



# CYBER EXPOSURE

***MANAGING AND MEASURING CYBER RISK IN THE DIGITAL ERA***

June 2020

# Forward-Looking Statements

This presentation includes forward-looking statements. All statements contained in this presentation other than statements of historical facts, including statements regarding our future results of operations and financial position, our business strategy and plans and our objectives for future operations, are forward-looking statements. The words “anticipate,” “believe,” “continue,” “estimate,” “expect,” “intend,” “may,” “will” and similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions. These risks and uncertainties are detailed in the sections titled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Quarterly Report on Form 10-Q filed with the SEC on May 5, 2020, and other filings that we make from time to time with the SEC, which are available on the SEC’s website at [sec.gov](http://sec.gov). Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. Such risks and uncertainties may be amplified by the COVID-19 pandemic and its potential impact on our business and the global economy. In light of these risks, uncertainties and assumptions, the future events and trends discussed in this presentation may not occur and actual results could differ materially and adversely from those anticipated or implied in any forward-looking statements we make.

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An aerial photograph of a dense urban skyline, likely New York City, featuring numerous skyscrapers and buildings. The image is overlaid with a semi-transparent blue filter. Centered on the image is white text.

We help organizations  
confidently answer the question:

***“How secure are we?”***

# Tenable At-A-Glance

>30,000  
Customers

>50%  
of Fortune 500

>30%  
of Global 2000

~90%<sup>(3)</sup>  
Recurring Revenue

Trusted Brand  
2M+  
Cumulative,  
unique downloads

FCF+  
Q1.20 first quarter FCF+

160+  
Countries

1,400+  
Employees

Revenue<sup>(2)</sup>  
(\$ in millions)



1. All figures presented are as of December 31, 2019, unless otherwise noted.

2. We adopted ASC 606 on January 1, 2017 using the modified retrospective method. The 2015 and 2016 consolidated statements of operations were not adjusted for the adoption of ASC 606.

3. Recurring revenue as a percentage of total revenue for 2018, 2019, and Q1 2020.

# Investment Highlights



Unique approach to  
secular growth  
opportunity



Best of Breed  
strategy in VM



One platform  
unifying data  
across the modern  
attack surface

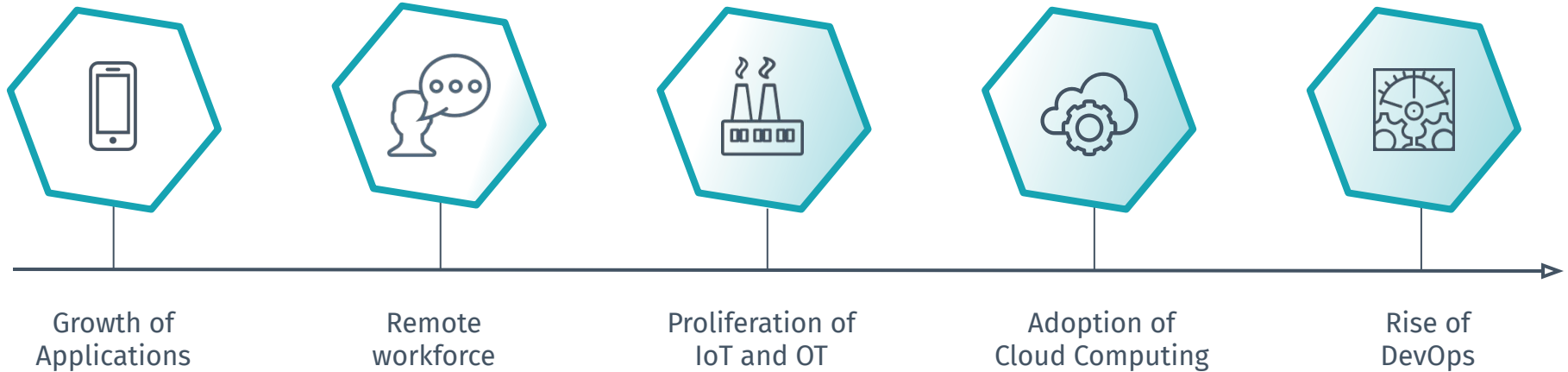


Data science  
driven analytics -  
prioritization,  
benchmarking



High growth,  
recurring model  
with attractive FCF  
profile

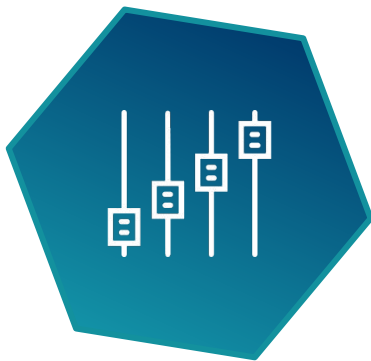
# Digital Transformation Increases IT Complexity And Cybersecurity Risk



# Problem Statement: Enterprises Struggle to Make Sense of Vulnerabilities



**Lack of accurate  
visibility**



**Lack of  
prioritization**



**Translation into  
business context**

# Best of Breed Strategy in Vulnerability Management



## LEADER IN ZERO-DAY RESEARCH

**149/24** Zero-day vulns discovered in 2019/Q1 2020 <sup>(1)</sup>

# #1

In **Vulnerability Coverage** <sup>(2)</sup>

---

# >20%

More CVEs than competitors <sup>(2)</sup>

# #1

in **Device VM Market Share** <sup>(3)</sup>

---

# 27.6%

Market share in Device VM <sup>(3)</sup>

1. Refer to <https://www.tenable.com/security/research> for published vulnerabilities.

2. Reported in A Principled Technologies report: "Comparing vulnerability and security configuration assessment coverage of leading VM vendors" - September, 2019.

