Cyber Security Landscape 2016 and Beyond: Playing the Game of Clones
Stay Selective to Find Long-Term Opportunity

Today we are publishing a comprehensive report entitled “Cyber Security Landscape 2016 and Beyond: Playing the Game of Clones.” This report analyzes the current cyber security vendor landscape and identifies which public and private companies are best positioned as potential “disruptors” from a field that we dub the “clones.” Our analysis is based on hundreds of conversations with public and private companies, security experts, resellers, system integrators, and most importantly, customers.

In the pages that follow, we offer a framework that we hope will provide a roadmap for investors attempting to understand and assess vendors. We sort out the old markets versus the new, categorize vendors both emerging and legacy as accurately as we can, and forecast total available spend in a way that represents how we believe security markets are evolving. We believe this will prove timely as the Game of Clones continues — there will be far fewer winners than losers.

▶ Game of Clones. In each “security category,” dozens of vendors have raised huge sums of private funding with the hopes of creating the next magical cyber security solution. In our view, while some have created innovative security products or even platforms, a majority have simply created “features” that may or may not see adoption. In our opinion, they all can’t survive or be acquired.

▶ Spending Bubble? We believe there is NOT a security spending bubble, but rather an accelerated shift in spending to protecting data, applications and identities. Several next generation companies will be “share takers,” while many legacy providers will be “share givers.”

▶ What’s the real available spend and growth rates today? Our research shows that the current security market segmentation is not aligned with how buyers are spending for cyber security solutions. We have identified the areas where spending is flowing, as well as potential disruptors to the market. We also have created our own total addressable market analysis based on the total available spend today (TAST). Some of these emerging areas are seeing as much as 5x the growth rate of the overall security industry as a whole.

▶ Too late in the cycle to “buy the basket.” We advise selectivity when assessing the security market. Our Buy-rated names include: Barracuda Networks (CUDA, $35 PT), Imperva, Inc. (IMPV, $78 PT), Palo Alto Networks (PANW, $210 PT) and Proofpoint (PFPT, $72 PT).

▶ For a copy of the full 183-page report, please contact your BTIG representative.

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