

VC Investment Bubble And Security Startup Boom

Dr. Fengmin Gong
Co-Founder & Chief Strategy Officer



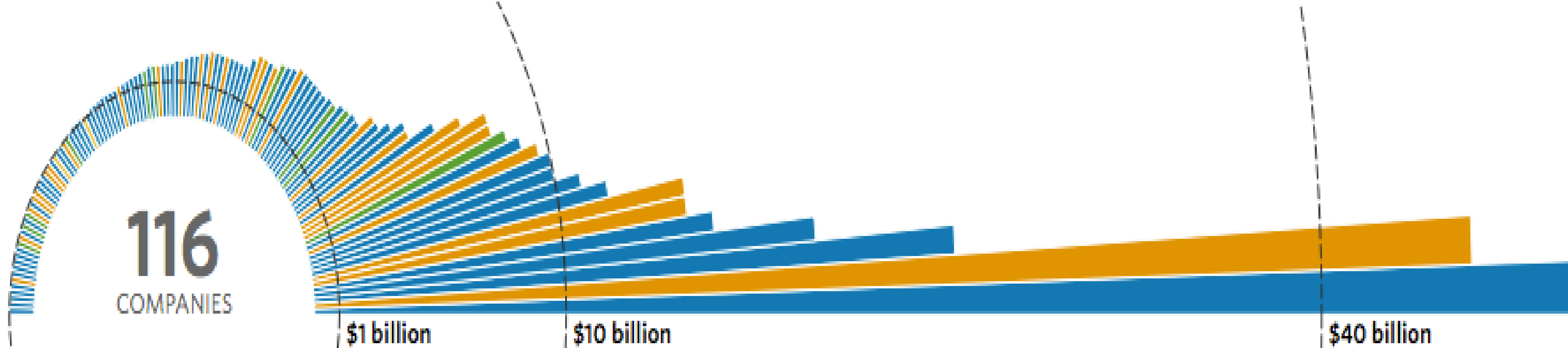
Target the threats that target you.

Outline

- Cloudy With A Chance Of Bubble
- White Hot Security Startup
- What's China Got To Do With It?
- White-Hot Cybersecurity Market
- What's There For You?

Billion Dollar Club, Exciting!

Companies valued at \$1 billion or more by venture-capital firms



Valuations as of **September 2015**

Select companies from the chart or table for more detail.

- If you are in NOW, and can exit BEFORE the bubble bursts

Are You In It?

Company	Latest Valuation ▼	Funding	Last Valuation
Uber	\$50.0 billion	\$5.6 billion	July 2015
Xiaomi	\$46.0 billion	\$1.4 billion	December 2014
Airbnb	\$25.5 billion	\$2.3 billion	June 2015
Palantir	\$20.0 billion	\$1.5 billion	July 2015
Snapchat	\$16.0 billion	\$1.2 billion	May 2015
Flipkart	\$15.0 billion	\$3.0 billion	April 2015
Didi Kuaidi	\$15.0 billion	\$3.0 billion	July 2015
SpaceX	\$12.0 billion	\$1.1 billion	January 2015

- Congratulations if you are
- Otherwise, no despair, I am only showing the top 8

Interesting Unicorn Stats

	Total tracked	Still private (2015/2)	In China
All Industry	116	96	19
Software	35	31	0
Software/Security	7	7	0
Consumer Internet	25	23	5

- “The Billion Dollar Startup Club”, Wall Street Journal, By [Scott Austin](#), [Chris Canipe](#) and [Sarah Slobin](#)
<http://graphics.wsj.com/billion-dollar-club/>

Two Paths Of Successful Exit

- **IPO – Initial Public Offering**

- Drought season since PANW, FEYE

- **Merge & Acquisition**

- Term Sheet – Monday, August 31, 2015

“The only thing growing faster than M&A activity in 2015 is withdrawn M&A activity. Thomson Reuters reports that while global M&A is up 37% year-to-date, the bump in canceled deals is a whopping 53% (representing nearly \$336 billion in pulled transactions).”



Chance Of Bubble With VC Investment?