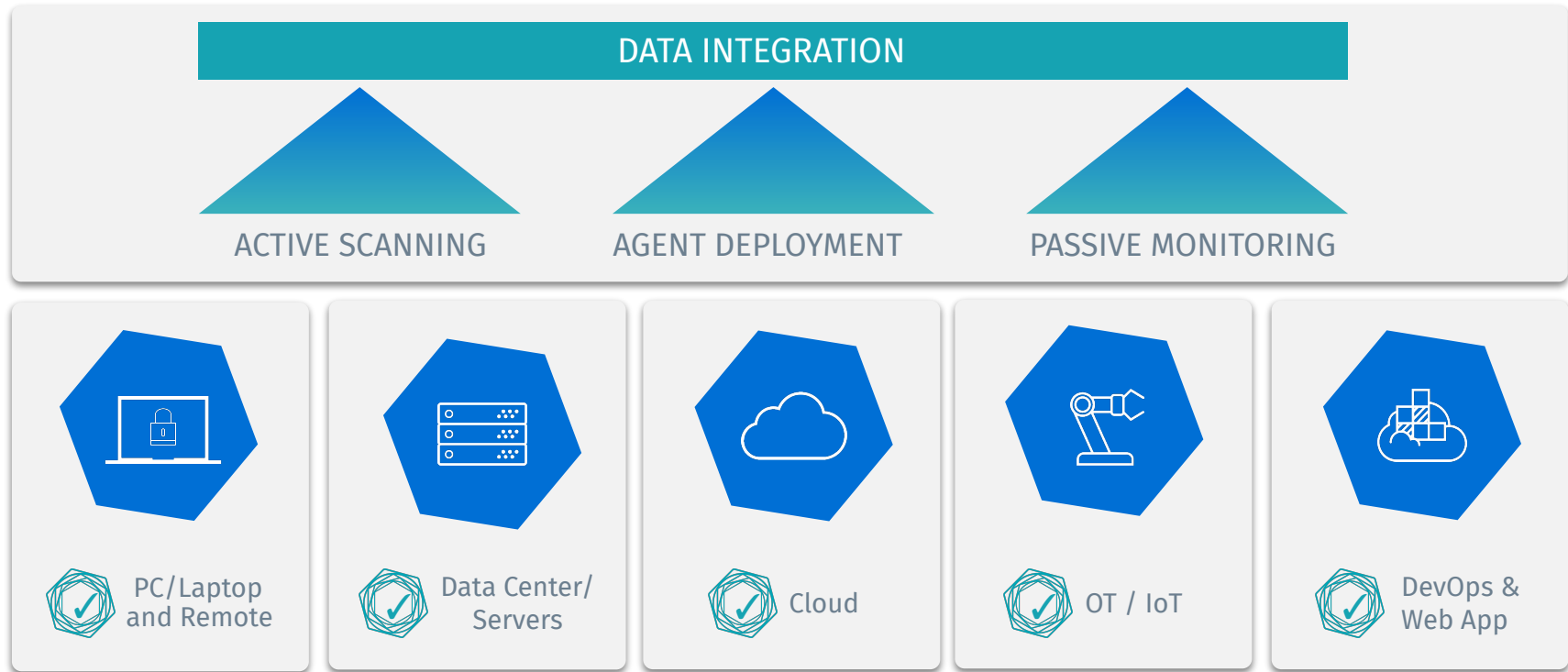
3. Source: IDC, "Worldwide Device Vulnerability Management Market Shares 2019: Finding the Transitional Elements Between Device Assessment Scanning and Risk-Based Remediation" - May 2020.



