Final Transcript

Tenable Holdings Inc - TENB.OQ - Conference Presentation

Corporate Participants

- Stephen A. Vintz - Tenable Holdings, Inc. - CFO

Conference Call Participants

- Gray Wilson Powell - Deutsche Bank AG, Research Division - Research Analyst

Presentation

- **Gray Wilson Powell - Deutsche Bank AG, Research Division - Research Analyst**

  Okay. I think we're going to get started. Hi, everyone. Thanks for coming to Deutsche Bank's tech conference today. My name is Gray Powell. I cover security software here in the research group. Today, we are very excited to have Steve Vintz of Tenable presenting. So Steve, did you have any -- anything you want to open up with? Or I can just go straight to Q&A. How are you feeling?

- **Stephen A. Vintz - Tenable Holdings, Inc. - CFO**

  Just a little of background about Tenable. Tenable is the first and really the only provider of solutions for a new category of cybersecurity called Cyber Exposure. Cyber Exposure is the discipline of managing and measuring your cyber risk in the digital era. So we're leveraging our deep technology expertise in the vulnerability assessment and management market, and we're expanding that to include the modern attack surface and deep analytics and taking vulnerability data and translating that into actionable business insight. So we help answer the questions what's my level of risk, what's my level of exposure and how does my risk compare to others. And it's something that we think is foundational and really important in becoming a growing part of a security program.

Question And Answers

- **Gray Wilson Powell - Deutsche Bank AG, Research Division - Research Analyst**

  Q. Got it. Okay. Yes. So I think you kind of hit on my first question there. So at a high level, can you maybe talk about the growing importance of vulnerability management, and just generally how you see the market evolving?

- **Stephen A. Vintz - Tenable Holdings, Inc. - CFO**

  A. Well, VM is a great market. Our roots are in VM, but it wasn't always that way. If you think about VM years ago, it was largely driven by compliance sale. And so if you are a company that collected credit card information or maybe even personal identifiable information, like a health care company, you would scan a certain amount of assets certain times of the year, and you check the box for PCI compliance or even HIPAA, which mandated vulnerability scans. And as companies have embraced more digital technologies over the years, the attack surface has expanded. And it's changed compute. It's created a lot of complexity in organizations. And as a result, you're seeing more high-profile data breaches and breaches that are occurring not just on traditional asset or devices such as servers, desktops or laptops but also on more modern assets such as containers and web applications and industrial technologies. It's a really complicated problem.

So in security, historically, spend has been on detect- and respond-type technologies, understanding where the intrusion has occurred, responding to that, we call that [write-a-boom]. Boom is, of course, breach. And so where we've seen a change is that as compute's gotten more complex, companies are now more proactively assessing the risk and trying to understand their exposure. And so as a result, VM has taken greater importance within the organization. And Gartner, a matter of fact, came out earlier this year and said, "Okay, the VM market is growing much, much faster, and it's much larger than we anticipated," and they nearly doubled the size of the growth rates of the core VM market. They actually went as far as saying more recently over the summer that vulnerability management is one of the top 2 things that you can do to mitigate risk within the enterprise. And actually, risk-based VM, which is what we do for, like with Predictive Prioritization in Lumin is growing at a much faster rate, 50%. And even some of the sell-side research reports, including the work that you do, Gray, even emphasize that VM is one of the top spending priorities. And so we feel like we're in the very early innings of a long secular tailwind here that would provide some really good growth for us.

- **Gray Wilson Powell - Deutsche Bank AG, Research Division - Research Analyst**

  Q. Got it. Thanks for calling me out there. I appreciate you immersed from my research. It's always good to hear. Okay, so unlike some of your peers in the vulnerability management space, I mean VM is like pretty much the sole focus of your company. Can you talk about how you're different versus the 2 main guys that we hear you compete against, and just why you win deals?

- **Stephen A. Vintz - Tenable Holdings, Inc. - CFO**

  A. Sure. Well, we're focused on the VM market, more broadly, Cyber Exposure because we think -- but don't confuse that with a point product. We are developing a comprehensive suite within the enterprise to be able to transact larger deals, and we're going deep and wide in the market. So going wide, broad means that we're assessing -- we're discovering and assessing our vulnerabilities in a wide range of assets, traditional assets as well as modern assets, which we just talked about, which cover the entire attack surface, and then obviously going deep with analytics, helping companies prioritize, helping them understand the criticality of their assets. And we'll talk a little bit more about Lumin a little bit later.

