[~3580 words total]

ANDREA 300 words
Thank you Operator, and thank you all for joining us on today's conference call to discuss Tenable's first quarter financial results. With me on the call today are Amit Yoran, Tenable's Chief Executive Officer and Steve Vintz, Chief Financial Officer. Prior to this call, we issued our earnings release for our first quarter financial results, which is available on the Investor Relations section of our website.

Let me remind you that we will make forward looking statements during the course of this call, including statements relating to: Tenable's guidance and expectations for the second quarter and full year 2019; growth and drivers in Tenable's business; changes in the threat landscape in the security industry and our competitive position in the market; growth in our customer demand for and adoption of our solutions; and planned innovation and new products and services.

These forward looking statements involve risks and uncertainties, some of which are beyond our control, which could cause actual results to differ materially from those anticipated by these statements. You should not rely upon forward looking statements as a prediction of future events. Forward looking statements represent our management's beliefs and assumptions only as of today, and should not be considered representative of our views as of any subsequent date. We disclaim any obligation to update any forward looking statements or outlook.

For a further discussion of the material risks and other important factors that could affect our actual results, please refer to those contained in our most recent Annual Report on Form 10-K filed with the SEC and subsequent reports that we file with the SEC, which are available on the SEC website at sec.gov.

In addition, during today's call, we will discuss non-GAAP financial measures. Our earnings release that we issued today includes GAAP to non-GAAP reconciliations for these measures.

And now, let me turn the call over to Amit.

Amit Section: 1625 words, 13min
Thank you, Andrea, and thank you for joining us on the call today. I'm pleased to share that Tenable delivered another strong performance for Q1. Revenue grew 36% year over year to $80.3M, and calculated current billings grew 25% year over year to $81.2M.

Our performance reflects the growing opportunity for Cyber Exposure, which we believe will become the industry standard for managing and measuring cyber risk in the digital era. Cyber Exposure provides broad visibility into exposures across all connected assets and deep analytics to translate this data into actionable intelligence.

The evolution of Vulnerability Management from a compliance - to a risk-driven, higher valued added process, includes deeper analytics that combine vulnerability data with the other indicators of risk, including threat intelligence or asset criticality. This provides a more comprehensive view of cyber risk that enables CISOs and Executives to take appropriate action to reduce their risk and exposure. Responsible VM is the foundation of reducing cyber risk. *According to Gartner's A Guide to Choosing a Vulnerability Assessment Solution report, published in April 2019, "By 2022, organizations that use the risk-based vulnerability management method will suffer 80% fewer breaches."*

Over the past few years the Vulnerability Management Market has become a much more strategic and important focus for the enterprise due to growing recognition that many breaches CAN be prevented through a focus on the fundamentals of good cyber hygiene.

Historically, VM was largely compliance driven - security teams focused on a limited number of traditional assets to secure - PCs, laptops and servers. They conducted periodic scans, "checked the box" and moved on. Most enterprises assessed a small sample of their environment, conducted ad-hoc scans and used spreadsheets to try to centralize and prioritize data.

Today, as enterprises continue their path to digital transformation, there are new assets coming online all the time. Enterprises must first identify all assets on their networks, ranging from desktop computers to connected printers and cameras to cloud deployments and Operational Technologies. Then, they must assess every single device to identify, prioritize and resolve thousands of known vulnerabilities that hackers can exploit. The path of entry for a hacker has multiplied and the number of breaches, preventable breaches, has increased exponentially.

Because of the complexity of today's digital environments, vulnerability management has also become much more complex. It can no longer be responsibly managed in silos, on spreadsheets or with manual processes. It can no longer be "cobbled" together with multiple tools, or outsourced as an annual audit. Enterprises today are looking for continuous, comprehensive visibility and assessment of exposures across their compute environments with an enterprise wide VM solution, such as Tenable SC or IO, or a combination of both. And, with all the new assets coming online, the increase in exposures makes prioritization even more critical than ever. Today, our customers can automate prioritization of exposures for remediation with predictive prioritization. **Predictive Prioritization** automatically prioritizes each vulnerability based on the likelihood it will be exploited. We combine our vulnerability data with 3rd party vulnerability data and threat intelligence using proprietary machine learning algorithms to help customers take action on the small percentage of vulnerabilities that matter most.

