



2013 Global Vulnerability Management Market Leadership Award



FROST & SULLIVAN



50 Years of Growth, Innovation & Leadership

Market Leadership Award Vulnerability Management Global, 2013

Frost & Sullivan's Global Research Platform

Frost & Sullivan is in its 50th year of business with a global research organization of 1,800 analysts and consultants who monitor more than 300 industries and 250,000 companies. The company's research philosophy originates with the CEO's 360-Degree Perspective™, which serves as the foundation of its TEAM Research™ methodology. This unique approach enables us to determine how best-in-class companies worldwide manage growth, innovation and leadership. Based on the findings of this Best Practices research, Frost & Sullivan is proud to present the 2013 Global Market Leadership Award in Vulnerability Management to Qualys.

Significance of the Market Leadership Award

Key Industry Challenges

In 2013, the nature of malicious attacks started changing. Compared to 2011 and 2012, attacks have become highly-directed (involving less phishing) and are now also targeted at smaller businesses. As the intent of attackers has changed and expanded, product evolution must also change. Correspondingly, the market reality for vendors in the security field is that the greatest opportunities for growth will be to augment legacy products/platforms designed for larger enterprises to accommodate small and mid-sized businesses.

Not only is the attack environment changing, the network that is being protected is undergoing changes. In the Internet of Everything, literally all new devices on networks have Internet Protocol (IP) addresses, which link them to cloud services. Companies increasingly permit remote employees to bring their own phone or PC onto the company's infrastructure (BYOD). Lastly, the advent of virtualization in hardware, software, devices, and operating systems add to the challenges of conducting vulnerability assessments at the speed and comprehensiveness required.

Importantly, vulnerability management (VM) platforms are moving away from being a standalone, uni-functional product or service. The attitude of VM providers is that, in addition to checking for formal vulnerabilities for networks and web applications, they can deliver value-added services by checking configurations, validating the status of SSL certificates, and detecting malware while they are "under the hood," as a manner of speaking.

Lastly, vulnerability management has to become more versatile. At its genesis, vulnerability management systems were ported onto servers as software or as an appliance. This methodology is not outmoded; in many market verticals such as

healthcare, it is preferred that data stays on the premises. Additionally, in many countries, there are laws that mandate that data must stay on-premises. However, to facilitate small and mid-sized businesses with limited IT resources, some forms of vulnerability management need to emanate remotely. Smart vulnerability management providers are delivering their capabilities through the Software-as-a-Service (SaaS) model that can now, thanks to virtualization, also be delivered “on premise” and building partnerships with Managed Security Service Providers (MSSPs) to provide their customers several options to improve their security postures.

Best Practice Award Analysis for Qualys

The Frost & Sullivan Award for Market Leadership is presented to the company that has demonstrated excellence in capturing the highest market share within its industry while demonstrating its capacity for innovation. The Award recognizes the company's leadership position within the industry in terms of revenues or units, as specified.

Qualys' Performance in Vulnerability Management

In 2013, the vulnerability management market reached \$528.6 million globally following growth of 15 percent from 2012. Qualys is growing faster than the overall market. Its year-over-year growth rate for each of the past three quarters ranged between 17% and 18%. For 2013, Frost & Sullivan estimates Qualys' market leading share to be 18 percent.

Key Performance Drivers for Qualys

As the market share leader and first-mover in vulnerability management, it would be relatively easy for Qualys to be satisfied with its products and legacy relationships. Indeed, Qualys enjoys advantages in the sense that security teams are familiar with its solutions. This reason notwithstanding, a primary reason that Qualys holds its market share advantage is that the company is adapting its current products to face new market needs and challenges. Qualys is also expanding its capabilities operationally to create new protections and value-added services.

Qualys has taken a sizable market share with large enterprises, including more than 40% of the Fortune 500. The company is now making a concerted effort to win customers in the small to medium sized market segments. For example, QualysGuard Express Lite, which was introduced in the summer of 2013 is designed for vulnerability and application scanning for businesses with 250 IP addresses or less. The relationships that Qualys has established with Managed Security Services Providers (MSSPs), like Verizon and Dell SecureWorks, which already cover enterprises, are increasingly being used to reach mid-sized businesses. Also, in May 2013, Qualys announced a partnership program with Porficio to offer Cloud-IT and compliance reporting, also aimed at mid-sized businesses.