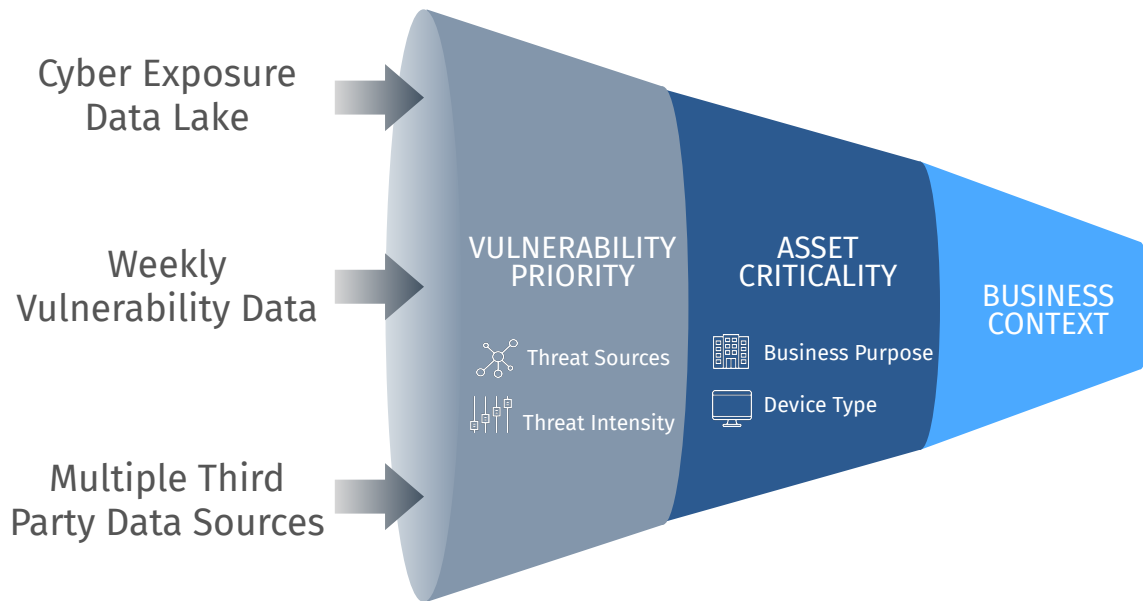




# One Platform Unifying Data Across Modern Attack Surface

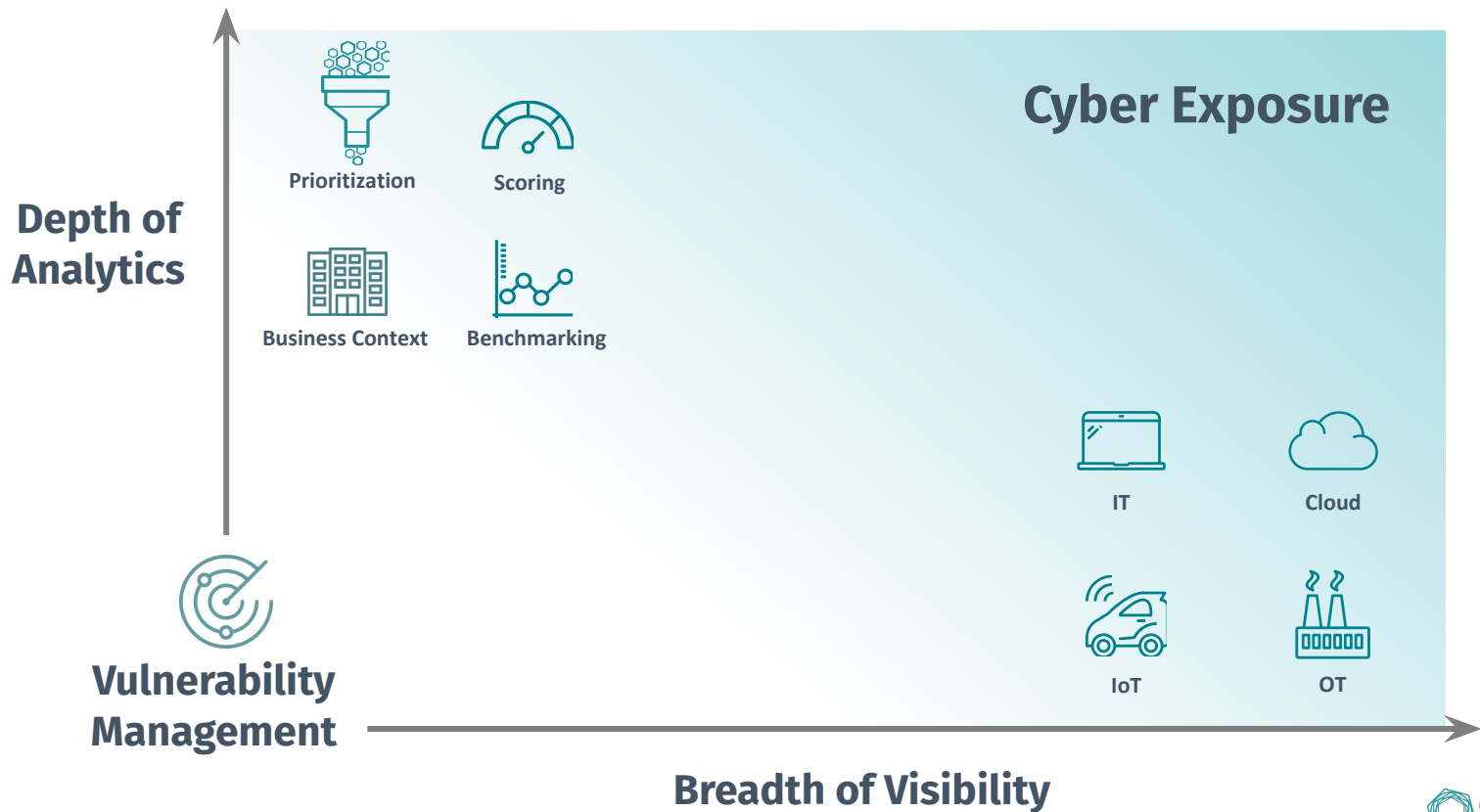


# Data Science Driven Analytics - Prioritization & Benchmarking



Cyber Exposure Score  
Peer Benchmarking  
Trending Over Time  
Remediation Guidance