  So we think that there's -- so we think this is a really good market. We are adding over 350 new enterprise customers a quarter. So this isn't a switching market. Hundreds of customers are adopting VM -- Enterprise VM for the first time. Our land and our expanse have gotten larger. Last quarter, we added 44 net new 6-figure deals. If you look at years ago, we had 15 customers spending in excess of $100,000. Today, we have about 540. And we're transacting larger deals. And we're also expanding. Once we have a customer, our expense rate is 120%. So we think this is a really good market, and we're positioned well given our focus. We're focused on mid and large customers, and we know that there's a sizable greenfield opportunity here.

Some of our public competitors have strategies that are just a little different that address adjacencies. And whether it's a combination of sim or indicators are compromised, packs, security config, those are broader, different -- slightly different buyers, and sales cycles are just a little different as a result. But we're focused on this market. We think it's a good market. We're growing our guidance as it calls for 27% growth, which is nearly double that of our closest competitor and also much larger than the market itself is growing.

- **Gray Wilson Powell - Deutsche Bank AG, Research Division - Research Analyst**

  Q. Got it. Okay. Yes, and so then you kind of hit on this, in terms of the greenfield opportunity. So generally, I think you talked about being 15% penetrated within customers, give or take. As you expand within a customer, who are you -- are you typically displacing something? Or is it like a homegrown solution? Or can you kind of just talk about that dynamic?

- **Stephen A. Vintz - Tenable Holdings, Inc. - CFO**

  A. Sure. So we try to provide a lot of transparency on the health and the momentum of the business. We guide to and talk about things called CCB, calculated current billings, which is a close proxy of ACV. But then we also want to give context and offer kind of insight behind the annual guide there. So we disclose the number of new enterprise customers that we add. And we've been consistently adding 300-plus new enterprise customers.

  And when I talk about how the market has evolved over the years, that it's grown from this compliance-based sale to something that becomes much more foundational within the enterprise, but the question that we always ask when we add a new enterprise customer, every quarter, we do a survey, and we say, "Okay, all of our largest customers, what were you using before, before VM? Was it another competitor? Was it something else?" And we've been doing this now for consistently for the better part of a year. And the answer, the price does initially. And what we see on average is that of our new enterprise customers, of our largest customers, about 1/3 of them are greenfield opportunities. And a greenfield opportunity means they were using no prior VM solution, enterprise-wide VM solutions. They were using either an open-source technology, or moreover, they were outsourcing it to a pen tester, an FSI. Maybe it's a PwC or Deloitte, whereby they would come in once or maybe a few times a year and scan a certain amount of assets as a means to obtain a compliance certificate and achieve compliance purposes.

  So about 1/3 is greenfield. It's really surprising. And I think the other -- the remaining opportunity is for us is to continue to take share of these legacy VM providers that are out there that are not as committed to the market. And of course, us and Qualys and Rapid7 actively compete as well. So this is a market that's growing at a very high rate, where companies are increasingly looking to mature their VM programs. And more so, we also see a sizable greenfield opportunity.

- **Gray Wilson Powell - Deutsche Bank AG, Research Division - Research Analyst**

  Q. Got it. Okay. That's really helpful. Then you also hit on this earlier. So I mean growth in account spending over $100,000 per year. That's been pretty high, like 50% to 60% range this year. Can you talk about the increased focus on the enterprise side and the investments you're making into that sales motion?

- **Stephen A. Vintz - Tenable Holdings, Inc. - CFO**

  A. Yes. To talk about our progress there, it probably is helpful to provide some context. And so Tenable has been around for a number of years. We're not anywhere like a successor startup. We've been growing successfully for a good number of years. But if you look at years ago, I've been with the company for about 5 years now, almost 5 years. The company historically has been very engineering-focused and product-driven, which is great DNA for a technology company. But years ago, the commercial footprint of the company looked very different. We had about 15 sales reps in 4 countries. We're a mostly perpetual license companies where 45% of the revenue was recurring. And we didn't have a marketing department or professional services, things like that.

