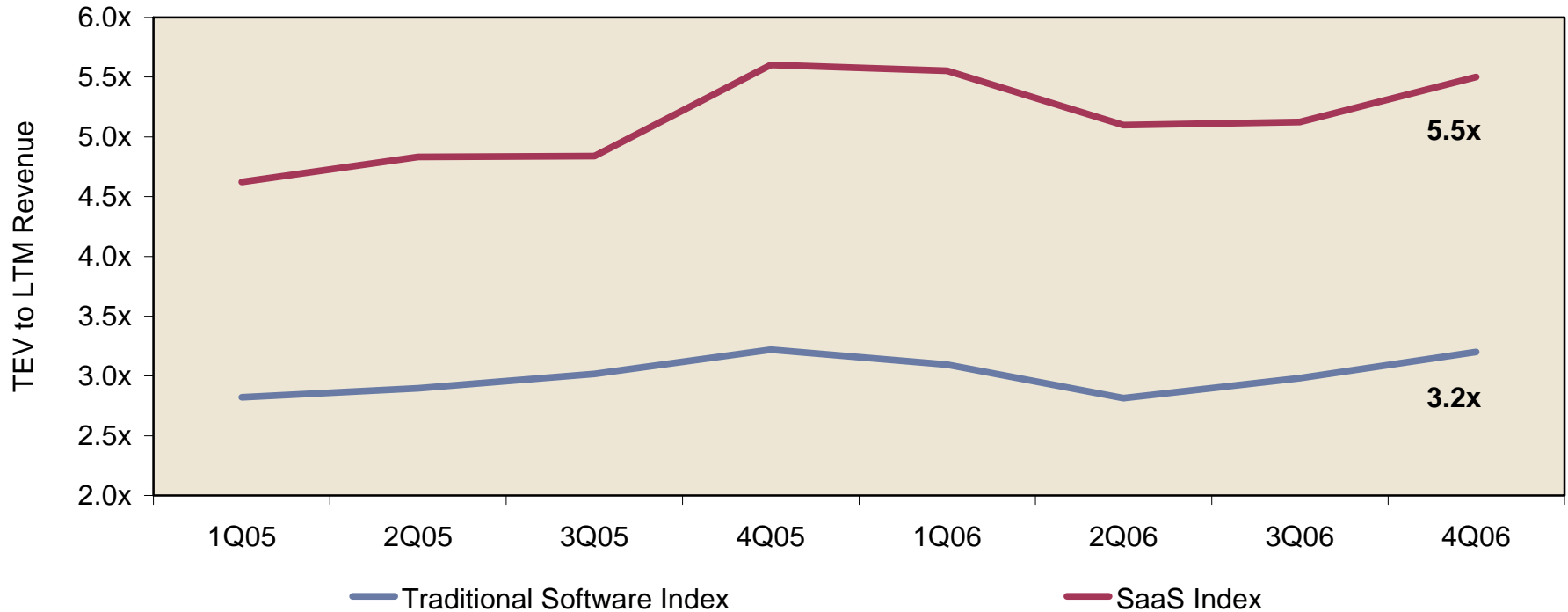


Traditional Software Index includes ARBA, BEAS, BOBJ, COGN, CA, EPIC, HYSL, INTU, LWSN, MSFT, MSTR, ORCL, QADI, SAP, SPSS and WITS

SaaS Index includes BBBB, CNQR, CYBS, TRAK, DRIV, KNXA, KNTA, LPSN, LOOP, OMTR, MOW, CRM, TLEO, ULTI, VOCS, WEBX, WSSI and WSTM

# SaaS Trading at Exceptional Multiples

## Total Enterprise Value to Revenue Multiples



Traditional Software Index includes ARBA, BEAS, BOBJ, COGN, CA, EPIC, HYSL, INTU, LWSN, MSFT, MSTR, ORCL, QADI, SAP, SPSS and WITS

SaaS Index includes BBBB, CNQR, CYBS, TRAK, DRIV, KNXA, KNTA, LPSN, LOOP, OMTR, MOW, CRM, TLEO, ULTI, VOCS, WEBX, WSSI and WSTM