# Evolving Vulnerability Management to Cyber Exposure

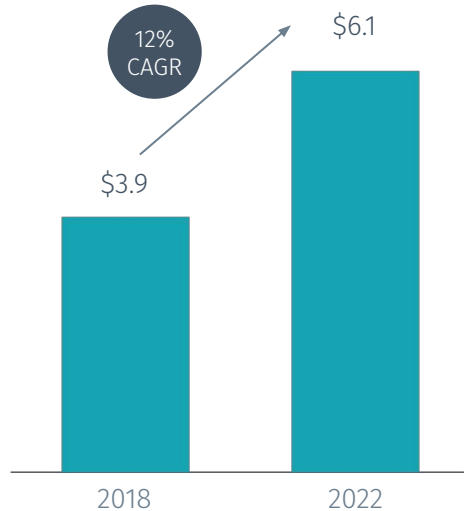


# Large And Underpenetrated TAM

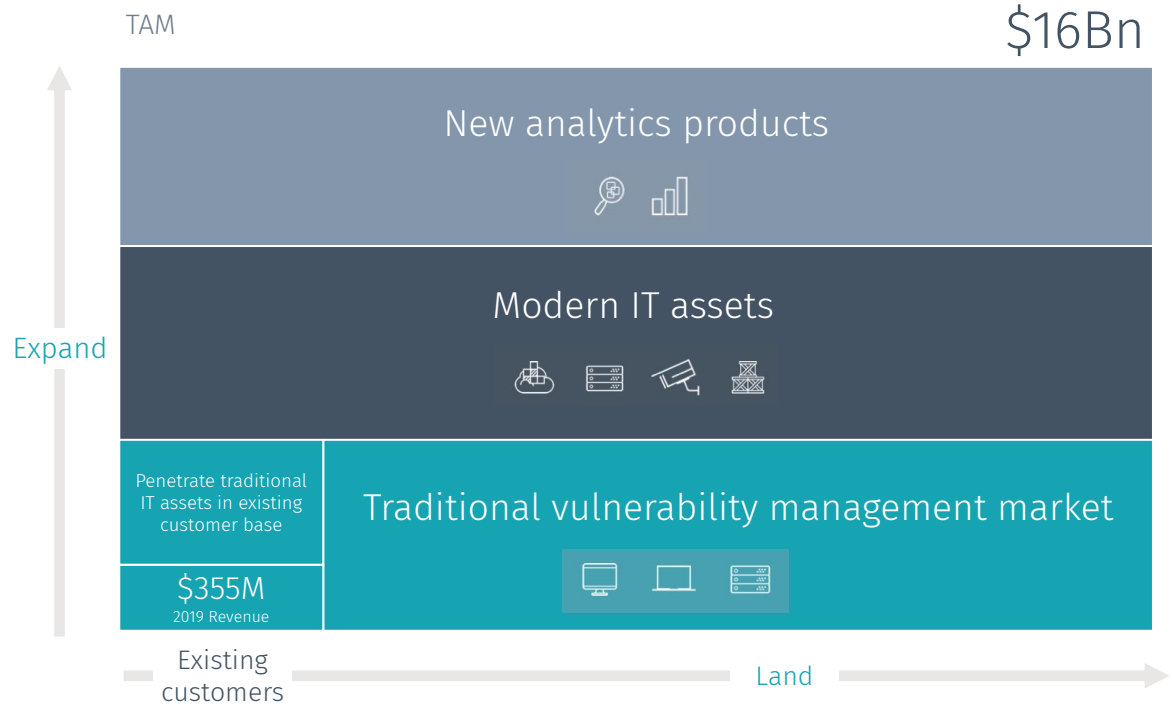


## Traditional vulnerability management market<sup>(1)</sup>

\$ in billions

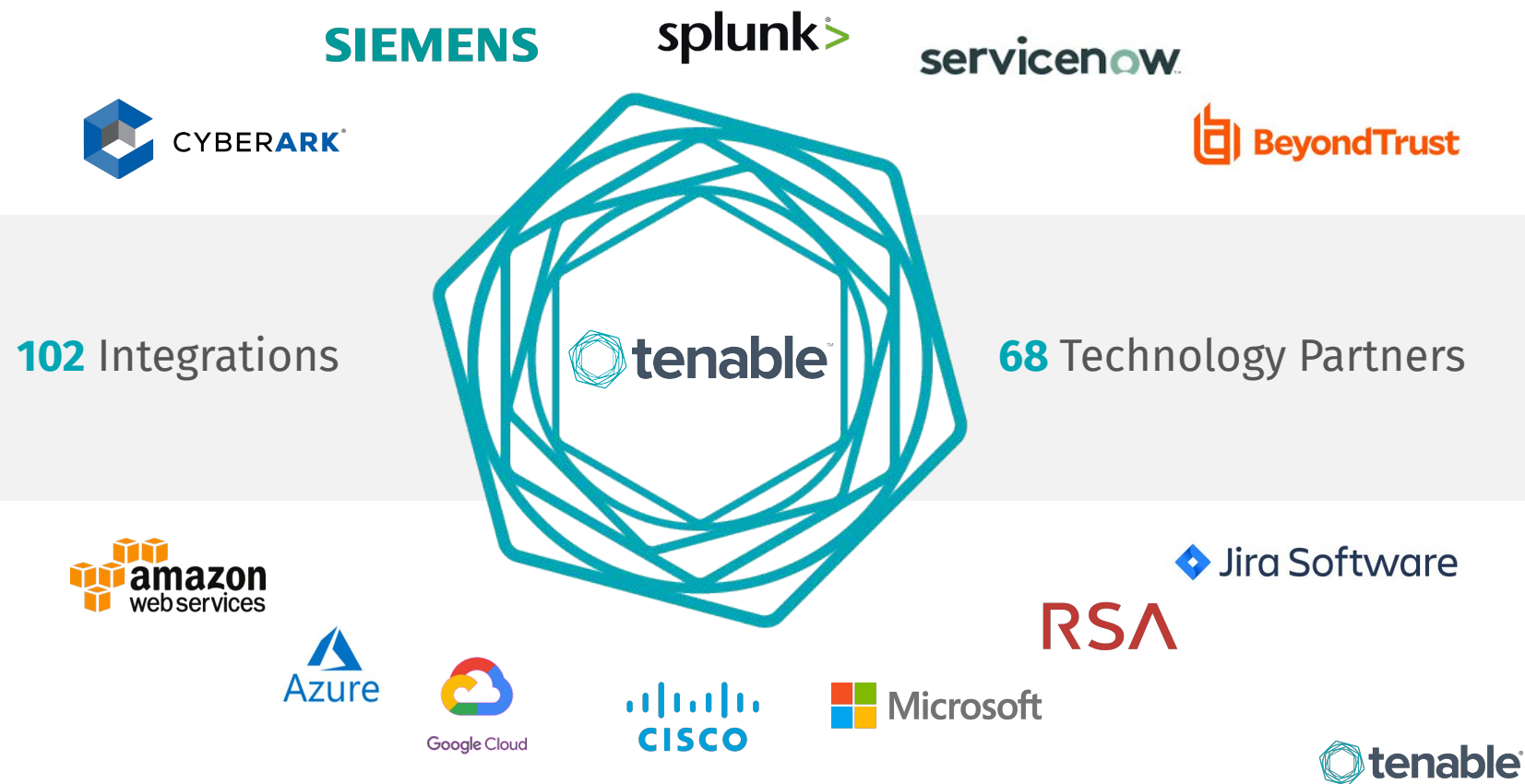


## Bottoms-up analysis



1. Traditional Vulnerability Management Market includes the Policy and Compliance and Device and Application Vulnerability Assessment segments as reported by IDC in their *Worldwide Cybersecurity Analytics, Intelligence, Response, and Orchestration Forecast, 2019–2023: Finding and Mitigating the Adversary*.

# Best of Breed Strategy Strengthens Technology Ecosystem



# Tenable Named A Leader By Market Analysts And Recognized By Customers



Tenable is Top Ranked in both **strategy** and **current offering** categories

THE FORRESTER WAVE™  
Vulnerability Risk Management  
Q4 2019



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**Tenable Named a 2020 Gartner Peer Insights Customers' Choice for Vulnerability Assessment for the second year in a row**

"We needed to switch to a new vulnerability management tool when BeyondTrust announced they were getting out of the v-m business, and even they recommend Tenable. I see why - they are the industry leader and deserve to be. I wish we'd switched a long time ago."

*-Analyst Network and Infrastructure in the Transportation Industry*

<https://www.gartner.com/reviews/market/vulnerability-assessment/vendor/tenable/product/tenable-sc/review/view/1315226>