Accounting for what is going on in the network is just as essential as fortifying the defensive posture against attacks. At minimum, a vulnerability management system should account

for all of the devices on the network. Unknown and unmanaged connected devices, as in Bring Your Own Device (BYOD), and shared devices, as in healthcare settings, add to the challenges of knowing and understanding the risks each network-connected device poses. To address these challenges, QualysGuard not only “fingerprints” devices, the technology also catalogs where the device is mapped to, the operating system it is running, and scores the device for vulnerability.

Like advancements in information technologies, the philosophy behind vulnerability scanning is advancing as well. The scanning process was once an onerous and mechanical process. A full system scan would be performed on, for example, a Sunday. Vulnerabilities would be uncovered and patched two days later on Tuesday. A similar full system scan would then be initiated and the patch and remediation cycle would begin anew. This process can and should be streamlined. With Qualys, the initial scan detects vulnerabilities and provides patching and remediation information and prioritization. Applying analytics, the next set of scans start from the list of vulnerabilities uncovered in previous scans rather than starting from “ground zero.” In this manner, scans can be conducted with greater frequency.

Also noteworthy, Qualys has developed relationships with password managers such as Cyber-Ark, Thycotic, and Lieberman Software for password management during authenticated scanning. When Qualys executes a vulnerability scan, the scan will also determine which SSL certificates are valid, expired, or are self-authenticated. Entry through networks by using invalid or made up SSL certificates is another way for attackers to exploit a network.

Because vulnerability management is at the core of providing a company’s security and compliance posture, it has the potential of expanding well beyond a best of breed point solution by providing an open platform that can further help customers fight cyber threats. That’s why Qualys is capitalizing on its unique Cloud platform capabilities to provide new products in adjacent technologies and to deliver a powerful suite of open APIs. For example, Qualys now offers a Web Application Scanning solution, QualysGuard WAS, and has currently under beta a Web Application Firewall (WAF) solution. Also, Qualys is expanding its policy compliance offering with a cloud-based customizable questionnaire service helping enterprises automate manual compliance audits and articulate what they need from sub-contractors in terms of security and compliance. Finally, Qualys also offers malware detection as a part of its WAS solution and has multiple new services in the making (web log analysis, Cloud agent for end point protection and Continuous Perimeter Monitoring services that will be delivered in 2014).

Qualys has also uniquely packaged its Cloud Platform to be delivered as a private cloud offering, thus broadening its market reach by addressing the market segments that still require an on-premise solution. This approach is unique in the sense that it preserves all of the advantages of a cloud offering while ensuring that the data never leaves the premises or the geography.

Qualys offers its cloud-based services to global customers via security operations centers (SOCs) that are located at various worldwide locations. For customers, such as MSSPs, enterprises and government agencies, that require these solutions as on-premise deployments, Qualys offers the QualysGuard Private Cloud Platform available as a fully virtualized QualysGuard software stack on VCE Vblock systems.

The QualysGuard Cloud Platform (shared or private) is inherently highly extensible and scalable. It currently performs over 1 billion IP scans annually and detects and analyzes over 50 billion security events monthly.

Ultimately, vulnerability management solutions must become as dynamic as the threat environment that they are designed to protect against. Qualys maintains its Market Leadership because of its strong technology cloud platform, ability to scale and ease-of-use and -deployment. Also, the company has successfully shown that it can rapidly innovate and deliver new capabilities suitable for customers of all sizes across vertical industries. This adaptability has allowed Qualys to consistently stay ahead in the innovation curve.

Conclusion

Qualys operates in a highly-competitive field of enterprise software security solutions that is rapidly consolidating. Frost & Sullivan estimates that roughly 21 companies generate revenues of \$5 million or more annually in vulnerability management products. Vendors differentiate by the efficiency of their scan products, the integration of analytics, the ability to deliver products over several platforms, as well as the ability to address security by company size, industry vertical, and pricing.