But Cyber Exposure is much more than comprehensive asset coverage and exposure prioritization. The CISO has become a central part of articulating an organization's cyber risk and guiding strategic investment decisions at the C-suite and Board. As a result, not only has VM become more strategic, but CISO requirements for VM solutions have changed. To answer the fundamental question facing organizations today, 'how secure are we?', CISOs need to know where to focus investments based on business **risk**. They need visibility into how the effectiveness of their security investments - and cyber risk - are tracking over time, and how their company compares to its peers. **The need for Cyber Exposure is ubiquitous.**

That's why we are so excited about our Cyber Exposure platform designed to address the strategic cyber risk issues C-suite & Board level Executives are facing every day. Over time, the release and development of **Lumin** will integrate and contextualize additional data alongside vulnerability information to provide even greater intelligence. Lumin uses data science to provide measurement of cyber exposure - scoring, trending over time, benchmarking.

We believe the growing strategic importance of VM **and its evolution to Cyber Exposure** represent a huge incremental opportunity for Tenable. When we think about our market opportunity, we look at the growth in the end markets for Cyber Exposure.

We look at the shift to **cloud** deployment. We have solutions to connect, scan and ingest data from all the major public cloud providers. And, part of our differentiation is that we deploy **hybrid cloud** and on prem solutions for our customers as they try to manage hybrid compute environments. We have almost a 1000 customers using both our on prem & cloud deployed platforms - the market requires a hybrid approach to VM.

We look at the growth in **web applications, container usage, IoT devices** coming online as expanded opportunity for Tenable. We have solutions to address these needs. In fact, for over a decade we have been deploying passive network monitoring capability that many customers use today to address IoT.

Tenable is also positioned to participate in the explosion of the operational technologies security market. *According to Gartner's Competitive Landscape: Operational Technology Security report published in October 2018, annual OT security spend will grow at a 46% CAGR through 2022*. This market is in its infancy, but according to a recent survey we commissioned with the Ponemon Institute, most organizations in the OT sector have already experienced multiple cyber attacks causing significant downtime and business disruption.

Consider the overall modern asset growth in the market with another quote from *Gartner's Security Summit titled "Fix What Matters: Provide DevOps Teams With Risk-Prioritized Vulnerability Guidance," Presentation, June 2018, "Through 2021, the single most impactful enterprise activity to improve security will be mitigating vulnerabilities."* That's a powerful statement about the strategic importance of our industry. In our view, operating a technology infrastructure without a mature understanding and active management of cyber hygiene can be viewed as negligent.

By combining forecasts for connected enterprise IoT devices, cloud deployments, container instances and other new & traditional assets, we believe our total addressable market reaches $16B this year.

And we get very excited about the opportunity in front of us.

We believe our scalable Cyber Exposure solution is differentiated by 3 key strengths:

1) **Breadth of asset coverage and**;
   a) We assess vulnerabilities across the entire enterprise attack surface, including traditional and modern assets.

2) **Depth of analytics**
   a) We combine vulnerability data with understanding of exploitability and threat data using our algorithms to help organizations predict and prioritize the highest vulnerability areas for them. We have heard from a long standing SC customer, now using predictive prioritization, that they have a much deeper understanding of the actual, quantifiable threat component for a given set of vulnerabilities. This is the **first of many** analytic applications leveraging vulnerability data to help organizations prioritize, measure and address their cyber exposure. With our to be released Lumin product we will include asset criticality and benchmarking capability.

3) **A "best of breed" singular approach to VM**;
   a) We deliver breadth and depth all through a singular focus to VM. Our best of breed VM solution leverages critical **strategic integrations** that are a key part of our strategy. We have highlighted partners such as ServiceNow, Splunk, AWS, Google, Siemens and numerous other companies. When I talk to customers, they want best-in-class vulnerability management that is optimized to integrate with their existing configuration databases, ticketing and patch management systems and infrastructure that have already purchased. We provide the integrations our customers need to successfully invest in best in class software.

With that, I'd like to highlight just a few six figure wins from the quarter as evidence of VM's growing strategic importance and continued investments in Cyber exposure.

- One of our new logo adds, a large, acquisitive Healthcare Company, needed to create a more mature, comprehensive vulnerability management program with "actionable" reporting and flexibility. Their existing tool was not scalable and not meeting their needs as the organization grew and continued down their digital transformation path. For this customer, a hybrid approach - a combination of Tenable SC & IO - solved their strategic, enterprise wide VM needs.
- Another new logo add, a global manufacturing company, was struggling with the reporting and integration functionality of their existing VM solution. New asset scanning, such as IoT and Web app, was also very important for this customer. T.IO VM plus webapp solved their asset

coverage, reporting and integration needs. In addition, the customer told us Tenable's "brand equity" helped win this new logo as the decision maker used SC at a prior company.

