



# CYBER EXPOSURE

*MANAGING AND MEASURING CYBER RISK IN THE DIGITAL ERA*

July 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 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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This presentation includes non-GAAP financial measures which have certain limitations and should not be considered in isolation, or as alternatives to or substitutes for, financial measures determined in accordance with GAAP. The non-GAAP measures as defined by us may not be comparable to similar non-GAAP measures presented by other companies. Our presentation of such measures, which may include adjustments to exclude unusual or non-recurring items, should not be construed as an inference that our future results will be unaffected by these or other unusual or non-recurring items. See the GAAP to Non-GAAP Reconciliation section for a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measures.

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An aerial view of a dense city skyline, likely New York City, with a blue overlay. The image shows a variety of skyscrapers and buildings, with a prominent, curved skyscraper in the center-right. The text is overlaid on the image.

We help organizations  
confidently answer the question:

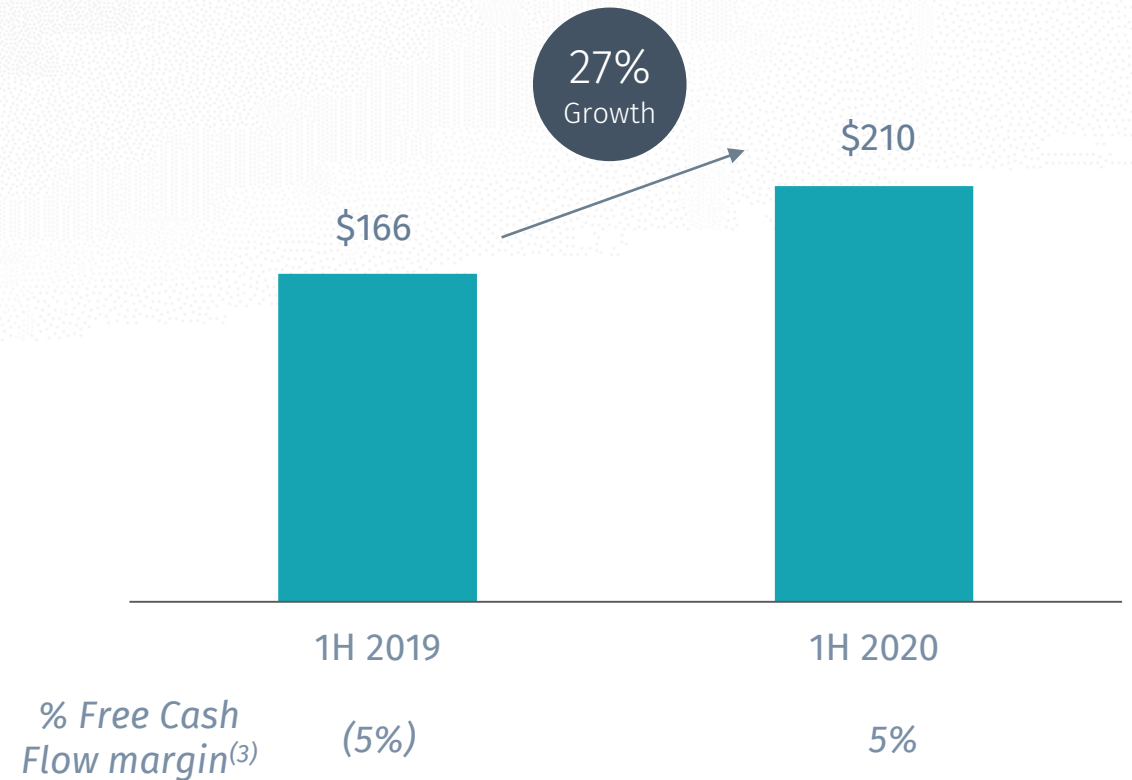
***“How secure are we?”***

# We Have Delivered Since IPO

## Market Leader with

<b>30K+</b> Customers	<b>50%+</b> of Fortune 500 <b>30%+</b> of Global 2000
<b>#1 VM</b> market share and <b>VRM</b> Leader <sup>(1)</sup>	<b>93%</b> Recurring revenue <sup>(2)</sup>
<b>83%</b> Q2'20 Non-GAAP Gross margin <sup>(3)</sup>	<b>Positive</b> Q2'20 Non- GAAP Operating income and Free Cash Flow <sup>(3)</sup>

## Revenue (\$ in millions)



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

<sup>1</sup> Vulnerability Risk Management

<sup>2</sup> Recurring revenue as a percentage of total revenue as of Q2 2020

<sup>3</sup> Refer to Appendix for the definitions of non-GAAP financial measures and a reconciliation from the GAAP measures to the non-GAAP measures

# Investment Highlights



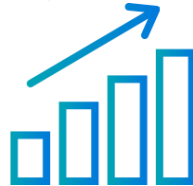
**Unique approach to secular growth opportunity**