  Years ago, we recognized that with a solid technology platform and a lot of market pull, that we decided to trade points of margin for points of growth. And so over the year, the company historically has been very profitable, been bootstrapped the entire time. This ramp from zero up until the IPO was all self-financed, no primary institutional capital. The Series A and Series B with Excel and Insight was 100% secondary. But we saw a big opportunity years ago. So we traded points of margin for points of growth, and we've expanded the sales team.

  And so we've gone into -- until today, we have feet on the street in almost 30 countries and growing. We're still new in major sectors of the economy, still new in Japan, still new in India, just starting to go into Brazil. So while over the years, we've improved the coverage, we're still new in a lot of major markets. But one of the areas of focus for us is transacting larger deals. About 55% of our revenue comes from large enterprise customers, and that number increases to over 75% when you include revenue from midsized customers. And if you look years ago, at the onset of this, when we had a much smaller sales organization, we had about 15 customers spending more than 6 figures. And today, we have well over about 540.

  So we've seen a lot of progress over the years transacting larger deals. And at the time of the IPO last year, we went even one step further. We said, we are seeing great success expanding the sales capacity of the company and going into major deals -- geos and a lot of market pull. But we also acknowledged that we're still early in our go-to-market motion for enterprise customers. And so last year, around mid-year, we talked about adding named account managers. These are sales reps, enterprise sales reps that come with larger quotas and slightly longer sales cycles, but they would be focused on our largest of opportunities.

And coming up now in the anniversary of that, we have seen a lot of success filling the top of the funnel, landing larger deals and not just $100,000-plus deals but $250,000, $500,000-plus deals. And we've talked about putting more wood behind the arrow. So we think our ability, going forward, to transact larger deals is really -- we have a lot of confidence in, it's reflective of the opportunity and is also reflective of the importance that VM and, more broadly, Cyber Exposure is taking within the enterprise.

- **Gray Wilson Powell - Deutsche Bank AG, Research Division - Research Analyst**

  Q. Got it. Okay. So we've had a chance to warm up. I'm going to ask one of the tougher questions now.

- **Stephen A. Vintz - Tenable Holdings, Inc. - CFO**

  A. I thought that was a tough question.

- **Gray Wilson Powell - Deutsche Bank AG, Research Division - Research Analyst**

  Q. I've heard that more than once today. Okay. So you guys increased guidance on the Q1 call, then you brought down the low end of the guidance on the Q2 call, you kept the high end unchanged. On the Q2 call, you talked about larger, more complex deals as vulnerability is becoming a more strategic priority. So can you just kind of elaborate on that dynamic and just kind of walk us through the moving parts.

- **Stephen A. Vintz - Tenable Holdings, Inc. - CFO**

  A. Sure. So we've been public now, I think, for 5 quarters. We've reported for 5 quarters. And we have beaten our -- the guided numbers that we've set since inception here. And if you look at Q2, if you look at calculated current billings, although we give CCB estimates for the year and don't give guidance for the quarter, there's probably a consensus from sell-side analysts for CCB. And we beat that by $1 million to $2 million. So the print for CCB is particularly good. Revenue is very strong, a $3 million-plus beat in revenue, beat EPS by $0.04. So the print was really strong for us, and we added 350 new enterprise customers, more larger deals.

  When we gave guidance for the year, what we did is we widened the range. The guidance heading into the call was $413 million to $417 million, the $4 million mount from the range. We're a $400 million company. We're the largest VM company by a wide margin in terms of billings. And given the fact that we are seeing more larger deals and specifically deal sizes that were $250,000, $500,000 plus, when we look at it, we saw sales cycles that are slightly longer. Our bread-and-butter, $40,000 to $50,000 deal may have a sales cycle of 4 or 5 months, whereas, in the upper end, with the larger deal sizes, you're seeing sales cycles that are 9 months. Not unusual for enterprise software, they're just longer than what we've historically seen. But they also reflect bigger opportunities. And the one example I gave is that we, in Q2, were looking to transact a sizable half, call it, $0.5 million deal with a large technology company. One, the technical bake-off. By the way, our win rates, when it goes into a technical valuation, sky-rocket. So one, the technical bake-off. But given the deal size, we were informed, unless they have a quarter, that the data privacy and compliance department wants to weigh in. We received a sizable addendum to the contract, 30 pages. We worked quickly to get through it. But that was a deal that did not close within the quarter, we've said. We've been very transparent, it was a deal that closed in August. It was not material information, right, because we have lots of customers. That one customer is more than 1% of revenue. But it is emblematic of what we're starting to see, larger opportunities, which come with slightly longer sales cycle, more stakeholders. And so for us, as we look at our guidance for the second half of the year, we took a $4 million amount for a $400 million company, feels like we should have a wider range. We widened it from $407 million to $417 million, so it didn't change the high end of the range. And for us, it just feels like it reflects the potential outcome that could come to the company given some of these sales cycles. Now that said, we're really excited about what we're doing and have more confidence and conviction now than ever before. But we do know that larger deals have slightly different dynamics.