# Driving the Pricing Trend

## Soft Issues

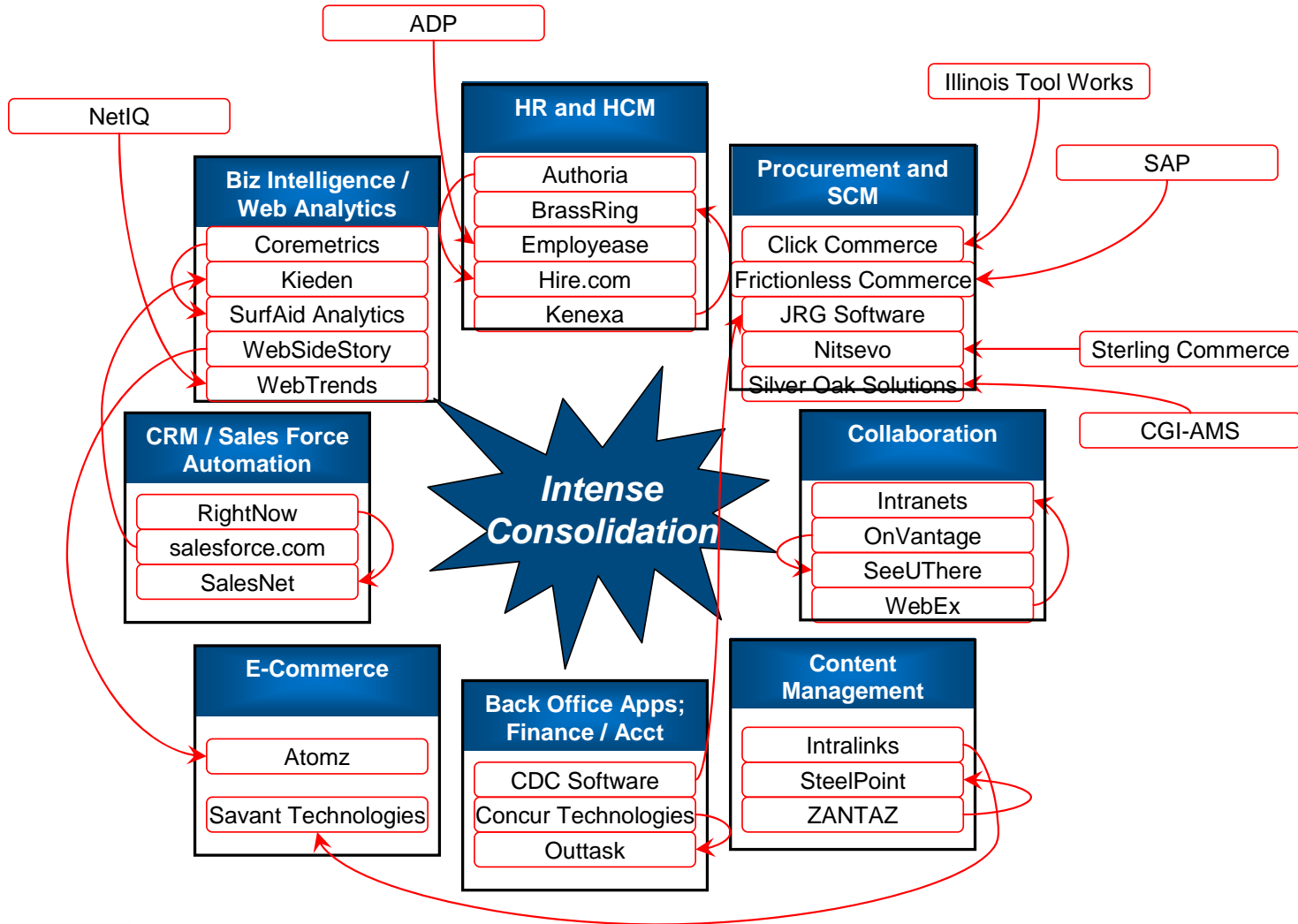
- Lots of market buzz
- Strong value proposition for customers
- Availability of apps allows for quick wins, short sales cycles
- Nature of the model allows vendors to be nimble
- Frustration with prior enterprise apps (CRM in particular)
- Growing track record of success

Premium of  
75% Over  
Traditional  
Vendors

## Hard Dollar Issues

- Market growing at a clip 3x to 4x the rest of the software market
- Economies of scale in delivery
- Lower operating costs
- Visibility into future cash flows

# Attractive Market Prospects Driving Consolidation



# Attractive Area for VC Investment

- There is a strong affinity for the SaaS model among venture capitalists
- Although funding totals are not tracked in this area, enthusiasm is apparent in the investors that have stacked their portfolios with SaaS companies:
  - Hummer Winblad – 12 SaaS portfolio companies as of March 2006
  - Foundation Capital - 11 SaaS portfolio companies
  - North Bridge Venture Partners – 8 SaaS portfolio companies
- “We’re forecasting a billion dollars invested into the AppExchange over the next year”
  - Marc Benioff, salesforce.com
- Some challenges do exist for VCs
  - “It takes 70% to 100% more capital to fund a SaaS company to breakeven than a traditional perpetual license company. It also takes two to three times as long to get there”
    - Michael Skok, North Bridge Venture Partners, April 2006



## Conclusions and Take-Aways

# Conclusions and Take-Aways

- The SaaS is revolutionizing the software industry
- Growth opportunities are massive in all enterprise applications
- The landscape of SaaS security companies is nascent but rapidly developing
  - Symantec's efforts provide a strong endorsement for SaaS in security
  - We expect innovative companies to develop quickly and draw the interest of established security players
- The financial markets are enamored with this business model
  - Equity market valuations are through the roof
  - Plenty of VC financing to go around for these opportunities
- SaaS is putting the desktop under siege and we expect this movement to completely transform the software landscape as we know it

**Thank You**