- In our last example, this one a Nessus upsell, a large Consumer Packaged Goods company wanted to take their manual VM program leveraging Nessus Pro to the next level. This included more comprehensive scanning including, deploying agents, external scanning, multi - cloud scanning, passive monitoring and integration with ticketing systems such as, ServiceNow. This customer told us that reporting functionality for the CIO and Board & the robust feature set for Tenable.SC, including predictive prioritization, was crucial to this win.

All of these wins are continuing evidence that Tenable is partnering more and more with customers interested in a best of breed, strategic approach to understanding their cyber risk. I'd now like to turn the call over to Steve to walk through our financial results for the quarter and outlook for the year.

Steve's Section: ~1500 words

Thank you Amit. As mentioned earlier, we are very pleased with the results for the quarter and excited about our outlook ahead. In particular, the investments we've made over the last several quarters in product and distribution are taking hold and are reflected in the more optimistic outlook we are providing for the remainder of the year. I will discuss our Q2 and full year guidance momentarily, but will start with a review of our Q1 results.

I'll begin by reminding you that, except for revenue, all financial results we will discuss today are non-GAAP financial measures, unless stated otherwise. As Andrea mentioned at the start of this call, GAAP to non-GAAP reconciliations may be found in our earnings release issued earlier today and on our website.

Now onto the results for the first quarter.

Revenue for the quarter was $80.3 million, representing 36% growth over the same quarter last year. It's worth noting that approximately 90% of our revenue recognized in the quarter was recurring, which is a benefit of our subscription model.

Calculated current billings, defined as the change in current deferred revenue plus total revenue recognized in a period, grew 25% year-over-year to $81.2 million in the first quarter of 2019.

Let's discuss customer momentum which we believe is an indication of the sizable opportunity ahead of us and our ability to win-share, particularly in the enterprise market, where we are experiencing larger land and expand deals.

First, we continue to see a robust greenfield opportunity from customers without formal enterprise wide VM programs. In the first quarter, we added 311 new enterprise platform customers. As much as 40% of our new logo adds in a quarter can come from this greenfield opportunity as vulnerability management and Cyber Exposure more broadly become increasingly strategic spending priorities.

Second, in terms of increasing Enterprise penetration, we added 41 net new 6-figure customers in the quarter. These are customers who spend in excess of one hundred thousand dollars annually on a last twelve month basis. This brings the total number of customers spending in excess of six-figures to 494. These results are reflective both of our investments in dedicated Enterprise sales resources including named account sales reps as well as our ability to assess an increasingly broad range of assets including WebApps, Containers and operational technology.

In summary, we are pleased with our topline results for the quarter, especially given the context we highlighted on our last call.

First, as it relates to our Federal business, we did overcome much of the impact from the 35-day federal government shutdown. However, the closing for certain new Fed deals and renewals is expected to happen later in the year. This is expected to be just timing and does not impact our outlook for the full year.

Second, it's also worth noting that growth in Calculated Current Billings in Q1 was impacted by a strong quarterly compare, with over 45% reported growth last year. That said, we are pleased with the continued momentum in our business, which is reflected in the updated guidance for 2019 that I will review shortly.

I'll now turn to expenses and profitability.

Gross margin was 85% in Q1 compared to 86% in Q1 last year. While the GM was essentially flat compared to Q4, it is better than expected as the investments that we are making in public cloud infrastructure, with the delivery of our Tenable.IO platform, are scaling better. Overall, Tenable continues to enjoy attractive gross margins on increasing demand and adoption for T.IO globally, all while providing a product platform that offers hybrid deployment options based on our customer's requirements. However, we continue to add new functionality and additional points of presence globally and, long term, expect gross margins to settle in the low 80s to high 70 percent range over time. But as we look out the rest of the year, we expect gross margins to moderate to the high end of this range.

Now turning to operating expenses, we are focused on improving operating leverage in our business over the long-term, but in the near-term, we are investing in growth.

Sales and marketing expense in Q1 was $49.3 million compared to $39.0 million in the first quarter last year. This represents 61% of revenue for the quarter, down from 66% in Q1 2018 but up sequentially from 59% from Q4. As a reminder, sales and marketing spend as a percentage of revenue is typically higher in the first half of the year due to a large number of industry and other events as well as incremental investment in sales capacity in the first half of the year which is expected to produce leverage over time.