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# Growth Strategy



Acquire new  
enterprise platform  
customers



Expand asset  
coverage



Invest in  
technology and  
expand use cases



Explore  
acquisition  
opportunities

# Experienced Management Team And Board



**Amit Yoran**  
CEO & Chairman



**Steve Vintz**  
CFO



**Mark Thurmond**  
COO



**Jennifer Johnson**  
CMO



**Ofer Ben-David**  
CPO



**Renaud Deraison**  
Co-Founder & CTO



**Terry Dolce**  
SVP, Global Operations



**Dave Feringa**  
SVP, Worldwide Sales



**Steve Riddick**  
General Counsel



**Bridgett Paradise**  
Chief People Officer



**Matt Olton**  
SVP, Corp. Development



**ACCEL**  
PARTNERS

**INSIGHT**  
VENTURE PARTNERS

**Jack Huffard**  
Co-Founder, Tenable

**Brooke Seawell**  
Director, Tableau & NVIDIA

**Art Coviello**  
Former Chairman and CEO, RSA

**Richard Wells**  
Managing Director, Insight

**Ping Li**  
General Partner, Accel

**Kim Hammonds**  
Former COO, Deutsche Bank

**Jerry Kennelly**  
Former Chairman and CEO, Riverbed

**Linda Zecher**  
Director, Hasbro

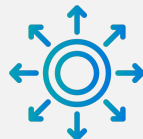
June 2020

# Financial Overview

# Financial Highlights



**Rapid, recurring  
revenue growth  
at scale**



**Land-and-expand  
model**



**Balanced and  
diversified model**



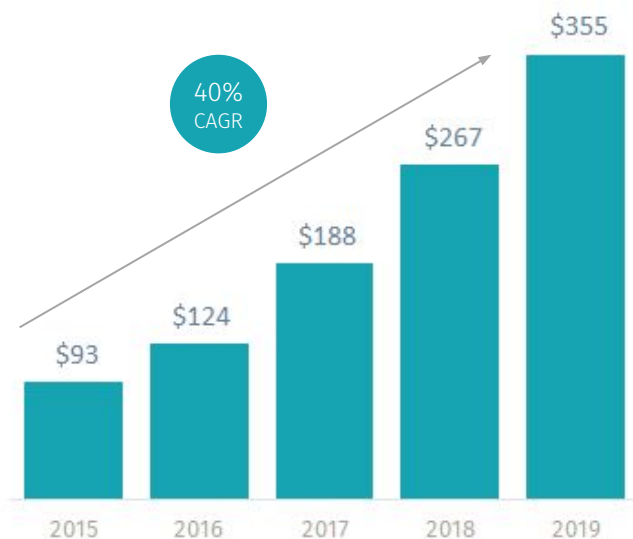
**Capital efficient  
business**



# Rapidly Growing Revenue

## Annual Revenue<sup>(1)</sup>

\$ in millions



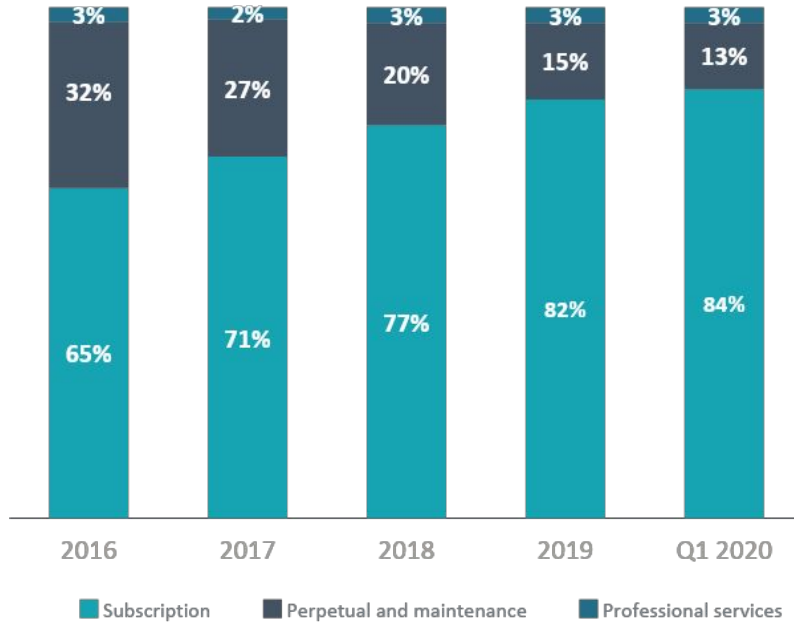
## Quarterly revenue

\$ in millions

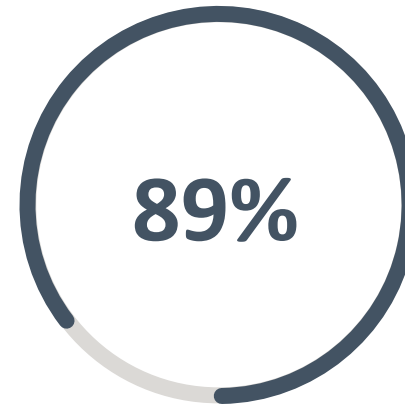


# Composition of Revenue

% Revenue by line item<sup>(1)</sup>



% Recurring



2018



2019 & Q1 2020

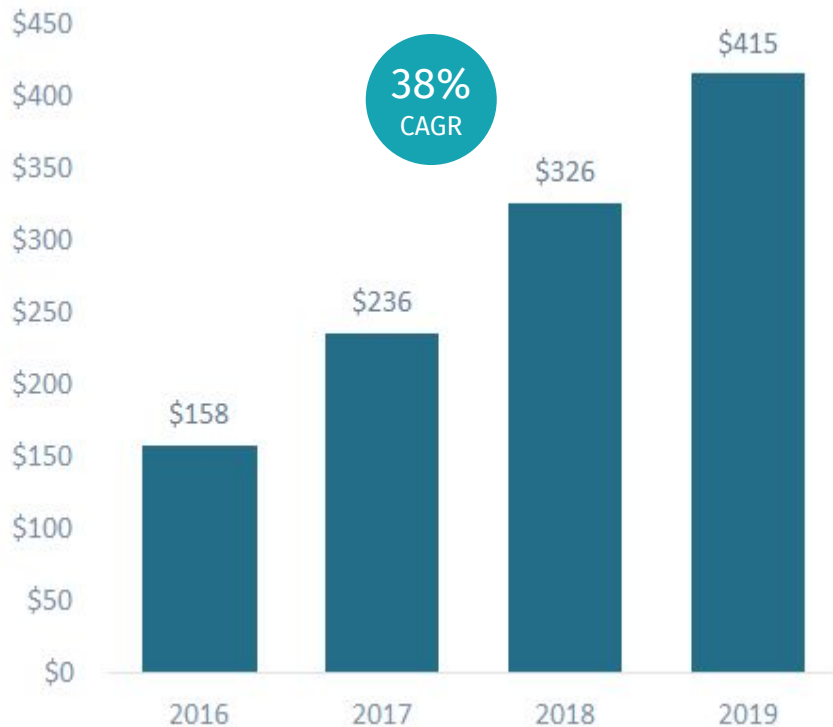
1. We adopted ASC 606 on January 1, 2017 using the modified retrospective method. The 2015 and 2016 consolidated statements of operations were not adjusted for the adoption of ASC 606.



