

REPORT REPRINT

Qualys signals ambitions beyond the endpoint with purchase of Nevis Networks' assets

SCOTT CRAWFORD

2 AUGUST 2017

Although a modest acquisition, Qualys' first-ever technology deal likely indicates greater ambitions beyond the endpoint in hybrid IT management linked to vulnerability and risk remediation and control.

THIS REPORT, LICENSED TO QUALYS, DEVELOPED AND AS PROVIDED BY 451 RESEARCH, LLC, WAS PUBLISHED AS PART OF OUR SYNDICATED MARKET INSIGHT SUBSCRIPTION SERVICE. IT SHALL BE OWNED IN ITS ENTIRETY BY 451 RESEARCH, LLC. THIS REPORT IS SOLELY INTENDED FOR USE BY THE RECIPIENT AND MAY NOT BE REPRODUCED OR RE-POSTED, IN WHOLE OR IN PART, BY THE RECIPIENT WITHOUT EXPRESS PERMISSION FROM 451 RESEARCH.



©2017 451 Research, LLC | WWW.451RESEARCH.COM

Qualys has announced the acquisition of certain assets of Nevis Networks in a deal that provides the company with solid passive-scanning techniques linked to endpoint security, as well as a springboard that it publicly acknowledges will accelerate its move into the adjacent markets of endpoint exposure mitigation and security response. Although a modest transaction, this marks Qualys' first-ever technology purchase and indicates greater ambitions beyond the endpoint in hybrid IT management linked to vulnerability and risk remediation and control.

THE 451 TAKE

On its face, this deal is modest: the assets of a small company acquired primarily for its IP and engineering expertise. But its implications are more far-reaching. For one thing, aside from the pickup of Nemean Networks and its research team in 2010, this is arguably Qualys' first-ever technology acquisition - and it signals more to come. Qualys is a pioneer in SaaS delivery of security technology, which has served it well in vulnerability management. The company sees that vantage point as an opportunity to tackle what enterprise IT - and enterprise security - is becoming and will become. While this transaction targets the endpoint - a hot enough space as it is - the focus is on endpoint compliance, which in turn has implications for vulnerability remediation. This means more direct interaction with - and control over - a broader spectrum of IT, which will take Qualys into more direct competition with a wider range of contenders in both security and hybrid IT management. These ambitions likely do not stop at the endpoint, as indicated by Qualys' announcements during Black Hat week of new capabilities for cloud platforms and certificate management. For those who follow the company - and note the significance of its 'first' deal - things could get interesting before long.

DEAL DETAILS

Terms of the all-cash transaction were not disclosed, but Qualys indicates that it will not be material to its financial performance, which places the focus on Nevis' technology and people. While an asset acquisition, the focus is as much on the target's engineering team as it is on its IP. Nevis is based in Pune, India, where Qualys maintains its own operations.

While Qualys will continue to support existing Nevis customers and sell its products and services in India, it will incorporate Nevis' engineering team into its Pune organization, which is expected to infuse Qualys' portfolio of SaaS technology and cloud-delivered services with technology as well as insight into visibility and control of enterprise LANs and endpoints. In so far as appliances contribute to Nevis' portfolio, those will be handled according to Qualys' model of remote management and 'self-updating' functionality to minimize customer impact.

DEAL RATIONALE

With a well-established footprint in vulnerability management and one of security's original SaaS plays, Qualys is looking to enter new frontiers in the evolution of IT and information security. Over the past few weeks, the company has announced several new initiatives, including its CloudView offering for inventory and assessment of public cloud environments, and its CertView product for managing SSL/TLS certificates.

It's therefore not surprising that the company sees opportunities in endpoint security that closely align with its core values. Endpoint security is one of today's most active areas of infosec, where new disruptors as well as established incumbents are actively (and sometimes aggressively) challenging each other for the place in the enterprise - and in enterprise budgets - traditionally held by antivirus and legacy endpoint security.

Qualys has long had a strong position in visibility into vulnerability and risk exposure across diverse IT environments. With the addition of Nevis' assets, the company now has enhanced visibility into endpoints and the distributed enterprise network, as well as a new footprint for endpoint control. In the press release announcing the deal, Qualys chairman and CEO Philippe Courtot alluded to the leg up this move gives the company for moving even further into endpoint security, building anticipation for the next steps in its strategy for tackling endpoint remediation and response as well.