- **Gray Wilson Powell - Deutsche Bank AG, Research Division - Research Analyst**

  Q. Got it. That's a really good answer. And not to put words in your mouth, but it doesn't -- at least from the work we do, it doesn't seem like the strategic priority of vulnerability management has changed within customers. It doesn't seem like there's a big change in the competitive environment. I guess I don't know, would you agree with that?

- **Stephen A. Vintz - Tenable Holdings, Inc. - CFO**

  A. We would certainly agree with that. We haven't seen any new entrants in this market for quite some time. We're focused on this market. This is a great market for us. And the market dynamics haven't changed. So our win rates, demand, we said, we've seen a lot of demand filling the top of the funnel. And by the way, I think you've seen some of the published research that's coming out of Gartner, certainly echoing that. I mean it's one of the top of the things you can do with vulnerability management. It's growing faster, more connected devices, so yes, we would agree.

- **Gray Wilson Powell - Deutsche Bank AG, Research Division - Research Analyst**

  Q. Okay. Okay. And then I mean kind of on that theme, just the competitive environment. There are some, I shouldn't call them emerging endpoint players, but they're some kind of next-generation endpoint players that kind of talk about having a platform offering. And one of the multiple things that they say they can do is vulnerability management. Do you see them in the market? Or do you see them in bake-offs at all? And how do they sort of influence things, if at all?

- **Stephen A. Vintz - Tenable Holdings, Inc. - CFO**

  A. Well, first, I think is recognition that this market a good one, right, when you have other players talking about the size and the importance of VM. We've been doing this for 15-plus years. We have over -- we have a huge, passionate community of users of our free product. We have 27,000 customers, one of the largest customer bases of any security company, public or private, adding hundreds of new enterprise customers. And we have a technology solution that reflects the compute environments of our customers. Most customers don't have 100% of their workflow on the compute on-prem, they don't have 100% that's in the cloud. It's hybrid. And so we have over 1,000 customers that are using both our on-prem and our cloud offering. So we think to effectively address this market, you have to have a technology solution stack that kind of spans with the enterprise.

So that said, we do know that some of the endpoint players have talked about VM. I think CrowdStrike mentioned it on their IPO. I think Tanium, actually, a couple of years ago, talked about a VM-type capability. And we just haven't seen -- we're always practically paranoid about competition, and we respect what those companies do. But I think it's a slightly different value proposition, and we're an enterprise-wide VM solution, addressing it at the agent level, could be a complementary technology. But we haven't seen it show up in any of our win or loss rates. And we believe as we get more into -- as we do predictively prioritize exploits and threat data and then answer and address more of the broader cycle exposure question, that is even further differentiation.

- **Gray Wilson Powell - Deutsche Bank AG, Research Division - Research Analyst**

  Q. Got it. Okay. And then maybe it's sort of a high-level market question. So some of the investors I talk with, they think that the VM space got a bump after the Equifax breach, and then that sort of helped trends in 2018, and that potentially, that benefit is starting to wane. Did you see anything like that? Are you seeing sort of like post-Equifax bump? Or how would you just sort of view the tailwinds that influenced your business?

- **Stephen A. Vintz - Tenable Holdings, Inc. - CFO**

  A. We have -- certainly, that brought a lot of visibility to the space. The Equifax breach was really a critical exploit that was in a web application. I don't think the company acknowledged it was a vulnerability that could have been patched. By the way, if you look at -- there's known vuls and then zero-day attacks. Zero-day attacks are a new code, new ways of exploiting a network. Less than 1% of breaches come from zero-day attacks, and most of it comes from known vulnerabilities and having better hygiene -- better awareness to and discovery of your assets on your network and assessing its state is, we think, is really critical.