**Data science driven analytics - prioritization, benchmarking**



**Best of Breed strategy in VM**



**High growth, recurring model**



**One platform unifying data across network, cloud, OT and DevOps environments**



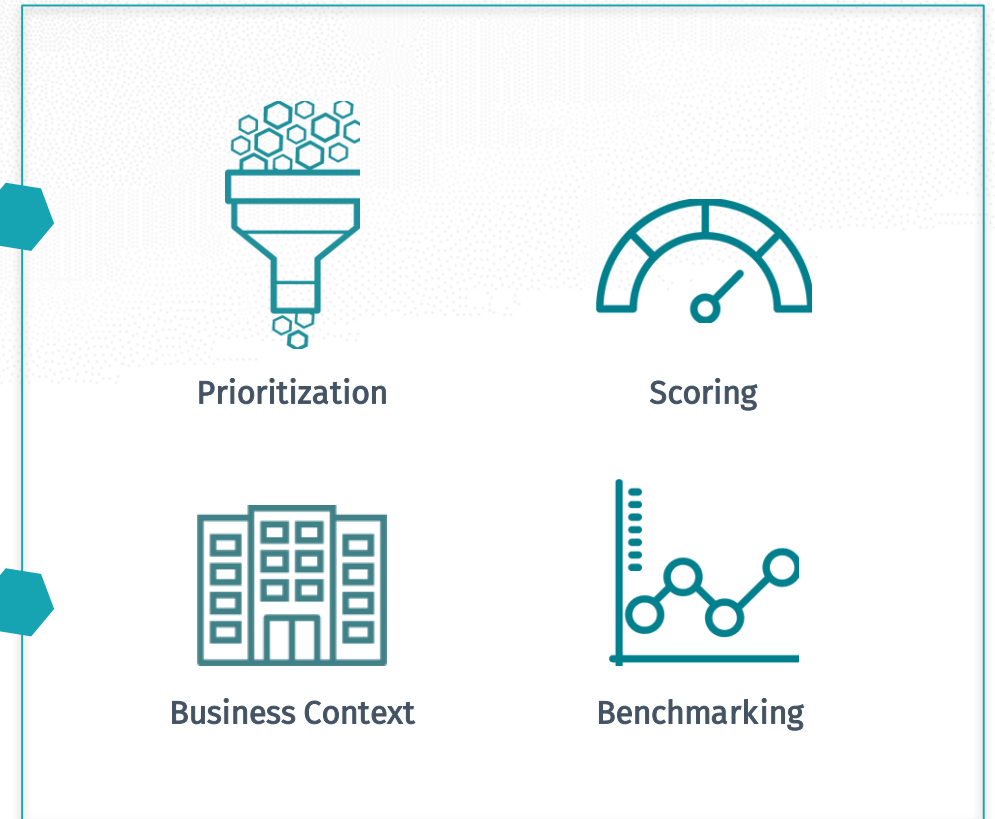
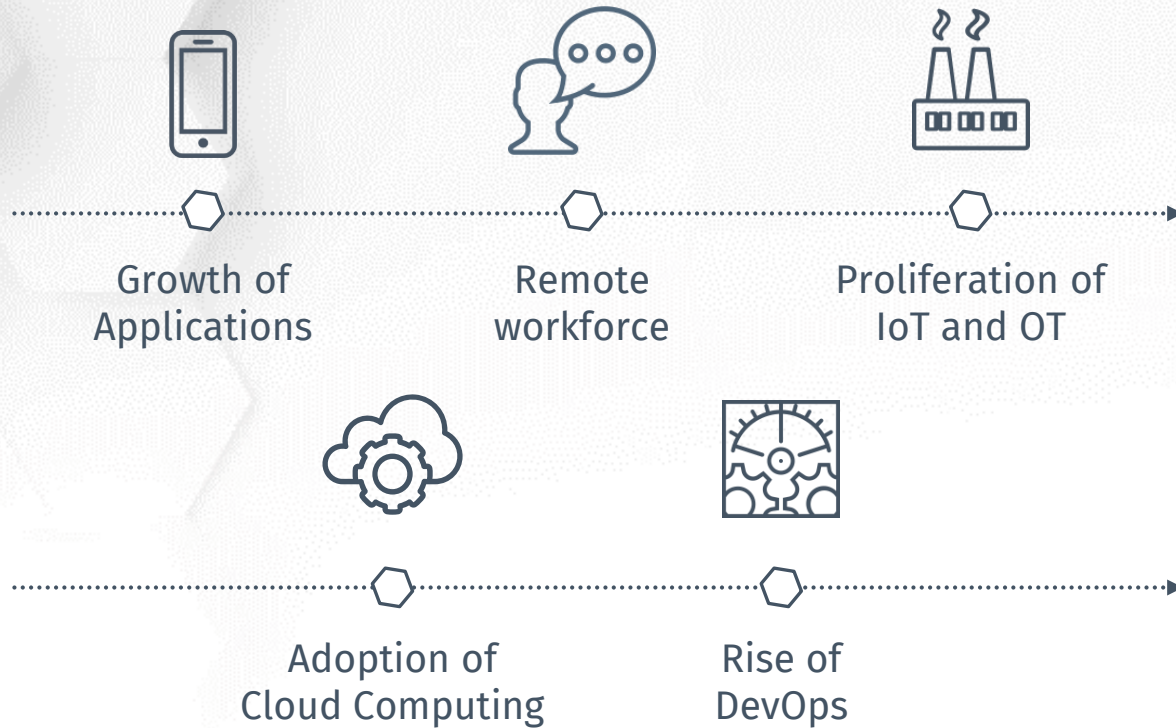
**Attractive margin profile with operating leverage**

# Digital Transformation Increases Complexity & Risk



Increasing Surface of Attack...

...requires Best of Breed, Risk-Based VM



# Enterprises Struggle to Make Sense of Vulnerabilities



## Enterprise challenge

## Tenable solution



### Visibility

Live asset discovery and automated exposure assessment



Network and cloud monitoring of all IT assets



### Prioritization

Remediation actions by order of risk



150 data sources feed the Tenable analytics engine to prioritize vulnerabilities by likelihood, severity and difficulty



### Business Context

Translate IT/OT VM data into C-Suite digestible risk assessment



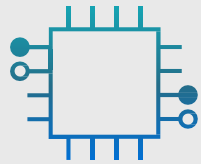
Data and data science allows for objective scores, trends and benchmarks

# Best of Breed Strategy in Vulnerability Management



**#1 in Device VM Market Share<sup>(1)</sup>**

27.6% Market share in Device VM<sup>(1)</sup>



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

>20% More CVEs than competitors<sup>(2)</sup>



**Leader In Zero-day Research<sup>(3)</sup>**

149/75 Zero-day vulnerabilities discovered in 2019 / YTD 2020

<sup>1</sup> Source: IDC, "Worldwide Device Vulnerability Management Market Shares 2019: Finding the Transitional Elements Between Device Assessment Scanning and Risk-Based Remediation" - May 2020.

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

<sup>3</sup> Refer to <https://www.tenable.com/security/research> for published vulnerabilities and research advisories.

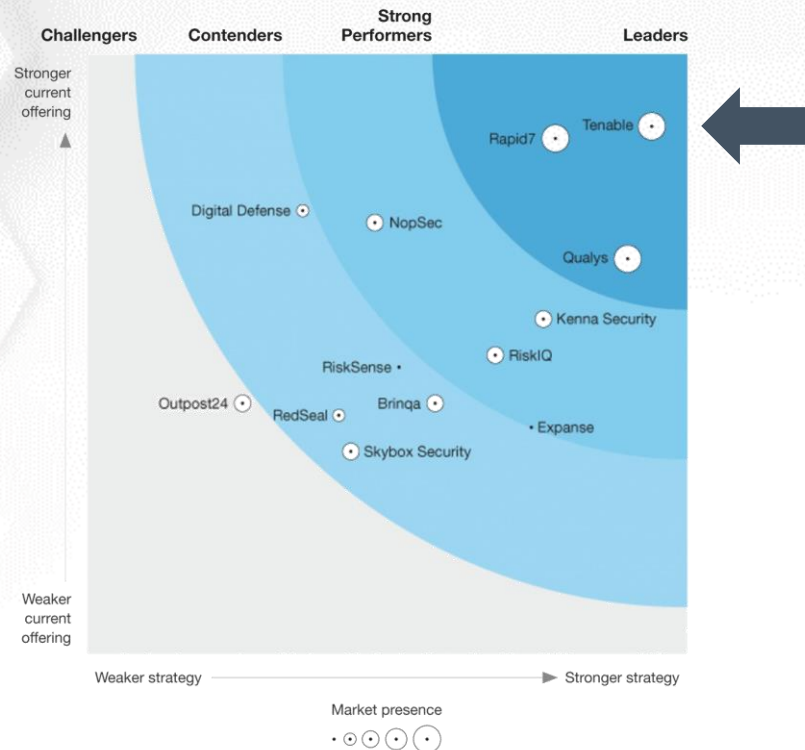


# Tenable Named a Leader by Market Analysts and Recognized by Customers



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

THE FORRESTER WAVE™  
Vulnerability Risk Management  
Q4 2019



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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# One Platform Unifying Data Across Modern Attack Surface