ACQUIRER PROFILE

Founded in 1999, Redwood City, California-based Qualys is one of the pioneers of SaaS-delivered security technology, capitalizing from its outset on the scalability of a platform that centralizes vulnerability, assets, requirements and policy intelligence and management for thousands of customers worldwide. The company claims over 9,300 customers in more than 120 countries, including 60% of the Forbes Global 50. Courtot has led Qualys from the outset, with technology currently under the leadership of chief product officer Sumedh Thakar and chief commercial officer Amer Deeba.

The company's offering is centered on the Qualys Cloud Platform, a SaaS model that capitalizes on the centralized scalability and performance of cloud technologies for providing vulnerability and security assessment and visibility across a diverse IT terrain. According to Qualys data, each year the platform supports over three billion IP scans, collects more than 28 billion data points and reports one trillion-plus security events. In addition to broad support for several traditional IT, on-premises technologies and Web application security, the platform also offers compatibility with AWS, Microsoft Azure and Google Cloud Platform, and provides strategies for objectives from compliance to security integration with DevOps initiatives.

TARGET PROFILE

Founded in 2003 as an early contender in the network access control market, Nevis Networks underwent reorganization and since 2009 its assets have been owned by Aviram Networks. The company was founded by the late Ajit Shelat, a serial entrepreneur who had previously sold SwitchOn Networks to PMC-Sierra for \$450m. Radha Shelat is currently CEO, with Raghu Iyer and Ravi Dara serving as CTO and VP of engineering, respectively. Nevis has approximately 20 paying customers, primarily in India, but Qualys expects to take its technology and insights more widely to its worldwide customer base.

The company's technology is focused on monitoring and enforcement of network access consistent with an organization's identity, device configuration and software requirements, with a line of appliances that emphasize LAN security and out-of-band deployment that minimizes the impact on network performance while ensuring enforcement when required. Nevis' technology further monitors traffic for evidence of malware based on intrusion-prevention and anomaly-detection capabilities. Its LANSight management platform provides event monitoring and correlation of network events with user identity. Nevis offers a cloud-based endpoint compliance service that aligns with the Qualys model, reporting on policy compliance throughout an organization, as well as providing automated remediation of OS patch levels and endpoint security software updates.

COMPETITION AND OUTLOOK

Several of today's IT and security trends already play to Qualys' strengths. As a pioneer of SaaS delivery in security, Qualys is well positioned for visibility across other SaaS, cloud and hosted offerings, in addition to its long-established role in managing vulnerabilities and compliance for traditional IT and web applications. The ease of integration of a SaaS model with other tools lends itself to initiatives for monitoring and ensuring security for other hosted or cloud-based technologies, which suggests that Qualys may well be on a course that will take it into more directly competitive territory against other security leaders focused on the cloud, including Symantec and Cisco, particularly since their acquisitions of Blue Coat and OpenDNS, respectively.

Looking a bit further down the road, this also suggests that Qualys may become more directly engaged in consolidating security management for infrastructure-as-a-service platforms that lend themselves to API-driven techniques for inventory, assessment and management. As noted, Qualys already offers support for AWS, Google Cloud Platform and Microsoft Azure, and has developed a strategy for DevOps support, which we would expect to expand as security management strategies for hybrid environments continue to mature.

However, this specific deal is centered on the endpoint – another hot area for security at present, primarily in the arena of threat defense. Qualys' play with Nevis is in endpoint policy compliance and insurance – and that puts vulnerability remediation in view.

This takes Qualys into provocative new territory, which suggests potential further positioning against an even greater variety of rivals. Initially, that list would range from ServiceNow's growing slate of security partners, but it could also come to include a host of firms focused on IT infrastructure management, particularly for software and patch management (and by extension, potentially secure software development, deployment and management in DevOps pipelines). The linkage between process and technology in this realm could conceivably also lead Qualys in the direction of security automation and orchestration suggestive of FireEye's pickup of Invotas' orchestration capabilities, Microsoft's more recent reach for Hexadite and – closer to home – Rapid7's acquisition of Komand.

Whatever its direction turns out to be, these potentialities make Qualys a much more interesting player to watch going forward as digital transformation wields its impact on security and compliance as thoroughly as it does on others aspects of enterprise technology – and opens doors for one of security's cloud pioneers.

ACQUIRER

Qualys

TARGET

Nevis Networks (assets)

SUBSECTOR

Security

DEAL VALUE

Undisclosed

DATE ANNOUNCED

August 1, 2017

EXPECTED CLOSING DATE, EXPECTED

Q3 2017