Bubbles Are Anomalies In The Market

ROI/Confusion



Spectacular Bubbles Of The Past

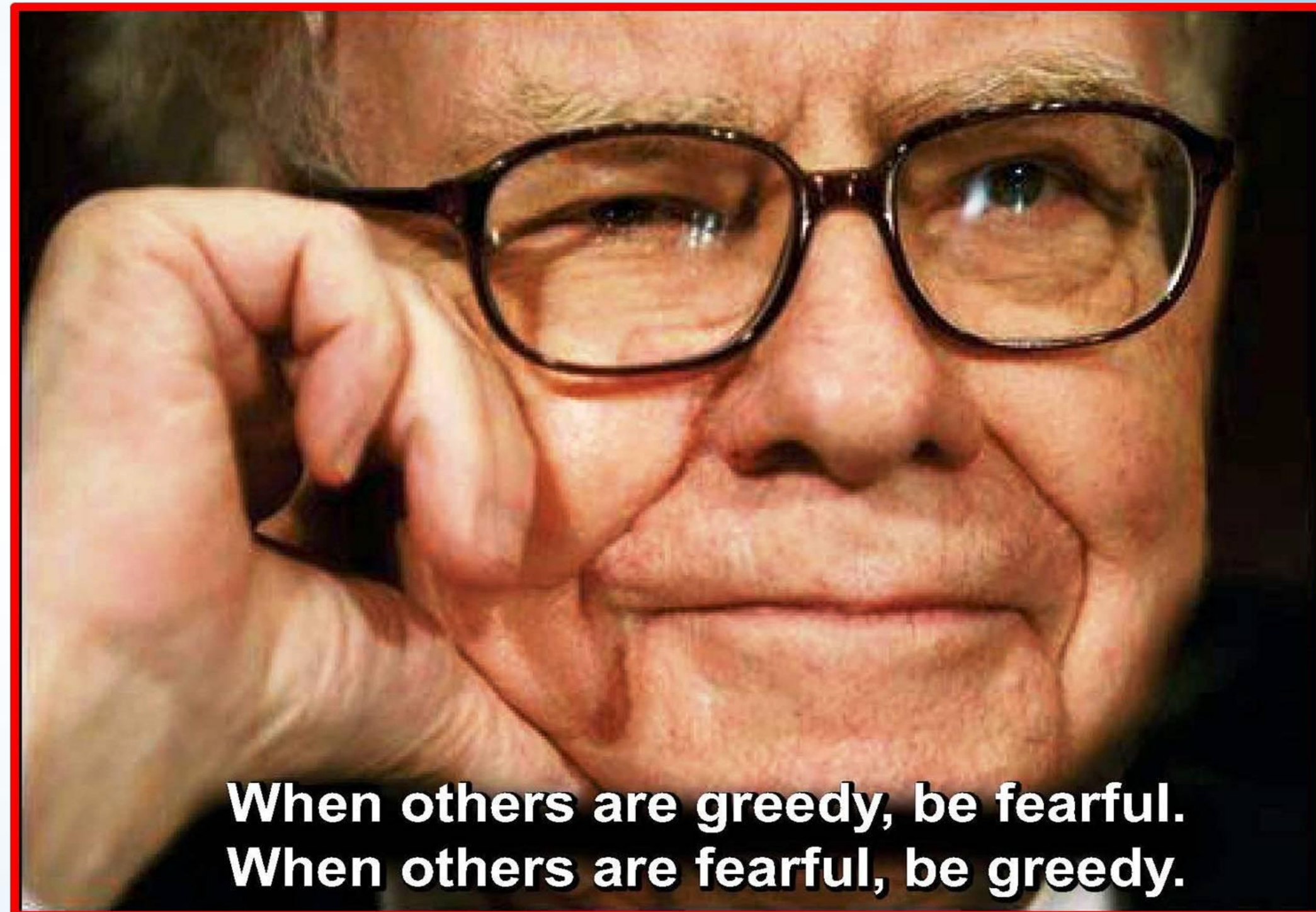


VC Valuation Hype Factors

1. Strong Motivation
2. Deep Pocket
3. Overflowing Euphoria
4. Inability To See With Clarity

F1 – 10 Billion Exits

- FOMO Syndrome
 - “Fear Of Missing Out”
We missed out on FAGA once!
 - Data analytics is hot, we’ve got to invest!
 - But they can’t tell if others are greedy or fearful now ☹️



**When others are greedy, be fearful.
When others are fearful, be greedy.**

F2 – Too Much Money

- QE-1, QE-2, 0% Fed rate
- “Past performance does not guarantee future return, but look at FAGA – Facebook, Amazon, Google, Apple – success!”
- Greed is infectious - retirement fund, mutual fund moved from public market to VC investment!
- Maybe, 10-year cycle makes VC investment less of a “venture”