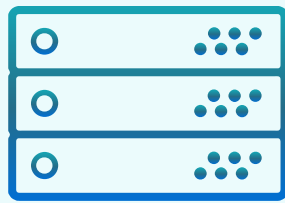
Risk-based analytics, prioritization, benchmarking



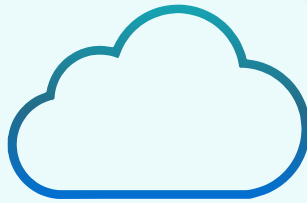
Unified Data Platform



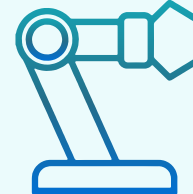
PC/Laptop  
and Remote



Data Center/  
Servers



Cloud



OT/IoT



DevOps &  
Web App

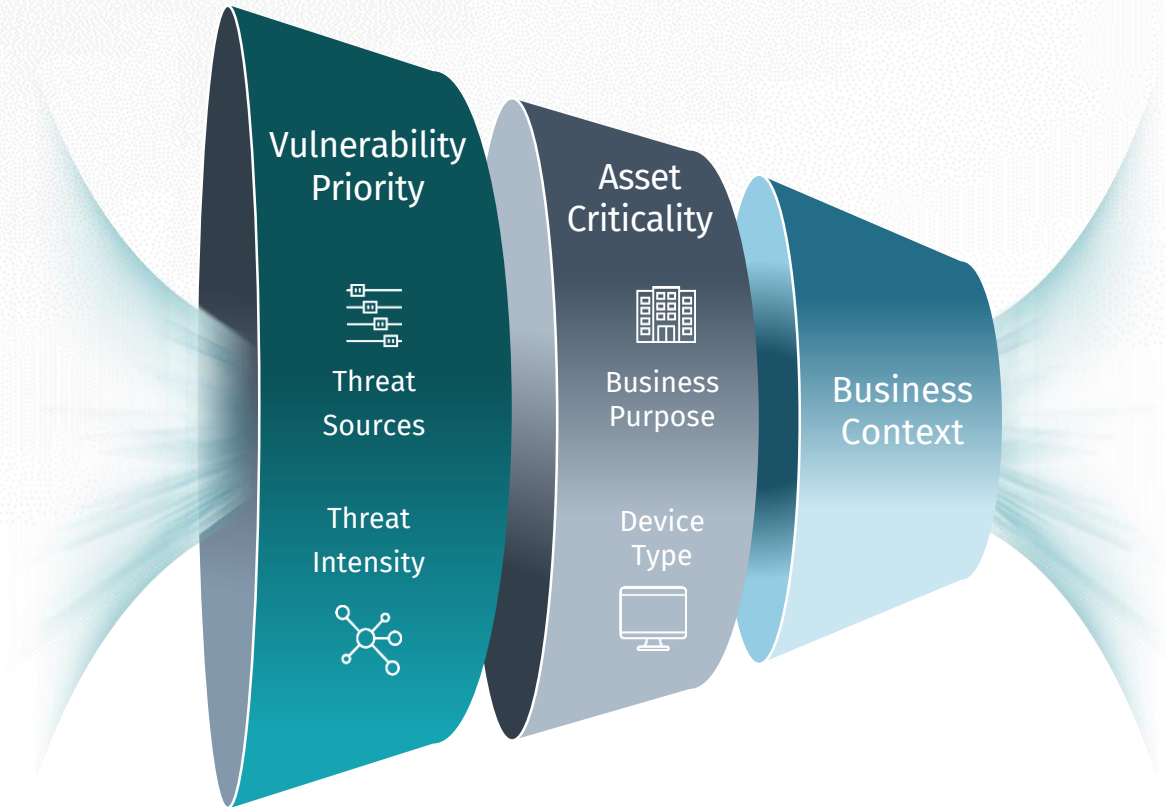
# Tenable's Cyber Exposure Platform



Real Time  
Vulnerability  
Data

Cyber Exposure  
Data Lake

Multiple Third  
Party Data  
Sources



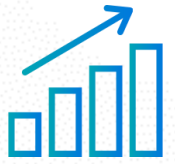
Cyber Exposure Score

Peer Benchmarking

Trending Over Time

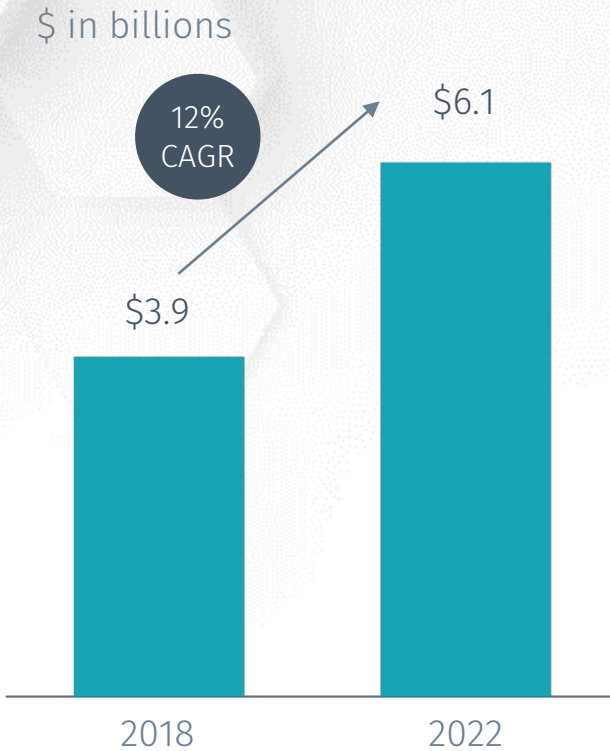
Remediation Guidance





# Large and Underpenetrated TAM

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

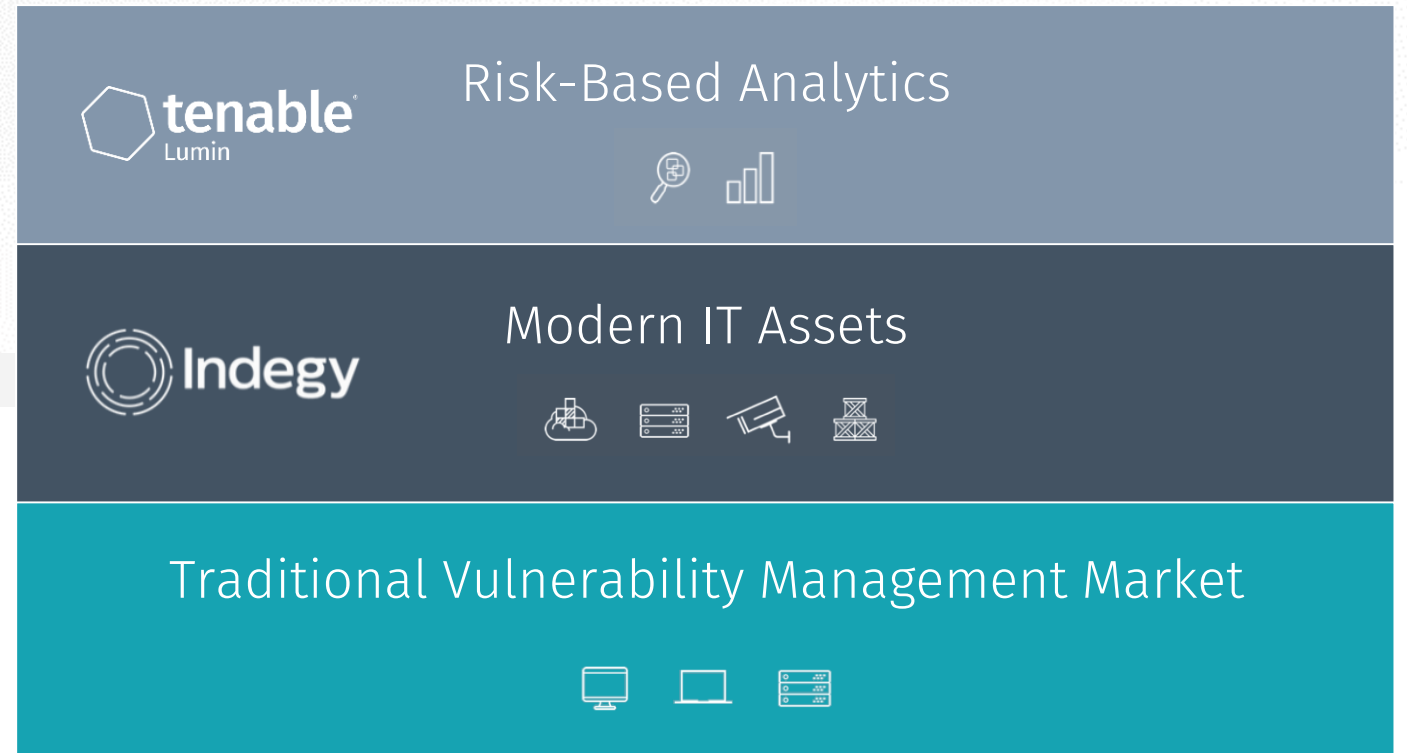


Bottoms-up analysis

TAM

\$16Bn

Expand



Existing customers

Land

<sup>1</sup> 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*.

# Large and Diverse Customer Base



30,000+  
Customers

>30%  
of Global 2000

>50%  
of Fortune 500



First Data

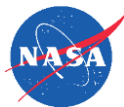


AMERICAN EAGLE



SONICWALL

BERKSHIRE  
HATHAWAY INC.



# Best of Breed Strategy Strengthens Technology Ecosystem



SIEMENS

splunk

servicenow



CYBERARK



BeyondTrust

102 Integrations



tenable

68 Technology Partners



Google Cloud



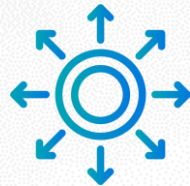
Jira Software

RSA

# Growth Strategy



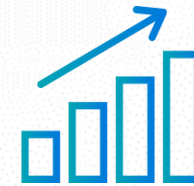
**Acquire new  
enterprise platform  
customers**