R&D expense in Q1 was $19.9 million compared to $16.7 million in Q1 last year. As a percentage of revenue, R&D was 25% vs 28% in Q1 of last year and essentially flat to last quarter. Innovation remains a top priority for us, across all of our products, but especially around data science, analytics and coverage of new paradigm assets (including OT, IoT, cloud and containers).

G&A expense was $11.9 million for the quarter, compared to $7.9 million in Q1 last year. As a percentage of revenue, G&A was 15% versus 13% in Q1 2018 and essentially flat to last quarter. The increase largely reflects new costs associated with being a public company.

Our non-GAAP loss from operations in the quarter was $13.2 million. This result reflects $1.4M of employer related payroll taxes associated with option exercises, specifically medicare and other foreign payroll taxes. Option exercises may vary quarter to quarter, so to the extent the related employer taxes are significant in future periods, we will let you know. The $13.2 million operating loss compares to a loss of $12.9 million in the first quarter last year. Non-GAAP operating margin was negative 16%, compared to negative 22% for the first quarter last year and negative 14% in Q4.

Pro forma non-GAAP net loss per share was $0.13, which was 5 cents above our guided range of a loss of 19 to 18 cents per share. Two 2 pennies of the beat is attributed to better than expected revenue with the remainder due to better overall gross margins and operational efficiency. (Keep in mind, we will not always have quarters where we will drop the full revenue beat to the bottom line.)

Focusing on the balance sheet, we finished the first quarter with $299 million in cash and cash equivalents and ST investments.

In terms of cash flows, free cash flow burn was $3.2 million for the quarter, compared to a burn of $1.1M for the first quarter of 2018. However, included in the cash outlay this quarter is Employee stock purchase plan activity. As a reminder, we started our ESPP program in August 2018 and the first purchase date was on March 1st, 2019. Overall, the ESPP negatively impacted Q1 free cash flow by $4.9 million primarily from the contributions previously received as they were reclassed to a financing activity at the purchase date. On an annual basis, however, the ESPP is not expected to have a significant impact on FCF due to the timing of future contributions and purchase periods.

Since we are on the topic of cash flow, as a reminder, later this year, we expect to incur approximately $10M of non-recurring capex related to the buildout of our new headquarters, which will primarily impact free cash flow for the second half of the year, although we still expect to become free cash flow positive as we exit 2020.

In summary, our Q1 results provided a solid foundation for a successful 2019. We performed well on the top-line and demonstrated significant margin leverage [as evidenced by our EPS beat]. Now let's turn to guidance.

For second quarter of 2019, we currently expect:

- Revenue to be in the range of $82 to $83 million
- Non-GAAP loss from operations to be in the range of $15.0 to $14.0 million
- Non-GAAP net loss in the range of $14.5 to $13.5 million and
- Pro forma non-GAAP net loss per share in the range of $0.15 to $0.14, assuming weighted average common shares outstanding of 95.7 million

For the full year 2019, we currently expect:

- Revenue of $343.0 to $347.0 million
- Calculated current billings of $413.0 to $417.0 million
- Non-GAAP loss from operations in the range of $57.0 to $53.0 million
- Non-GAAP net loss in the range of $54.0 to $50.0 million
- Pro forma non-GAAP net loss per share in the range of $0.56 to $0.52 assuming weighted average common shares outstanding of 96.0 million

Included in the full year guidance is an expected annual non-GAAP Provision for Income Taxes of $4.4 million to $4.6 million, which excludes the impact of stock based compensation. Please keep in mind that the Q1 non-GAAP provision for income taxes was $750K.

And now, I'll turn the call back to Amit for some closing comments.

In summary, we continue to be excited about the opportunity in Vulnerability Management and pioneering Cyber Exposure. We believe the combination of our differentiated technology, even stronger now with predictive prioritization, our data integration capabilities and our strategic approach to VM position Tenable to successfully aid our customers in their journey to secure their digital transformation.

We'd now like to open the call for any questions.

TO COME BACK AFTER Q&A

Thank you all for joining the call today. We look forward to seeing many of you during our events coming up. We will be participating in JP Morgan's Annual Technology Conference in Boston on May 14th, the William Blair Growth Conference June 5th in Chicago and the Stifel Cross Sector Conference, June 10th in NY, so we hope to see many of you in person. We appreciate your interest in Tenable.