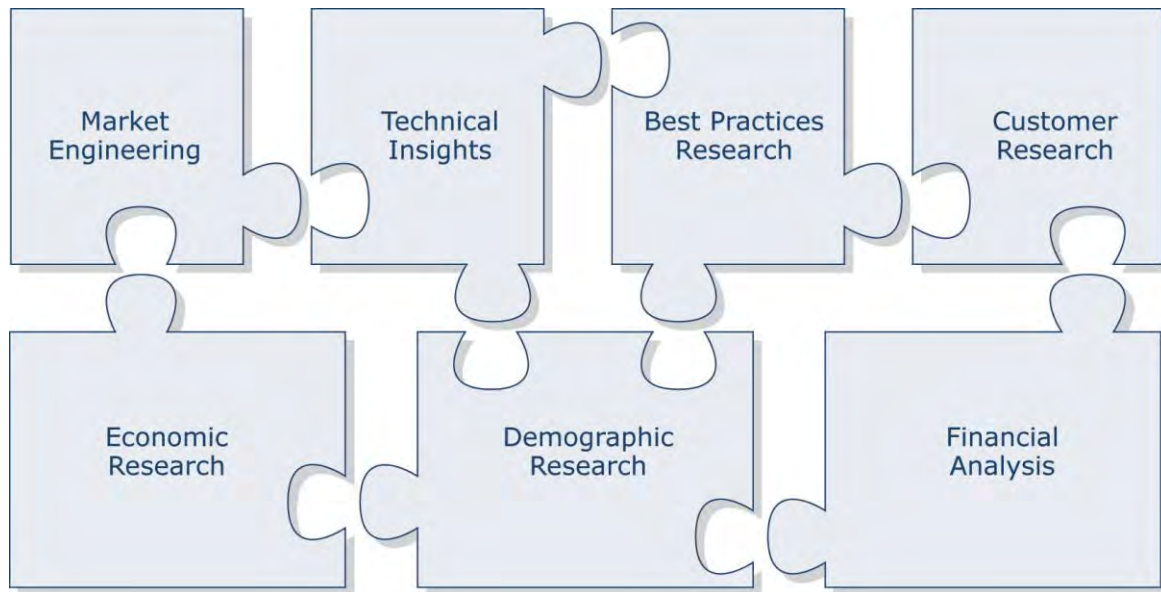
The principal reason that Qualys has been able to maintain its Market Leadership and has the potential to drastically increase it is that Qualys recognizes all of the elements in vulnerability management are essential and it has adapted its technology platforms accordingly. In addition, Qualys recognizes that its customers' security needs are not limited to vulnerability management. By expanding its security solutions into complementary, adjacent security domains, Qualys has further strengthened its competitive position in the vulnerability management market.

Critical Importance of TEAM Research

Frost & Sullivan's TEAM Research methodology represents the analytical rigor of our research process. It offers a 360-degree view of industry challenges, trends, and issues by integrating all seven of Frost & Sullivan's research methodologies. Our experience has shown over the years that companies too often make important growth decisions based on a narrow understanding of their environment, leading to errors of both omission and commission. Frost & Sullivan contends that successful growth strategies are founded on a thorough understanding of market, technical, economic, financial, customer, best practices, and demographic analyses. In that vein, the letters T, E, A and M reflect our core technical, economic, applied (financial and best practices) and market analyses. The

integration of these research disciplines into the TEAM Research methodology provides an evaluation platform for benchmarking industry players and for creating high-potential growth strategies for our clients.

Chart 1: Benchmarking Performance with TEAM Research



About Frost & Sullivan

Frost & Sullivan, the Growth Partnership Company, enables clients to accelerate growth and achieve best-in-class positions in growth, innovation and leadership. The company's Growth Partnership Service provides the CEO and the CEO's Growth Team with disciplined research and best-practice models to drive the generation, evaluation and implementation of powerful growth strategies. Frost & Sullivan leverages 50 years of experience in partnering with Global 1000 companies, emerging businesses and the investment community from more than 40 offices on six continents. To join our Growth Partnership, please visit <http://www.frost.com>.