**Expand asset  
coverage**



**Invest in  
technology and  
expand use cases**



**Explore  
acquisition  
opportunities**

# Experienced Management Team



**Amit Yoran**  
CEO & Chairman



**Steve Vintz**  
CFO



**Mark Thurmond**  
COO



**Renaud Deraison**  
Co-Founder & CTO



**Bridgett Paradise**  
Chief People Officer



**Steve Riddick**  
General Counsel



**Terry Dolce**  
SVP, Global Operations



**Dave Feringa**  
SVP, Worldwide Sales



**Jennifer Johnson**  
CMO



**Ofer Ben-David**  
Chief Product Officer



**Matt Olton**  
SVP, Corp. Development





# Financial Overview

# Financial Highlights



**Rapid revenue  
growth via  
attractive,  
recurring model**



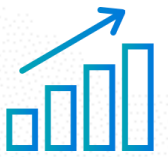
**Land-and-  
expand model**



**Balanced and  
diversified model**

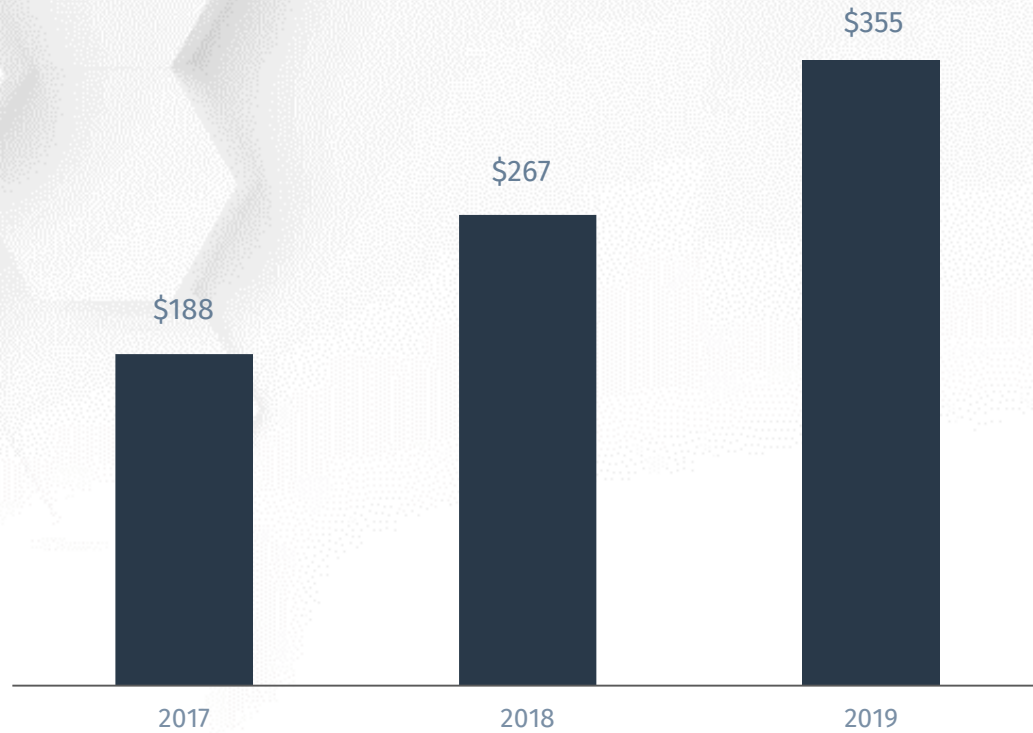


**Profitable, Capital  
efficient business**

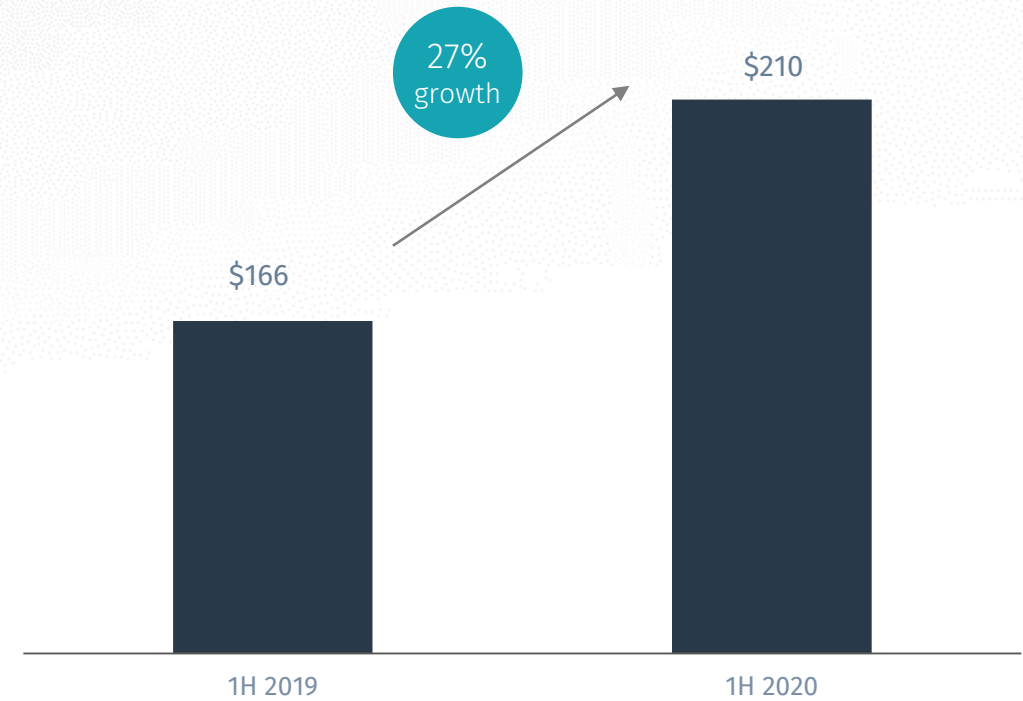


# Rapid Growth at Scale

Annual Revenue  
\$ in millions



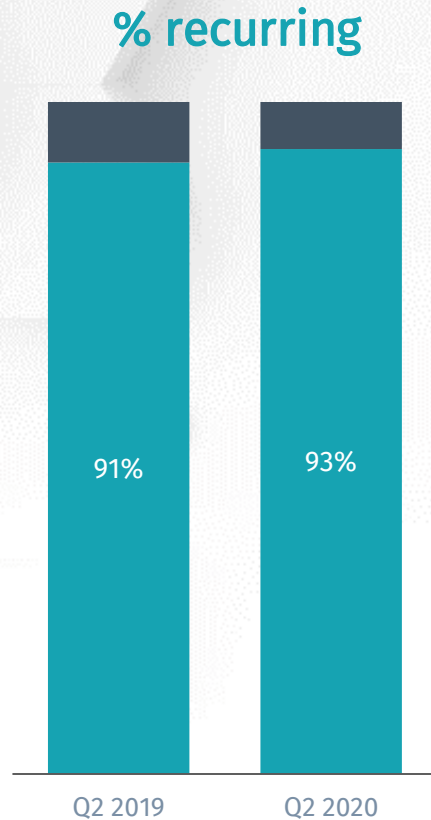
Semi-annual revenue  
\$ in millions



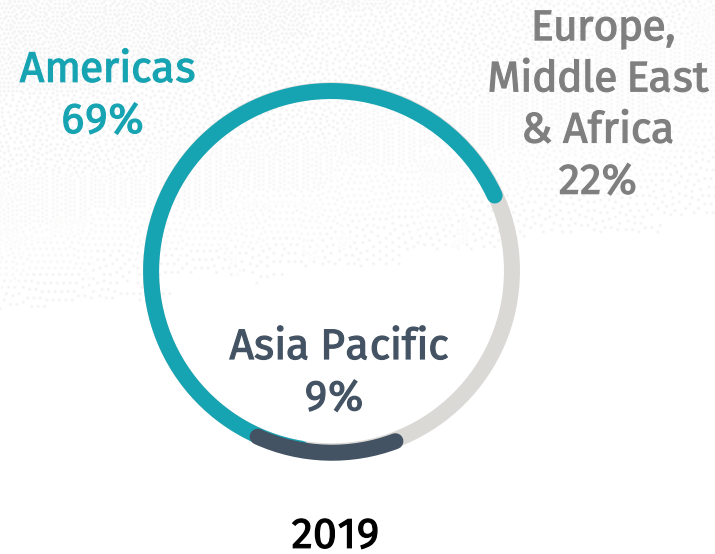


# Attractive Composition of Revenue/Balanced Model

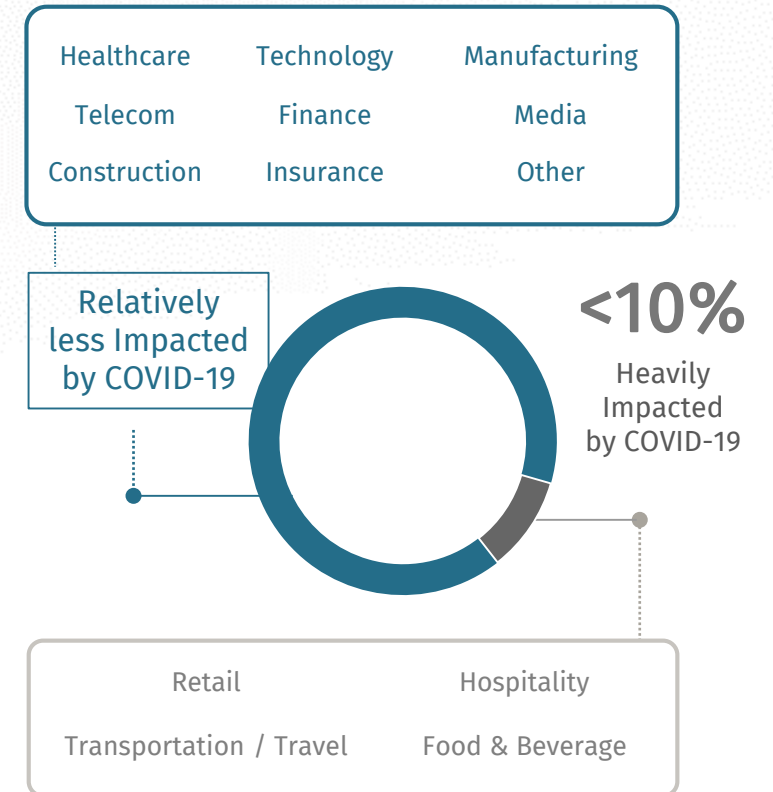
