

## SaaS security firm WhiteHat lands \$7m series D financing

**Analyst: Paul Roberts**

**Sector: Enterprise Software**

### Event summary

- WhiteHat Security said on June 23 that it had raised \$7m in series D financing from existing investors and new investor Horizon Ventures. The latest round brings total funding in WhiteHat to \$13.2m.
- WhiteHat said it will use the money for sales, marketing and product development, and to improve its software-as-a-service (SaaS) infrastructure to meet customer demand.
- WhiteHat said it is seeing steep growth in demand from compliance-minded customers and notes that an update (version 6.6) to the Payment Card Industry Data Security Standard (PCI DSS) requires application code reviews.

### The 451 take

It's never a bad thing to be one of a short list of companies that supplies technology that everyone needs and auditors clamor for. WhiteHat now finds itself in that position. The problem: the company's high-touch business model means that it needs to scale its SaaS platform and also grow its staff of valuable Web application security experts to keep up with customer demand. This latest round will help with that, but WhiteHat should expect more competition from IBM and HP in the months ahead. But with Web application security everyone's chief headache, don't be surprised if some larger vendor or managed security service provider swoops in to make a play.

### Details

**WhiteHat Security** said it has secured \$7m in financing in a series D round led by new investor **Horizon Ventures**. Existing investors **Altos Ventures**, **Garage Technology Ventures** and **Startup Capital Ventures** all took part. Part of that may be devoted to growth outside of North America, as WhiteHat suggested that it would do when we spoke in Q4, 2007. The company is well positioned: just about every security research organization has noted the explosion in malicious code and the shift in threats to the Web from other channels such as email and network-based propagation. Established network and endpoint security vendors are beginning to figure out how best to compensate for that shift. WhiteHat claims strong growth in its customer base and average deal size.

Upcoming changes to the PCI DSS that call for Web application vulnerability scans and code assessment are expected to be a boon for the company's business, as well as **IBM** and **Hewlett-Packard**, which acquired two near competitors: **Watchfire** and **SPI Dynamics**. SaaS security outfits have been slower to follow suit. **Qualys** has been saying for over a year that it plans to enter the Web application scanning space, but keeps moving back the date as it devotes resources to other development priorities. Swedish SaaS VA firm **Outpost24** has made similar promises, although as yet has not released anything.

### **Competitive landscape**

IBM and HP are WhiteHat's biggest near-term competition, especially as those larger firms begin integrating the Web app testing tools they purchased with larger tools and professional services offerings. Core Security also offers Web app scanning and pen testing with its Impact product, as does **Immunity Inc's** Canvas. In the SaaS space, Qualys dominates the network vulnerability testing-as-a-service market, but doesn't expect to roll out any comprehensive Web application-testing service before 2009. Even that will be a starter rather than a full-fledged competitor for WhiteHat.

**nCircle** released the WebApp360 Web application-vulnerability scanner as an add-on to its IP360 risk management product in February. Outpost24, the other software-as-a-service vendor considered kosher by **Visa** for PCI, hasn't launched anything. Other Web application testing software comes from **Protegrity**. **Acunetix** sells a multithreaded Web application scanning appliance that offers many of the same kinds of tests as WhiteHat, including identification of SQL injection and cross-site scripting vulnerabilities, PCI compliance reporting features and pen-testing tools for more in-depth analysis. **Forum Systems** and **Mayflower GmbH** compete, as do static code analyzers from **Klocwork** and **Fortify Software**, which have begun limited dynamic testing, too. Open source competition includes offerings like Wikto, w3af and Burp Suite.

### **About The 451 Group**

The 451 Group is a technology industry analyst company focused on the business of enterprise IT innovation. The company's analysts provide critical and timely emerging-technology insight to clients at vendor, investor, services and end-user organizations – insight that aids both strategic and tactical decision making for competitive advantage.

The 451 Group is headquartered in New York, with offices in key locations, including San Francisco, London and Boston. The company also operates Tier 1 Research – an independent division of The 451 Group – which analyzes the financial and industry implications of developments impacting public and private companies within the IT, communications and Internet sectors.

For additional information on the company or to apply for trial access to its services, go to: [www.the451group.com](http://www.the451group.com)