  That said, that breach certainly brought a lot of attention because it was an acknowledgment that breaches are happening and certainly with some regularity. But they're not happening just on your traditional endpoints, servers and desktops and laptops. There's modern compute devices and assets, or web applications containers. All of these things are susceptible to exploit. There's even this headline, I think it was last year, that a thermostat in a fish tank that was connected to the network that was digital was unpatched and unmanaged and used as a means to exploit the high-roller database in a casino, given the backdrop here in Vegas.

  So everything is really important. And certainly, the types of attacks that are happening shed a lot of light on the complexity of the problem. But I will say this, that we are more of a flow business, right? If you think our business is not -- we're not balled into closing a large 8-

figure deal in the last week of the quarter. We are, if you look at like no one customer's more than 1% of revenues. Yes, we're doing more larger deals. We're in all major sectors of the economy in terms of geos, we're -- having seen good growth in EMEA and APAC. And also, if you look at the vertical reach of our products, it's in health care and customer span technology and consumer and financial services. So it shed a lot of light on it, but it's not like we get this big bump because there's a major breach and there's a large bluebird deal that comes in.

- **Gray Wilson Powell - Deutsche Bank AG, Research Division - Research Analyst**

  Q. Got it. Okay. Maybe kind of drilling down to some of the more fun stuff on the product side. So can you talk about early customer interest in Lumin? And I guess for those who don't know what Lumin is, just what that product does. And then I know it went to limited availability in Q2. Just how has the reception been so far and all that stuff?

- **Stephen A. Vintz - Tenable Holdings, Inc. - CFO**

  A. Sure. So before I talk about Lumin, I think it'd be helpful to talk about Predictive Prioritization. So Predictive Prioritization is a major innovation for Tenable in the market. And Predictive Prioritization is something that we made available or launched the beginning of this year. It's available in both Tenable.io as well as SecurityCenter. And it assigns -- it's an automated means to predictively prioritize your exploits. So we ingest Predictive Prioritizations, including the core offering. It ingests our massive data lake of VM data as well as multiple sources, third-party sources, including threat data. And it applies ML to all of that data. And it looks at things such as threat recency, threat intensity and threat exploitability. And then what it will do is we'll determine which of your vuls are susceptible to exploit. And it does it in a very automated fashion, whereas a lot of other companies leave it to the customer to basically determine if something is important or not.

  So this market, for a long time, has been plagued with the problem of just, hey, I do an assessment and I get along with the VM data or vulnerabilities. And I have limited resources because I'm a company. And I don't -- even though my cyber security budget is growing, I don't have a huge team. I get hundreds and thousands of vulnerabilities that I have to address. Which ones are the most important? So Predictive Prioritization is a major innovation that helps solve that problem. It's included in the core offering. We did that because we know that is a preposition to selling Lumin. So Predictive Prioritization is the vulnerability priority rating. It's an overlay to the CVS, critical vulnerability score. And it helps to determine what's important, predictively does that.

  Lumin is in beta right now. It's something we've been working on for a long time. We're very excited about it. It's in beta with broad participation from a number of large customers. And what we said is that we're going to make it available later this year. Lumin goes one step further beyond Predictive Prioritization, and it looks at asset criticality and assesses contextualization. So the combination of the vulnerability priority rating and the ACR, the asset criticality rating, gives you the Cyber Exposure scores. So we're scoring all things now that are on the network and connected. And we will take that and benchmark that against peers, the industry, all as a means to answer the question, am I secure and how does my exposure compare to others. So Lumin, combined with Predictive Prioritization, we think are a major innovation. So we're excited about this potential release later this year. And we think it's going to help us provide some tailwinds down the road.

- **Gray Wilson Powell - Deutsche Bank AG, Research Division - Research Analyst**

  Q. Got it. Okay. And then my understanding is that when you launch Lumin later this year, it's first going to go off on your cloud product, Tenable.io, and then available at sc later. Is there anything major that needs to happen between the io portion and then the on-prem portion?