## Revenue by offering



## Revenue by geography



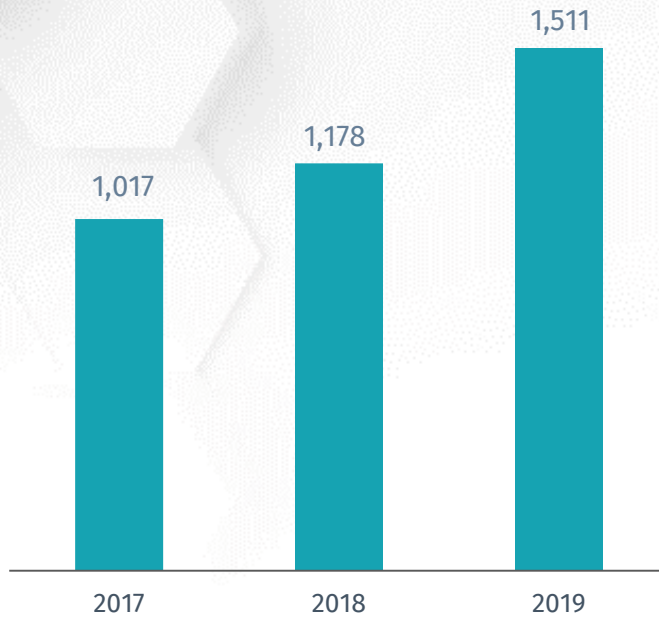
## Sales by customer base



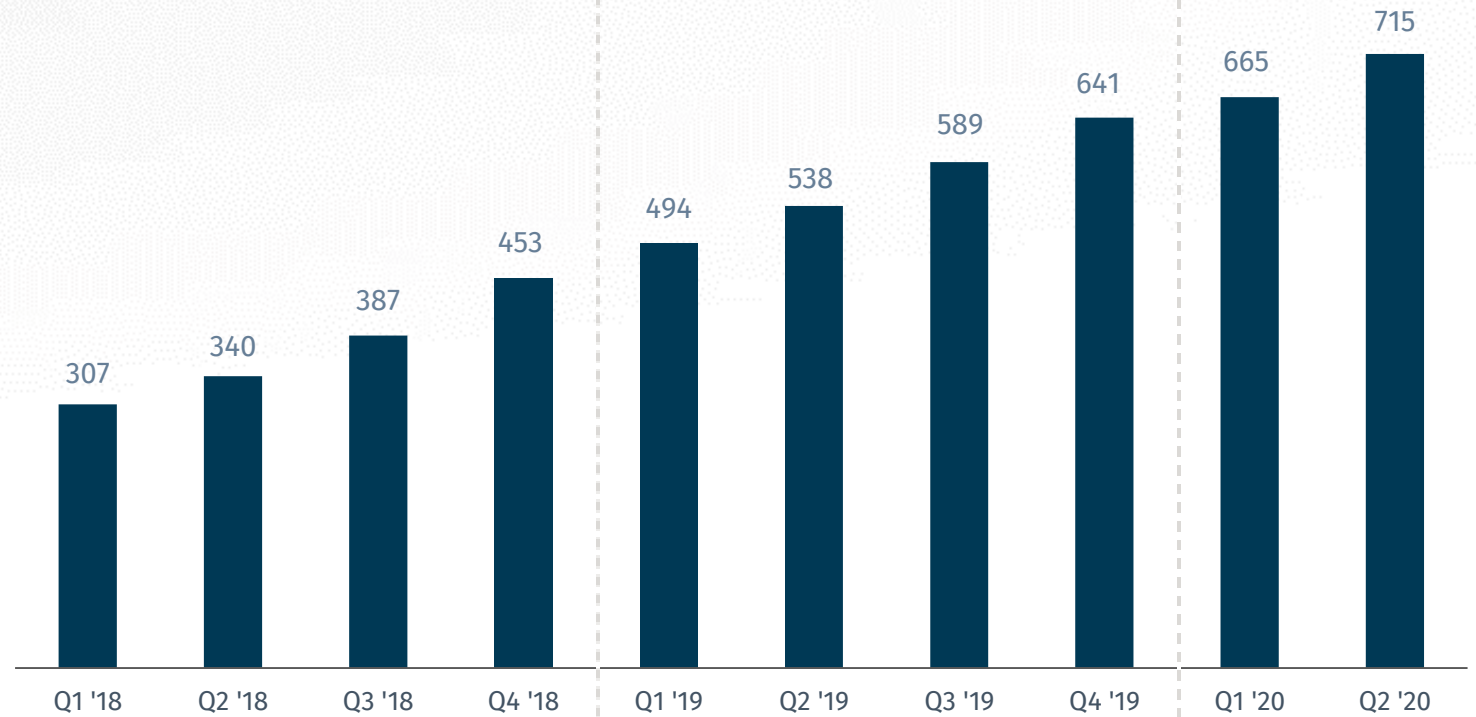


# Landing Higher Value Customers

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



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



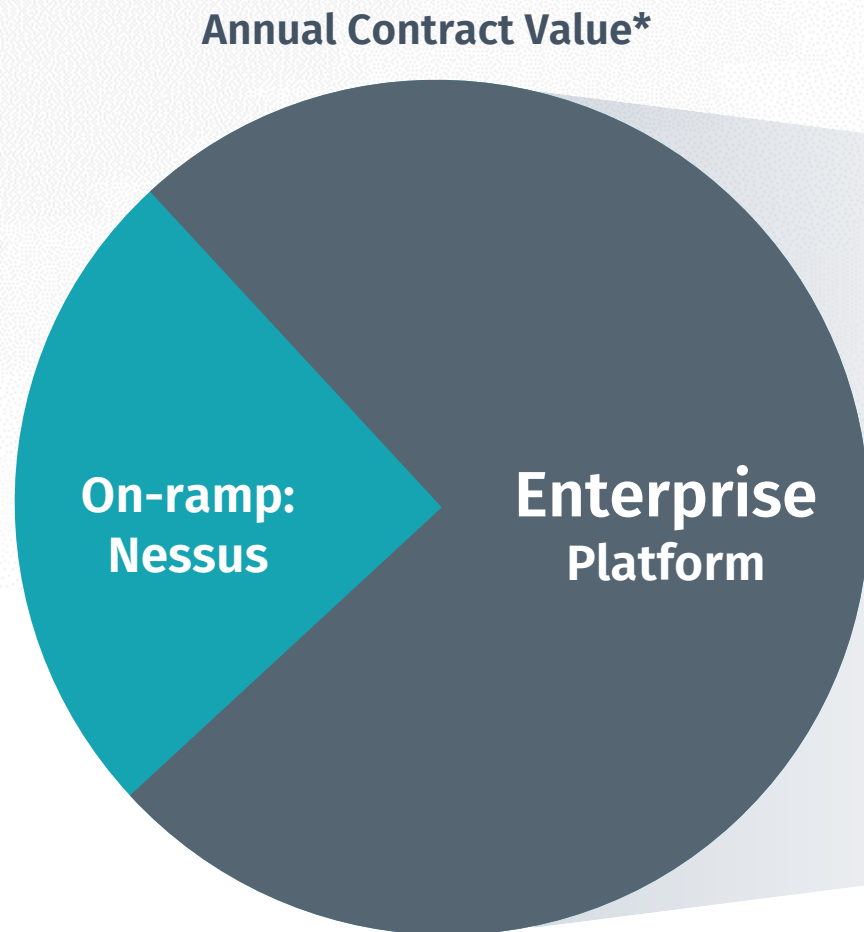
<sup>1</sup> Chart represents new enterprise platform customer acquisitions excluding upsells. Enterprise platform customer defined as a customer that has licensed Tenable.io or Tenable.sc for an annual amount of \$5,000 or greater.