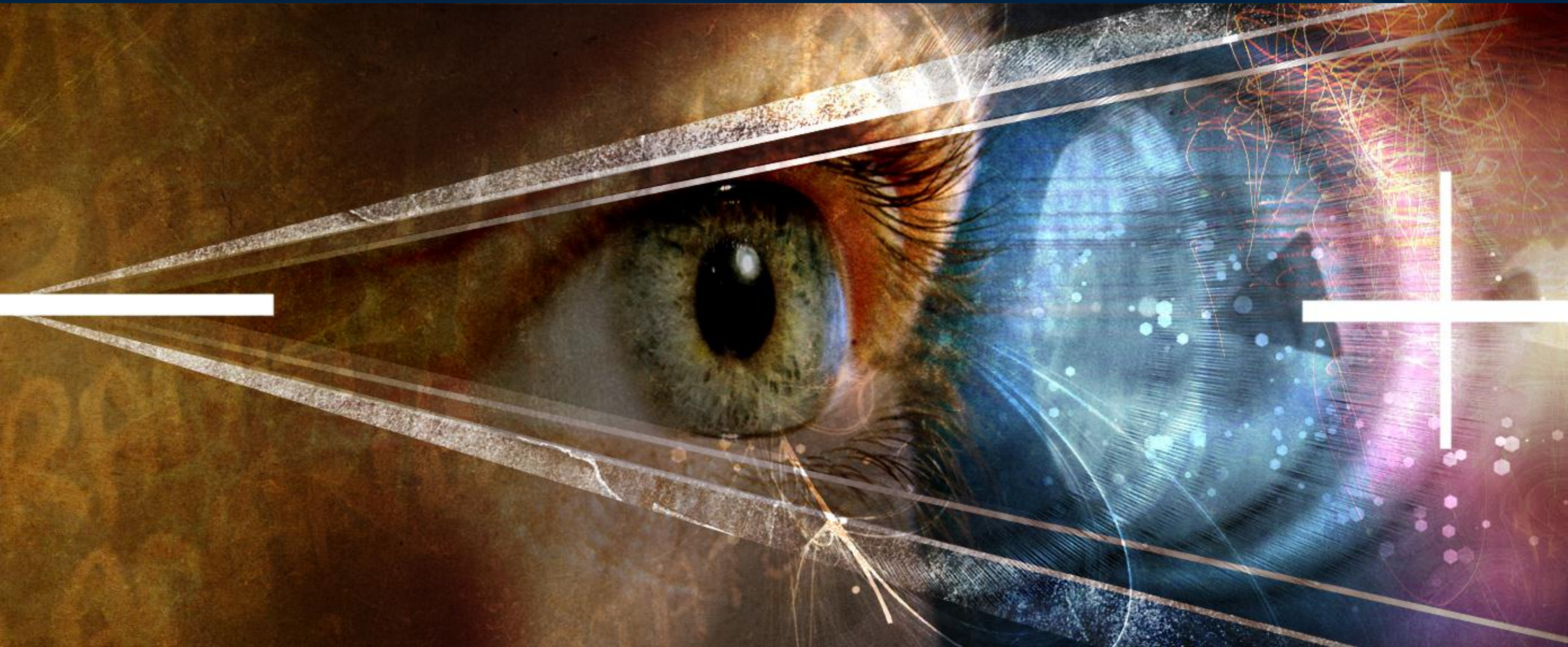


Euphoria *Definition*

is medically recognized as a mental and emotional condition in which a person experiences intense feelings of well-being, elation, happiness, excitement and joy

- Success recipe: user count now, monetize later
- Making It Big without IPO:
 - Whatsapp bought @\$21.8B; Snapchat valued @\$16B

F4 – Desire Versus Ability



- Clarity For Potential-Reality distance, ROI
 - Lack of domain expertise by VCs
 - Lack of historical data on new tech areas
- Less visibility into private companies

According To Robert Shiller

Irrational/
Exuberance
Psychological Epidemic

Should You Invest In Stock Market?

- **Yes 4 US Market**
 - **Start early**
 - **Dollar price averaging**
 - **Buy index fund**
- **Caution 4 China Market**
 - **Brave ones: follow the government the FIRST TIME**
 - **Weak of heart: watch with patience, invest when gov stays away**

Cybersecurity Startup Opportunity Is Exceptional

- Sophisticated financial & data crimes
 - Carbanak attack on banks
 - “Pump & Dump” attack on Wall Street
 - Anthem, Blue cross and Blue shield, OPM breaches



- More useful tools
- Practicing security
- Government rules & regulations

The Market Is White-Hot

- Per Alberto Yepez, Managing Director, Trident Capital
 - \$1.77 Billion VC investment 2014 compared to \$1.62 Billion in 2000
 - Total \$7.3 billion invested in 1,208 since 2010 (data from CB Insights)
- Big Drivers
 - \$100 billion annual cyber attack loss in US, GROWING
 - Cybersecurity spending to INCREASE, from 4% to 7% of IT
 - More innovative tools are needed!

Top 7 Hot Areas

1. Behavior data analytics for anomaly
2. Security payment and fraud
3. Security for IoT
4. NG identity & access control platform
5. Inside threat monitoring & response
6. Threat intelligence infrastructure
7. Security ecosystem solution



Strategy To Innovate

- Create what Chinese businesses need for their security defense, go to Latin America & Mideast with ease
- Create what US businesses need for their security defense, go to North America & Europe with ease
- Watch development on Wassenaar Arrangement, to leverage global security research talents effectively



You Must Know The Differences

- Gov. cybersecurity investment
 - Discourage use of foreign products
 - Compliance #1 driver
 - Price #1 criteria
 - Personal attention #1 enterprise concern
 - Hardware appliance still preferred
- Gov. cybersecurity investment
 - Discourage use of foreign products
 - Risk mgmt #1 driver
 - Functionality #1 criteria
 - Robustness #1 enterprise concern
 - Software & VM gaining favor



Target the threats that target you.

Thank You!

@FengminGong

fgong@cyphort. com