- **Stephen A. Vintz - Tenable Holdings, Inc. - CFO**

  A. We do -- similar to Predictive Prioritization, we launched it in sc first and then came out and did with it Tenable.io. I think here, we said that when it comes to Lumin, it will be made available in Tenable.io first. But we're building interoperability between Lumin and our on-prem offering, so you'll have the ability to communicate, and those will work together.

- **Gray Wilson Powell - Deutsche Bank AG, Research Division - Research Analyst**

  Q. Okay. Got it. Got it. Okay. And then maybe we can back up a little bit. Just kind of talk about the difference, just the cloud and the on-prem offering. So you guys offer a hybrid approach to vulnerability management. You have the sc offering and Tenable.io. Is there any color you could give us in terms of the take rates of Tenable.io, or at least how you see that mix of the business evolving over time?

- **Stephen A. Vintz - Tenable Holdings, Inc. - CFO**

  A. We launched Tenable.io in 2017. And so I'd mention the history of the company were primarily on-prem. And beginning in the 2015, small sales force and fewer countries, perpetual license model, largely on-prem, $0.45 of $1 was recurring. And so one of the first things we did years ago was move to the subscription model. The subscription model was a pre-position, really, in becoming a cloud-centric company. So we moved to the subscription model. Years ago, we have that business model transition well behind us. And our recurring revenue has increased from 45% up to approximately 90%. So we've significantly improved the quality and the visibility of the revenues.

  In 2017, later, in 2017, after moving to subscription model, we launched Tenable.io. And enterprise sales cycles can have 6 or 9 months. Now at the time of the IPO in last year, in 2018, what we said was in a very short amount of time, when we launched Tenable.io, that it is, we had over, like 20% of our total new enterprise sales. And so it's a sizable and growing percentage. And it actually is fair to say that it continues to represent even a larger percentage than what it did this time last year.

  So we want to give customers a choice. There are customers who have a strong bias towards cloud and subscription. But there's also a lot of customers who have a bias towards maybe perpetual license models, which are on-prem. And you certainly see that in the federal government, where we have one of the largest footprints of any technology company. 15% of our sales, approximately, come from public sector, in Fed in particular. The average public company has 6% sales coming from that sector. And there's also parts of Asia, Southeast Asia, which, for example, have a heavy bias towards on-prem offering. So we want to give customers a choice. We are certainly a cloud-first company, but we also have technology that represents both on-prem and cloud environment.

- **Gray Wilson Powell - Deutsche Bank AG, Research Division - Research Analyst**

  Q. Okay. And is it fairly common to have customers that use both for hybrid environments?

- **Stephen A. Vintz - Tenable Holdings, Inc. - CFO**

  A. That was one of the surprises. When we launched it, we said, "Okay, customers are going to choose one or the other." But we have over 1,000 customers that use both. And what's -- not surprised just given their compute environments, right, either 100% cloud or 100% on-prem. So that's one of the nice surprises for us is that we have customers that actually choose to use both SecurityCenter and io.

- **Gray Wilson Powell - Deutsche Bank AG, Research Division - Research Analyst**

  Q. Got it. Okay. And I'd just be curious, I mean I don't want to like -- I don't want to try to get too much out of pricing, but let's just say you have 2 customers that look pretty comparable in terms of the assets they want to cover. One wants to go with Tenable.io, and the other ones go with sc. Is there any major difference in terms of like how you think about the bill for those 2 customers?

- **Stephen A. Vintz - Tenable Holdings, Inc. - CFO**

  A. The pricing model and the licensing model is slightly different, where io, we charge for assets or Tenable.sc, we charge for IPs, so it's just a slight nuance. But what I will say, so the ASPs aren't dramatically different because what typically happens is we have a permanent asset-based pricing model. So we'll charge based on the number of assets. So a customer may want to cover a certain amount of assets that are in the cloud, that are enabled by their cloud platform or customers may want to cover a certain amount of IPs that are covered by our on-prem offering. And so they can typically split that.

- **Gray Wilson Powell - Deutsche Bank AG, Research Division - Research Analyst**

  Q. Got it. Okay. We have a few minutes left, so I figured maybe I would open it up to the audience and see if there's any questions. One up in the front. Let's see if we can get a microphone really quick.