<sup>2</sup> Chart represents the number of customers with \$100K and greater of annual contract value (ACV) for the last 12 months.



# 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



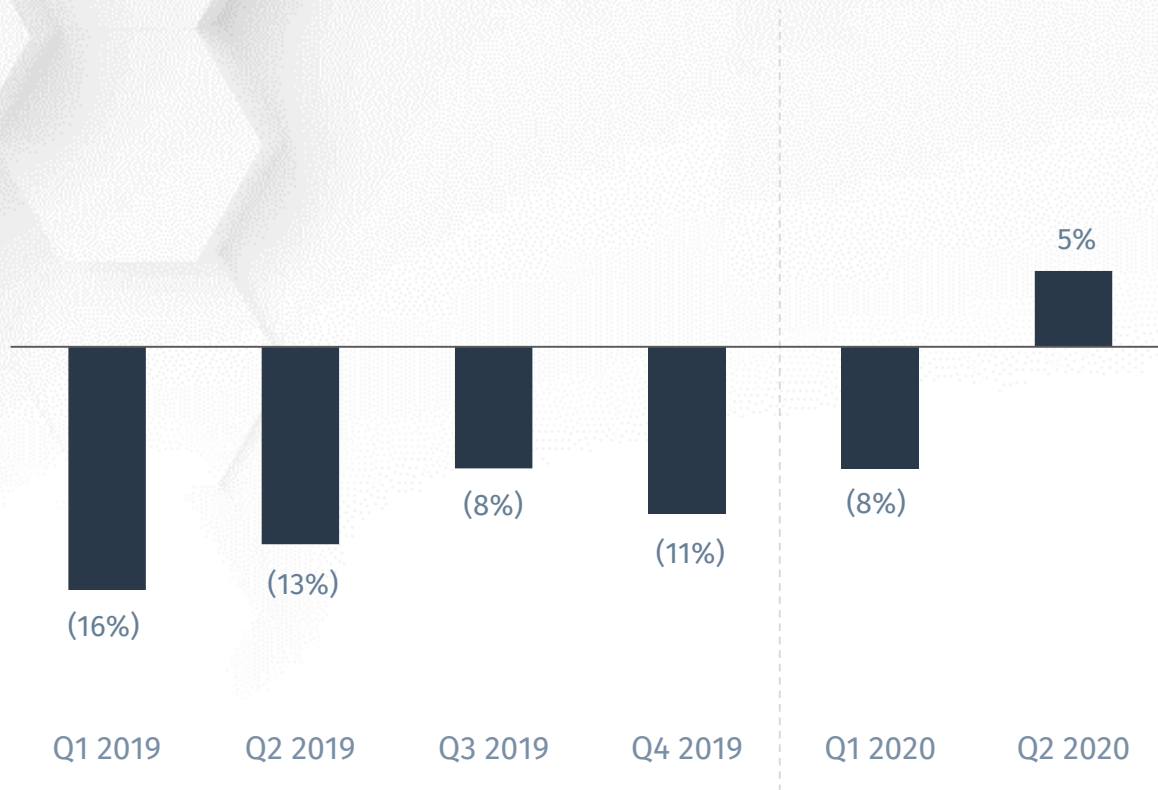
- ✓ **New logos**
- ✓ **Nessus upsells**
- ✓ **More assets and applications**

\* Exemplary only; actual comparison of contract value varies by customer. This is not intended as an average or median representation.

