

OPENING:

Thank you, operator, good evening and thank you for attending this call. Joining me on the call today are Tenable's CEO, Amit Yoran and CFO, Steve Vintz. After the close today, we issued a press release announcing the details of our acquisition of Indegy, which we signed and closed today. This press release can be found on the investor relations website at Tenable.com.

Before we begin, let me emphasize that some of the information discussed on this call, including the potential benefits of this acquisition, are based on information available as of today and includes forward looking statements that involve risks and uncertainties. Actual results may differ materially from those made in such statements.

For a more detailed discussion of these risks and uncertainties, please review the forward looking statements disclosure in today's press release as well as in Tenable's SEC filings.

You should not rely on forward looking statements as predictions of future events. They are based on assumptions that we believe to be reasonable as of today.

I'd now like to turn the call over to Amit.

AMIT:

Over the last several quarters, we've been talking to you about our Cyber Exposure vision. It's about helping organizations measure, manage and reduce cyber risk. With Lumin now available for sale, we have extended our leadership position in core VM to become a leader in risk-based VM across the attack surface.

This attack surface often includes a broad range of automated, connected operational devices including manufacturing equipment, wind turbines, generators/pumps or even shipping cranes or cooling equipment for data centers. These connected Operational Technology or "OT" devices need to be identified, managed and secured.

Digital transformation initiatives merge IT and OT, mandating a unified security platform. That's why we couldn't be more excited to talk to you today about our acquisition of Indegy.

Tel-Aviv based Indegy, is a leader in Industrial Cyber Security which provides visibility, security and control across OT environments. This acquisition extends our current OT offering and brings together two pioneers of IT Vulnerability management and Industrial cybersecurity to deliver the first unified risk based platform to the market.

We believe our powerful combination will transform how CISOs, security teams and the C-suite assess, measure and make strategic decisions around the risks associated with OT environments. Our breadth of IT and OT coverage leverages our data science to prioritize threat intelligence and asset criticality. This gives our customers the ability to have risk-based conversations across the entire environment.

Indegy's "best of suite" OT security solution is very well aligned with our own customers' needs; combining a superset of our existing vulnerability management and asset discovery management, and gives us new capabilities such as stateful configuration inspection, which enables customers to get instant notification if the configuration of an OT device is modified or compromised. Indegy also provides real time threat detection to detect attacks against the OT environment - a growing pain point in the market *and an area recognized by the market as a blind spot*.

In addition to a world class R&D team, Indegy also brings us deep domain expertise in OT that we will leverage as our global sales force continues to pursue opportunities in this market.

Ultimately, between our combination with Indegy and our own Lumino offering, we expect to equip our CISO customers with the right platform to have a business -level discussion regarding OT security and to make decisions which impact the business.

Now let me pass it over to our CFO, Steve Vintz to talk more about the terms of the transaction before we open the call to Q&A.

STEVE:

As Amit mentioned earlier, Indegy will extend the capabilities of our current OT offering and expand our go-to-market expertise in an area where we are seeing strong demand from customers who are embracing the Industrial Internet of Things as a means to improve productivity and reduce costs. In short, our initial successes in the OT market gives us the confidence to accelerate our investment in an area that was already contemplated in our roadmap.

Now I would like to discuss the terms and financial impact of the transaction. Tenable acquired Indegy today for \$78 million in cash, subject to customary purchase price adjustments.

Indegy financial results are expected to be immaterial to revenue and calculated current billings for 2019 as the Company has been primarily focused on product development to date. It's important to note, that Indegy has not yet adopted ASC 606,

but we anticipate ratable revenue recognition treatment, consistent with our model. Consequently, revenue is expected to be modest in the near term, as it builds over time.

For the fourth quarter of 2019, the impact to non-gaap expenses will be an increase of approximately \$2 million for the stub period ending December 31, 2019. Please note, the stub period for the fourth quarter reflects Indegy as a stand alone business. As we move into 2020, we expect a more moderate impact on our operating loss, in comparison to the stub period, as our sales teams begin selling the enhanced IT and OT offering and we integrate the two companies. We also expect this acquisition will allow us to forgo much of the incremental organic OT investment in R&D that was contemplated in our stand alone roadmap.

In terms of the Q4 GAAP impact of the transaction, we expect to incur certain deal related costs primarily due to the transfer of acquired intellectual property as well as professional fees and the amortization of acquired intangible assets, which in aggregate are estimated to be in the range of \$15 to \$17 million. These costs are primarily one time in nature and the IP costs, in particular, are expected to provide a future benefit over time. As a result, our GAAP net loss per share is expected to increase by \$0.15 to \$0.17 in the fourth quarter. These costs represent a mix of cash and non-cash items and are all subject to final determination.

We also intend to grant restricted stock units to Indegy employees that will vest over time which will incentivize retention.

For the longer term, the acquisition is not expected to impact our previously stated goal to become free cash flow positive by the time we exit 2020. It's also worth noting that as our sales begin to scale, the cashflow characteristics of the OT offering are expected to be favorable as OT deals that Tenable has seen to date tend to have above average selling prices, contract durations that are longer than one year, and strong renewal rates.

I will now turn the call back over to Amit for a quick summary.

AMIT:

Thanks Steve, the acquisition of Indegy is a critical milestone in delivering on our Cyber Exposure strategy to help organizations understand and reduce cyber risk across the modern attack surface. We are thrilled to welcome Indegy employees to the Tenable team.

The Indegy integration with Tenable.sc, including unified dash-boarding, reporting, and predictive prioritization for on-prem customers, is already available today. Full Indegy integration with Tenable.io for cloud-based customers, including advanced risk analytics and benchmarking within Tenable Lumin, will be available in early 2020.

We are very excited about our continued momentum across the breadth and depth of our offerings. With the launch of Lumin to transform vulnerability data into actionable insights - and now the acquisition of Indegy to extend our capabilities in the OT environment - Tenable continues to define and pioneer enterprise understanding of Cyber Exposure and risk.

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