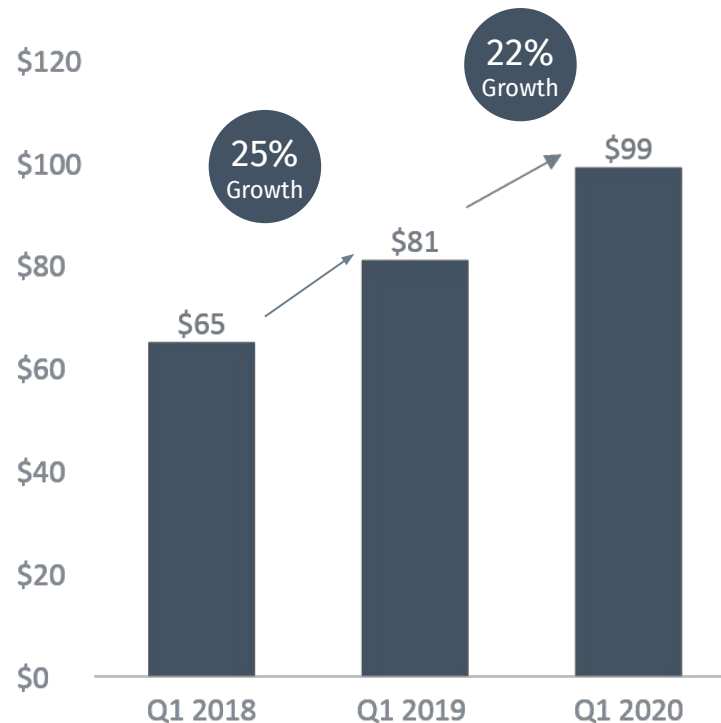
# Strong Growth In Calculated Current Billings<sup>(1)</sup>



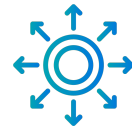
\$ in millions



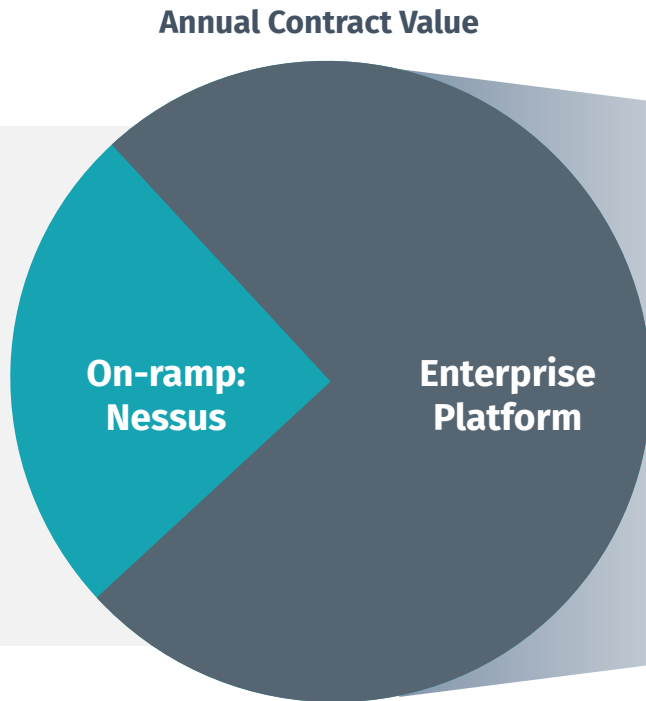
\$ in millions



# Multiple Ways To Land And Expand

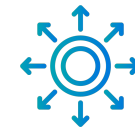


- Nessus a cost-effective on-ramp to larger enterprise platform
- Nessus Professional upgrades to either T.SC (on prem) or T.IO (cloud) or both (hybrid) can access additional features:
  - Centralized data & reporting
  - Access to more sensors (Agents, Passive, WebApp, OT, etc)
  - Predictive Prioritization
  - APIs