- **Operator - -**

  Q. I do have a question regarding your comments on guidance. So you mentioned that the second quarter guidance, I guess, it assumes that one deal got kind of pushed forward. I think you mentioned that deal got done in August. So how do we think about -- did you guys keep that deal in guidance and [hopefully,] that represents?

- **Stephen A. Vintz - Tenable Holdings, Inc. - CFO**

  A. In the example I gave for the deal that pushed, it was just one example. We're careful not to say that a few deals just pushed from Q2 into Q3 because that's not what we're saying. What we are saying is that we're having a lot of success, and then that comes from a lot of focus, right? Hiring named account managers, transacting larger deals, having a huge customer base or our customer success seems actively identifying upsell opportunities or having a lot of success with transacting larger deals, higher lands and higher expanse. And we do believe that in that segment, that size opportunity, $250,000 plus, 9-month sales cycles are not unusual. So we're seeing those with more frequency. So for us, we're saying, "Hey, I'm not -- that size sales cycle getting that size opportunity kind of feels right." We always want to improve our ability to transact and actually killing those opportunities. But what we're seeing, we're just seeing more of those, and that's contemplated in the guidance and that's when what necessitated the wider range.

- **Operator - -**

  Q. So when you guys lowered the bottom end for the second quarter, does that kind of assume like a worst-case scenario where deals get pushed back and don't come at all? Or does -- that just got pushed back 1 quarter?

- **Stephen A. Vintz - Tenable Holdings, Inc. - CFO**

  A. The reason why we chose -- for us, we wanted a wider range given the potential for different outcomes. And we look at it the second half of the year based on a number of different lenses, pipe, weighted, unweighted, achieving rates, things like that. And so for us, we decided to lower the -- we decided to widen the range. We lowered the low end. That did bring down the midpoint slightly. That felt right to us, given the size of the opportunities because larger opportunities create potential for more variability. We're having more levels of review, more stakeholders now and as part of these larger deals. And so we thought that was the right thing to do, and just provide a wider range and widen at the low end.

- **Operator - -**

  Q. So I guess you talked about how you guys dropped the kind of bottom end. But couldn't you also increase the top end and the bottom to increase the range? Why did you guys specifically choose to lower the bottom end only? My last question.

- **Stephen A. Vintz - Tenable Holdings, Inc. - CFO**

  A. Sure. I mean all those go into our calculus when we set guidance. But I think it was a combination of what I just mentioned before, given the potential variability on deals, the larger deals. And the other thing is that, that has potential to create confusion, lowering -- increasing the high end, increasing -- widening the low end. And so for us, this just felt right.

We have to do what feels right to us. We have developed a track record, 5 quarters out now of exceeding our guided range, our guided -- our guidance, and that's important to us.

- **Gray Wilson Powell - Deutsche Bank AG, Research Division - Research Analyst**

  Q. Just one last question on the back before we run out of time.

- **Operator - -**

  Q. In the context of the extension of sales cycle between the size of the deals, can you just talk about who the actual buyer is? And is that person changing like what you're doing the $250,000, $500,000 versus the [$40,000]?

- **Stephen A. Vintz - Tenable Holdings, Inc. - CFO**

  A. Yes. So it's not a surprise that larger deal sizes come with more stakeholders and, potentially, a different kind of economic buyer. We are still largely, today, though, what I will say, consumed, our key buyers, the internal VM champion. I think with Predictive Prioritization and, certainly, with Lumin, that is a slightly different value proposition, which is taking core VM data, translated into real business insight and understanding the level of exposure and how is that trending and how does that compare to others. So that's where you would see somebody more broadly like a CISO, maybe even a risk and audit committee take more of an active interest, not necessarily in the purchase itself, but certainly, they're a key stakeholder in the process, which is exactly what we want to do. Yes.

- **Gray Wilson Powell - Deutsche Bank AG, Research Division - Research Analyst**

  Q. All right. I think that's it. We're officially out of time. Steve, thank you very much for coming today. Really appreciate it.

- **Stephen A. Vintz - Tenable Holdings, Inc. - CFO**

  A. Thank you, Gray, for having us.

- **Gray Wilson Powell - Deutsche Bank AG, Research Division - Research Analyst**

Q. Thanks, everyone.