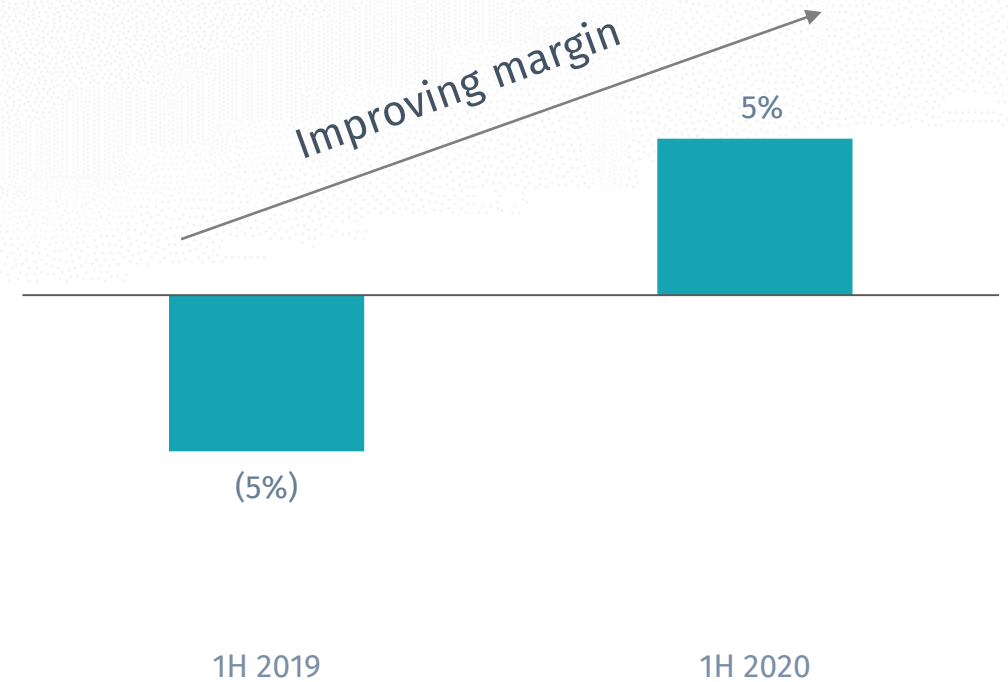


# Improving Operating Leverage

## Improving non-GAAP operating margins<sup>(1)</sup>



## Improving free cash flow margin profile<sup>(1)</sup>



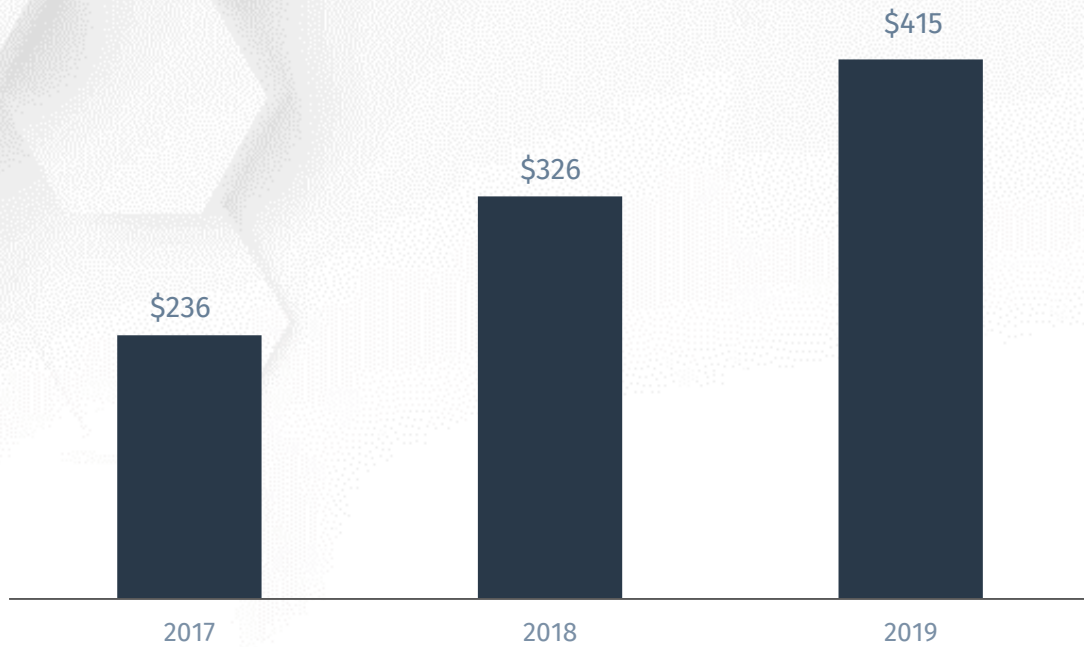
<sup>1</sup> Figures presented here are Non-GAAP financial measures. Refer to Appendix for the definitions of non-GAAP financial measures and reconciliation of GAAP to Non-GAAP financial measures.

# Appendix

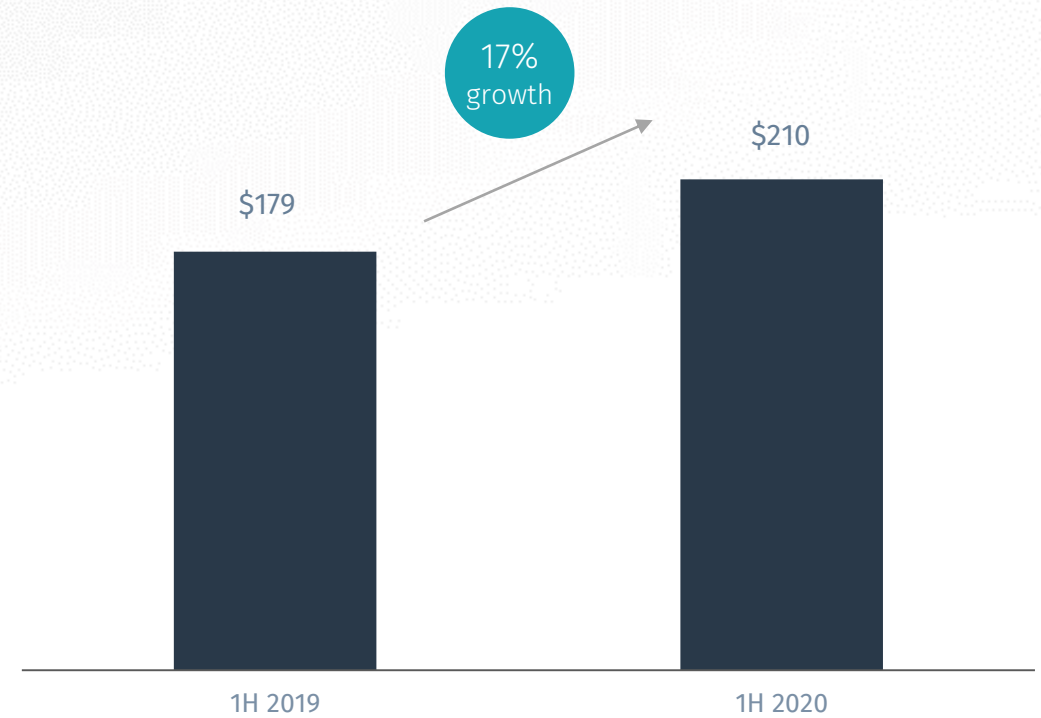


# Strong Growth in Calculated Current Billings

Annual CCB<sup>(1)</sup>  
\$ in millions



Semi-annual CCB  
\$ in millions



<sup>1</sup> Calculated current billings (CCB) figures presented here are Non-GAAP financial measures. Refer to Appendix for the definitions of non-GAAP financial measures and reconciliation of GAAP to Non-GAAP financial measures.

# 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:	2017	2018	2019	1H 2019	1H 2020
Revenue	\$187,727	\$267,360	\$354,586	\$165,685	\$209,857
Add: Deferred revenue (current), end of period	154,898	213,644	274,348	227,227	274,953
Less: Deferred revenue (current), beginning of period <sup>(1)(2)</sup>	(107,006)	(154,898)	(214,069)	(213,644)	(274,348)
Calculated current billings	\$235,619	\$326,106	\$414,865	\$179,268	\$210,462

<sup>1</sup> 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.

<sup>2</sup> 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 Income (Loss) from Operations and Non-GAAP Operating Margin:** We define these non-GAAP financial measures as their respective GAAP measures, 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 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. We believe free cash flow is an important liquidity measure of the cash (if any) that is available, after purchases of property and equipment, for investment in our business and to make acquisitions. We believe that free cash flow is useful to investors as a liquidity measure because it measures our ability to generate or use cash.

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 Income (Loss) from Operations	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020
Loss from operations	(\$22,685)	(\$22,234)	(\$18,327)	(\$27,553)	(\$21,672)	(\$10,565)
Stock-based compensation	9,319	11,373	10,499	12,252	13,035	15,666
Acquisition-related expenses	–	–	–	3,970	339	–
Amortization of acquired intangible assets	151	151	125	193	579	578
Non-GAAP income (loss) from operations	(\$13,215)	(\$10,710)	(\$7,703)	(\$11,138)	(\$7,719)	\$5,679
Non-GAAP operating margin	(16%)	(13%)	(8%)	(11%)	(8%)	5%

## Non-GAAP Reconciliations (continued)

Non-GAAP Gross Profit	2019	Q2 2019	Q2 2020
Gross Profit	\$293,768	\$71,466	\$88,067
Stock-based compensation	2,817	742	830
Amortization of acquired intangible assets	620	151	578
Non-GAAP gross profit	\$297,205	\$72,359	\$89,475
Non-GAAP gross margin	84%	85%	83%

Free Cash Flow	1H 2019	1H 2020	Q2 2020
Net cash (used in) provided by operating activities	(\$2,997)	\$21,491	\$16,999
Purchases of property and equipment	(5,335)	(11,004)	(10,390)
Free cash flow <sup>(1)</sup>	(\$8,332)	\$10,487	\$6,609
Free cash flow margin	(5%)	5%	6%

<sup>1</sup> Free cash flow included benefits of \$3.3 million and \$3.9 million and reductions of \$0.4 million and \$1.0 million related to employee stock purchase plan activity in the three months ended June 30, 2020 and 2019 and the six months ended June 30, 2020 and 2019, respectively. The three and six months ended June 30, 2020 included \$8.6 million of proceeds from lease incentives in addition to \$9.7 million and \$9.8 million in capital expenditures for our new headquarters, respectively. The six months ended June 30, 2020 also included \$0.7 million of acquisition-related payments for Indegy.