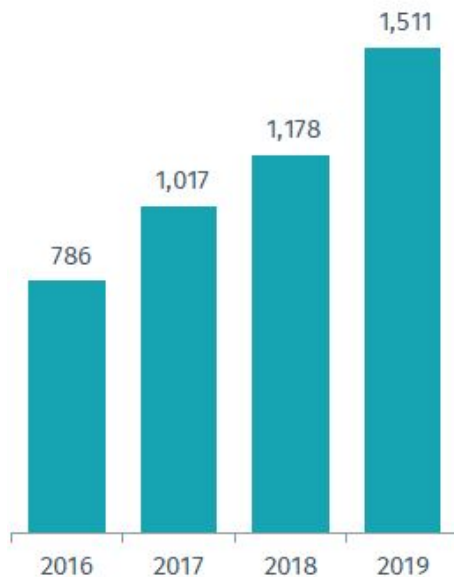


- ✓ **New logos**
- ✓ **Nessus upsells**
- ✓ **More assets and applications**

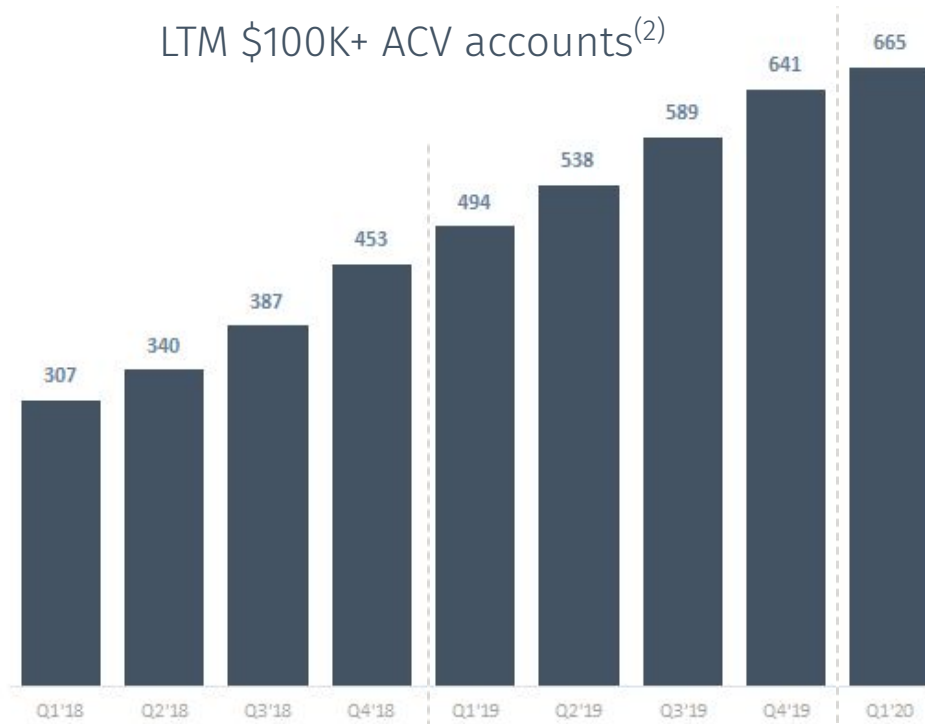
# Landing Higher Value Customers



New logo enterprise platform customers<sup>(1)</sup>



LTM \$100K+ ACV accounts<sup>(2)</sup>



1. Chart represents new enterprise platform customer acquisitions excluding upsells. Enterprise platform customer defined as a customer that has licensed Tenable.io or Tenable.sc for an annual amount of \$5,000 or greater.
2. Chart represents the number of customers with \$100K and greater of annual contract value for the last 12 months.

# Large and Diverse Customer Base



**30,000+**  
Customers

**>30%**  
of Global 2000

**>50%**  
of Fortune 500

Deutsche Bank 

First Data<sup>®</sup>

JPMorganChase 

 Nasdaq

Sysco<sup>®</sup>

WELLS  
FARGO

  
Albertsons

AMERICAN EAGLE

 DARDEN

 globalpayments

O'Reilly  AUTO PARTS<sup>®</sup>  
PROFESSIONAL EQUIPMENT

  
STARBUCKS  
COFFEE

wayfair  
a willis torgler home

SHEETZ

TESLA

 Dropbox

amazon.com

DocuSign<sup>®</sup>

 vodafone

 World Wide Technology, Inc.

SONICWALL

BERKSHIRE  
HATHAWAY INC.

  
Steward

 Quest  
Diagnostics<sup>®</sup>

 AmeriHealth Caritas

 BON SECOURS HEALTH SYSTEM

 MERCY  
HEALTH

 SENTARA<sup>®</sup>

CPS   
ENERGY

 ENBRIDGE

 Entergy

 Exelon.

 BR PETROBRAS

TVA

 TransGrid

DISA

 NASA

TRIOMET

USDA

DOD

DOE

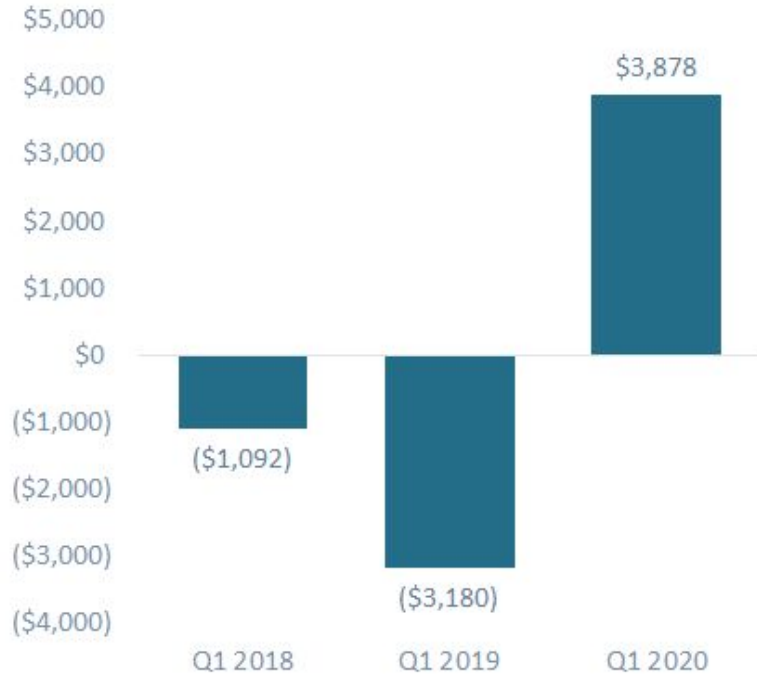
VA

SSA

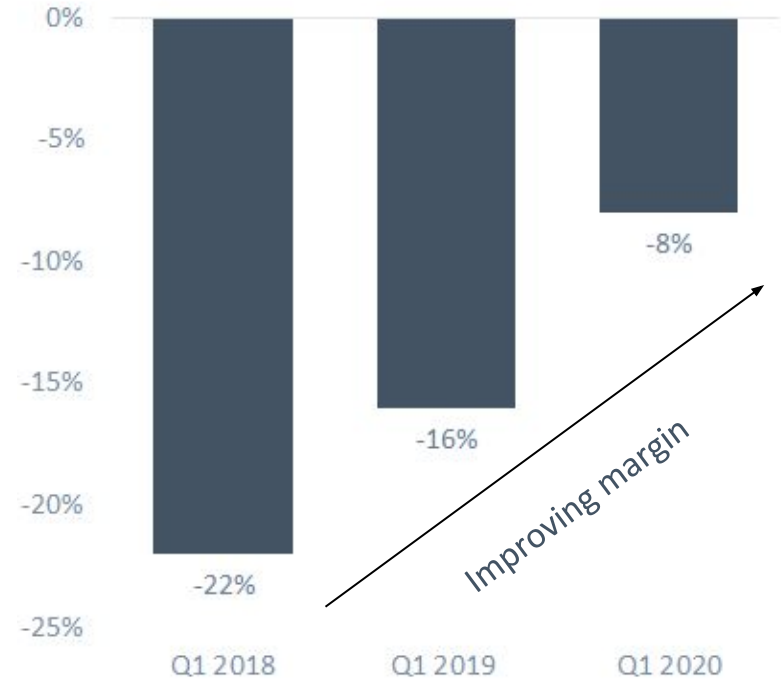
# Improving Operating Leverage



Free Cash Flow<sup>(1)</sup>



Operating Margin (Loss)<sup>(1)</sup>



# Non-GAAP Income Statement and Cash Flow Highlights<sup>(1)</sup>

(dollars in thousands)		Three Months Ended March 31,		
	2019	% of Rev	2020	% of Rev
Revenue	\$ 80,301		\$ 102,648	
Cost of revenue	12,423		17,375	
Gross profit	\$ 67,878	85%	\$ 85,273	83%
Operating expenses :				
Sales and marketing	49,323	61%	55,359	54%
Research and development	19,905	25%	23,883	23%
General and administrative	11,865	15%	13,750	13%
Total operating expenses	\$ 81,093	101%	\$ 92,992	91%
Loss from operations	\$ (13,215)	(16%)	\$ (7,719)	(8%)
Net cash (used in) provided by operating activities	\$ (874)		\$ 4,492	
Purchases of property and equipment	(2,306)		(614)	
Free cash flow <sup>(2)</sup>	\$ (3,180)	(4%)	\$ 3,878	4%

1. Refer to the Appendix for the definitions of the non-GAAP financial measures, and a reconciliation from the GAAP measures to the non-GAAP measures.

