

With a longer runway than it expected, Cenizc hits rotation speed

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Sector: Enterprise Software

Event summary

When Web application vulnerability assessment firm **Cenizc** told us in the middle of 2007 that it reckoned it had a good year before facing intensifying competition from **Hewlett-Packard** and **IBM** – which had bought **SPI Dynamics** and **Watchfire**, respectively – we agreed. However, we were both off a bit. Since that time, Cenizc has been chugging along, keeping a nearly flat headcount but building up, it says, its total customer count to more than 200. It still won't give us revenue figures, but says business is up, which is believable for a number of reasons.

The 451 Take

The Web application vulnerability assessment industry, long the 'next big thing,' has grown over the past two years, even as the two leading players by revenue were acquired by HP and IBM. Remaining pure-play vendors like Cenizc have spent the time since those mid-2007 acquisitions building their businesses and growing their product portfolios – in the hope that when the giants roll out their offerings with great fanfare, the pure plays will be seen at a higher valuation than ever. Cenizc has solidified its reputation and its offering mix (part software, a bigger part services), and customers say they're very happy. We believe its strategy has been effective to date – in fact, possibly more so than the company may have contemplated.

Context

Cenizc was founded in 2000 as a company that provided network and application vulnerability assessment and penetration testing, as well as similar managed services. It has raised a total of \$42.7m in four rounds of institutional funding. The latest round, closed in March 2008 for \$10m, was led by **Advanced Technology Ventures** and included all existing investors: **JK&B Capital**, **Hummer Winblad Venture Partners**, **Mohr Davidow Ventures** and **Symantec**. Cenizc settled a patent-infringement suit with HP (SPI Dynamics) in October 2007. The two had sued one another over different patents; both abandoned their suits and adopted a cross-licensing agreement. Cenizc currently has 65 employees, about half of whom are in technical positions. This is essentially flat over its headcount in late 2007.

It says it has 'more than 200' customers (that number a mix of mainly service and hybrid but also software only). Publicly mentionable customers include **Overstock.com**, **Boston College** and **Paymetric**; this is up a good chunk from 2007 (it wouldn't let us list customer numbers then). Its average deal sizes vary substantially by product line (see Products below). Cenizc is not cash-flow positive, but says it expects to be so in 2009. While on its face that's a hard statement to buy, we'd say it's doing well in what is absolutely a growth industry. And if **Qualys** buys itself some marketing traction around its new Web-security offering, and IBM and HP get their arms around a cogent

marketing message for their Watchfire and SPI assets, we expect Cenzic to benefit from the resulting industry buzz.

Two things should be noted about that, though. First, if it did happen, we would expect competitor **WhiteHat Security** to similarly, if not equally, benefit. Second, we see no movement from either HP or IBM to do anything about their assets – a puzzling silence. We have heard that a senior product manager from SPI jumped to Qualys today – and while Qualys is pushing its new service, that push won't have the same oomph as a joint, competitive IBM/HP drive.

Strategy

Cenzic continues to strive for software-as-a-service (SaaS) and product offerings, and is working on channel and reseller models – it claims one 'big' reseller deal now, and two coming soon. It also continues partnerships with adjacent or overlapping industries. As WhiteHat did with **F5 Networks**, Cenzic has forged a partnership with Web application firewall and database transaction monitoring firm **Imperva** (see below).

Products

The company claims customers of its flagship Hailstorm Enterprise ARC software spend about \$100,000 to \$150,000 per year; for Hailstorm Professional (Desktop) about \$35,000 to \$50,000 per year; and for ClickToSecure, its SaaS offering, \$20,000 to \$25,000 per application per year. Cenzic offers a consulting package called Assessment Methodology for best practices consulting and security awareness training, which it says goes for about \$10,000 a year.

Hailstorm Enterprise ARC integrates with Lightweight Directory Access Protocol, and uses Cenzic's quantitative Hailstorm Application Risk Metric (HARM) to prioritize vulnerabilities. It also integrates with Cenzic's SaaS data feed. Desktop versions of Cenzic software provide a more limited set of functionality without, obviously, the central management features.

Partners

Hailstorm Enterprise ARC integrates with **VMware**, allowing admins to spin up virtualized versions of Web apps to test, then spin those images down – we discussed this functionality when it first appeared in late 2007 as innovative.

The partnership with Imperva exports vulnerability information from Cenzic and provides it to the Imperva Web application firewall, allowing Imperva to specifically block attacks against known vulnerabilities for a particular Web application until they can be patched or repaired. This is similar to WhiteHat's partnership approach, and something we think is a peach of an idea. Cenzic also has partnerships with HP (Business Technology Optimization Software) and **Borland**, and API-level interoperability with source code analysis tools from **Fortify Software** and **Ounce Labs**.

Competition

WhiteHat is emerging as the name to beat in the SaaS testing world, though Cenzic enjoys an advantage in that WhiteHat has no software component – it's all-SaaS, all the time. Similarly, major competition for the SaaS part of the vulnerability-testing equation is coming from Qualys, which dominates the network vulnerability testing-as-a-service market. We've said before that we question that service's efficacy (it's still early for the service, after many false starts), but make no mistake, Qualys is a strong competitor and will get stronger over time. News that a senior and long-time SPI product manager jumped from HP to Qualys indicates to us that Qualys takes this market, at least in the short term, more seriously than does HP. We won't speculate as to why that is, but will say that anecdotally it jibes with what we've heard repeatedly.

On the software side, HP (SPI Dynamics) and IBM (Watchfire) would be the sleeping giants in this game, and while we see progress, it's nothing like the major initiatives we believe those players could mount if they decided to. Other Web application-testing software comes from **Acunetix** (which we intend to begin covering), **Forum Systems** and **Mayflower GmbH**. **Core Security Technologies** and **Immunity Inc's** penetration-testing platforms, and to an extent the **Metasploit** Framework, have Web application pen-testing exploits, though these are not the primary focus of those tools (having said that, we'd add that some of those exploits offered by the firms are diabolical).

SWOT analysis

Strengths	Weaknesses
Cenzic still enjoys a fairly wide berth, as larger competitors were acquired and Cenzic managed to position itself as vacuum-filler.	While it has grown substantially, Cenzic would be vulnerable to a loss-leader or bundled strategy for competing products from HP and/or IBM – companies buyers consider safe bets as recessionary pressures mount.
Opportunities	Threats
Until HP and IBM solidify a cogent product strategy for their acquired assets, we believe Cenzic has the most enterprise-class stand-alone software product out there.	Startups like Acunetics, niche players like Core and Immunity, giants like HP and IBM, and service plays like WhiteHat and Qualys threaten Cenzic.

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