2. Free cash flow is a non-GAAP financial measure. Free cash flow included a reduction related to employee stock purchase plan activity of \$3.7 million and \$4.9 million in the three months ended March 31, 2020 and 2019, respectively. The three months ended March 31, 2020 also included \$0.7 million of acquisition-related payments for Indegy and \$0.1 million of capital expenditures for our new headquarters.



# Appendix

# Non-GAAP Reconciliations

**Calculated Current Billings:** We define calculated current billings, a non-GAAP financial measure, as total revenue recognized in a period plus the change in current deferred revenue in the corresponding period. We believe that calculated current billings is a key metric to measure our periodic performance. Given that most of our customers pay in advance (including multi-year contracts), but we generally recognize the related revenue ratably over time, we use calculated current billings to measure and monitor our ability to provide our business with the working capital generated by upfront payments from our customers. We believe that calculated current billings, which excludes deferred revenue for periods beyond twelve months in a customer's contractual term, more closely correlates with annual contract value and that the variability in total billings, depending on the timing of large multi-year contracts and the preference for annual billing versus multi-year upfront billing, may distort growth in one period over another.

The following table presents a reconciliation of revenue, the most directly comparable GAAP measure, to calculated current billings for each of the periods presented. All dollars are in thousands.

Calculated Current Billings:	2016	2017	2018	2019	Q1 2018	Q1 2019	Q1 2020
Revenue	\$124,371	\$187,727	\$267,360	\$354,586	\$59,107	\$80,301	\$102,648
Add: Deferred revenue (current), end of period	88,011	154,898	213,644	274,348	160,503	214,508	270,916
Less: Deferred revenue (current), beginning of period <sup>(1)(2)</sup>	(54,721)	(107,006)	(154,898)	(214,069)	(154,898)	(213,644)	(274,348)
Calculated current billings	\$157,661	\$235,619	\$326,106	\$414,865	\$64,712	\$81,165	\$99,216

1. In connection with adopting ASC 606, we recorded \$19.0 million of current deferred revenue on January 1, 2017 related to perpetual license revenue recognized in prior periods.
2. Deferred revenue (current), beginning of period for the year ended December 31, 2019 includes \$0.4 million related to Indegy's deferred revenue at the acquisition date.

# Non-GAAP Reconciliations (continued)

**Non-GAAP Loss from Operations and Non-GAAP Operating Margin:** We define non-GAAP loss from operations as GAAP loss from operations, excluding the effect of stock-based compensation, acquisition-related expenses, and amortization of acquired intangible assets. Acquisition-related expenses include transaction expenses and costs related to the transfer of acquired intellectual property. Non-GAAP operating margin is defined as non-GAAP loss from operations as a percentage of revenue.

**Non-GAAP Gross Profit and Non-GAAP Gross Margin:** We define non-GAAP gross profit as GAAP gross profit, excluding the effect of stock-based compensation and amortization of acquired intangible assets. Non-GAAP gross margin is defined as non-GAAP gross profit as a percentage of revenue.

**Non-GAAP Sales and Marketing Expense, Non-GAAP Research and Development Expense and Non-GAAP General and Administrative Expense:** We define these non-GAAP measures as their respective GAAP measures, excluding stock-based compensation and acquisition-related expenses.

**Free Cash Flow:** We define free cash flow, a non-GAAP financial measure, as net cash (used in ) provided by operating activities less purchases of property and equipment. See reconciliation on earlier slide.

The following tables reconcile the most directly comparable GAAP measures to our non-GAAP measures for each of the periods presented. All dollars are in thousands.

Non-GAAP Loss from Operations	Q1 2018	Q1 2019	Q1 2020
Loss from operations	\$(15,449)	\$(22,685)	\$(21,672)
Stock-based compensation	2,399	9,319	13,035
Acquisition-related expenses	-	-	339
Amortization of acquired intangible assets	151	151	579
Non-GAAP loss from operations	\$(12,899)	\$(13,215)	\$(7,719)
Non-GAAP operating margin	(22)%	(16)%	(8)%

# Non-GAAP Reconciliations (continued)

Non-GAAP Sales and Marketing Expense	Q1 2019	Q1 2020
Sales and marketing expense	\$52,689	\$59,855
Less: Stock-based compensation	3,366	4,496
Non-GAAP sales and marketing expense	\$49,323	\$55,359
Non-GAAP sales and marketing expense % of revenue	61%	54%

Non-GAAP General and Administrative Expense	Q1 2019	Q1 2020
General and administrative expense	\$15,136	\$18,933
Less: Stock-based compensation	3,271	4,844
Less: Acquisition-related expenses	-	339
Non-GAAP general and administrative expense	\$11,865	\$13,750
Non-GAAP general and administrative expense % of revenue	15%	13%

Non-GAAP Research and Development Expense	Q1 2019	Q1 2020
Research and development expense	\$21,935	\$26,831
Less: Stock-based compensation	2,030	2,948
Non-GAAP research and development expense	\$19,905	\$23,883
Non-GAAP research and development expense % of revenue	25%	23%

Non-GAAP Gross Profit	Q1 2019	Q1 2020
Gross Profit	\$67,075	\$83,947
Stock-based compensation	652	747
Amortization of acquired intangible assets	151	579
Non-GAAP gross profit	\$67,878	\$85,273
Non-GAAP gross margin	85%	83%

## Non-GAAP Reconciliations (continued)

Free Cash Flow	Q1 2018	Q1 2019	Q1 2020
Net cash provided by (used in) operating activities	\$504	\$(874)	\$4,492
Purchases of property and equipment	(1,596)	(2,306)	(614)
Free cash flow	\$(1,092)	\$(3,180)	\$3,878
Free cash flow margin	(2)%	(4)%	4%