

The HardenStance Network Security Sales Index (NSSI) *December 2018 Edition*

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HardenStance

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Objectives Of The NSSI

- The HardenStance Network Security Sales Index (NSSI) tracks the quarterly security sales of eight of the largest vendors of network security hardware and software.
- The NSSI provides an index of customer spending on IT security hardware and software.
- The eight vendors have been selected on the basis of their size, their direct reporting of security sales and established relationships.
- The primary goal of the NSSI is to provide a quarterly and annual gauge of aggregate customer demand for network security hardware and software. The secondary goal is to provide high level benchmarking of these eight security vendors against those sales benchmarks.
- Any vendor's sales performance is in part determined by its profitability goals. The NSSI is focused on reporting, aggregating and benchmarking the high level sales numbers. The most recent profitability numbers are reported.

The NSSI Methodology (1/2)

The eight vendors featured are:

- Cisco Systems
 - Check Point
 - Fortinet
 - Juniper Networks
 - Palo Alto Networks
 - Sophos
 - Symantec
&
 - Trend Micro
- Sales numbers are taken from the official earnings releases published by these companies.
 - Some security vendors can't be included in the sample group as they don't report security sales separately- e.g **Arbor Networks** (part of NetScout) and **F5 Networks**.
 - The total reported sales for six of the eight vendors are shown throughout. For **Cisco** and **Juniper**, just their security sales are shown.

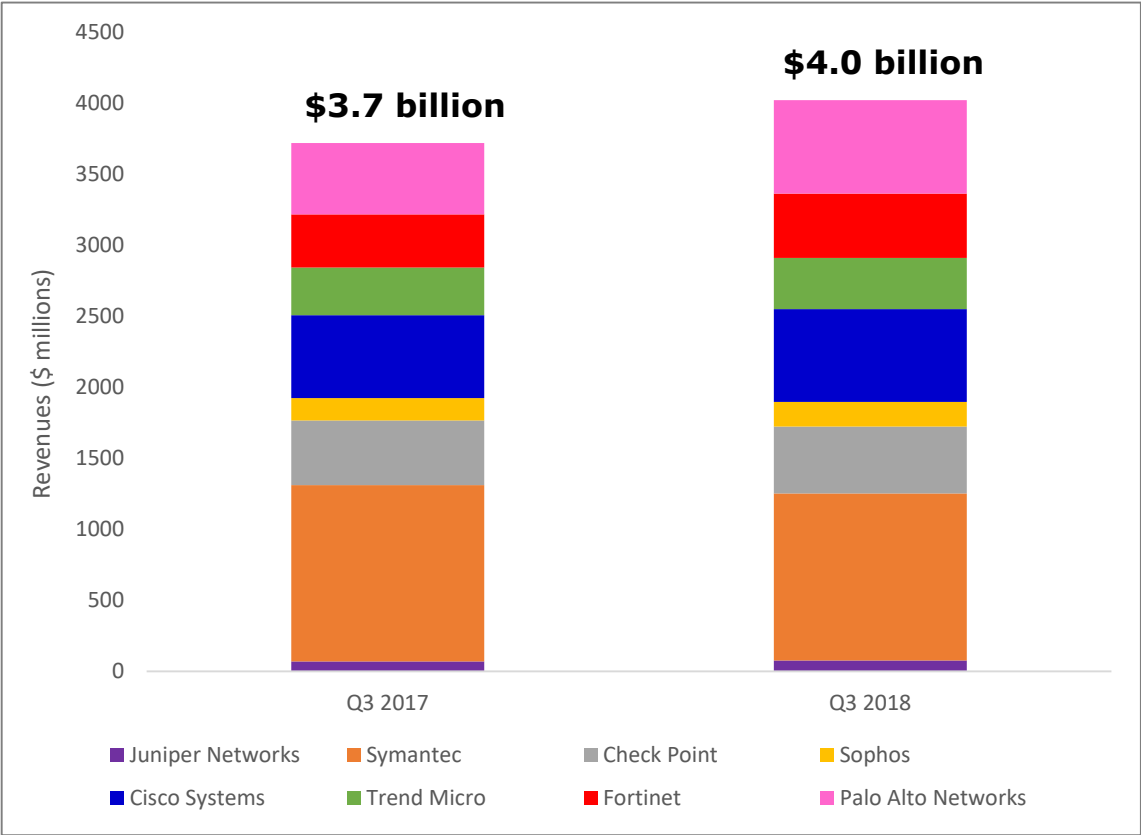
The NSSI Methodology (2/2)

- The Cisco and Palo Alto Networks financial year runs from August 1 – July 30th. The Sophos financial year runs from April 1st - March 31st.
- The reporting quarters of Cisco, Palo Alto Networks & Sophos are re-labelled throughout for optimal alignment with the calendar based quarterly reporting of other vendors.
- The NSSI depicts what the above three companies report as their Fiscal Year Q4 2018 or Q1 2019 sales as calendar Q2 2018 sales.
- Due to variations in the timings of quarterly reports as stated, the alignment of numbers is imperfect.
- The re-alignment of numbers is necessary to provide the best possible like-for-like aggregate market view from a representative sample of large vendors.
- The eight vendors are diverse in the regions and product markets they serve. The term “network” is used in the broadest sense. Endpoint products feature prominently in the sales of some vendors featured. Network security products feature prominently in the case of others.
- Again, the NSSI’s main goal is to report aggregate demand as reported by some of the largest vendors.

Executive Summary For Q3 2018

- The eight vendors generated security sales of \$4 billion in Q3 2018, which represents 8% sales growth vs Q3 2017.
 - The eight security vendors generated total security sales of \$15.7 billion in the 12 months to September 28th 2018, representing 11% sales growth over the year to September 29th 2017.
 - Palo Alto Networks again reported the highest growth in Q3 2018 sales vs Q3 2017 (31%) and the highest growth in 12 months sales to September 2018 vs 12 months to September 2017 (30%).
 - Cisco reported the best sequential sales growth for the quarter at 3.8%.
 - On September 29th 2018, Symantec announced it “does not anticipate a restatement or adjustment of any audited or unaudited, filed or previously announced, GAAP or non-GAAP financial statements” arising from its internal investigation announced in May - except for “a specific transaction with a customer entered into in Q4 of fiscal year 2018 (ended March 30th 2018)”.
 - Many companies adopted the ASC 606 accounting standard during the quarter. This resulted in one or two companies making minor adjustments to revenue numbers recorded for previous quarters– e.g. Palo Alto Networks.
- Cisco Systems & Palo Alto Networks sales numbers cover the twelve months - four quarters - from November 1st 2017 to October 31st 2018 whereas the other six vendors’ sales numbers are for October 1st 2017 to September 28th 2018.

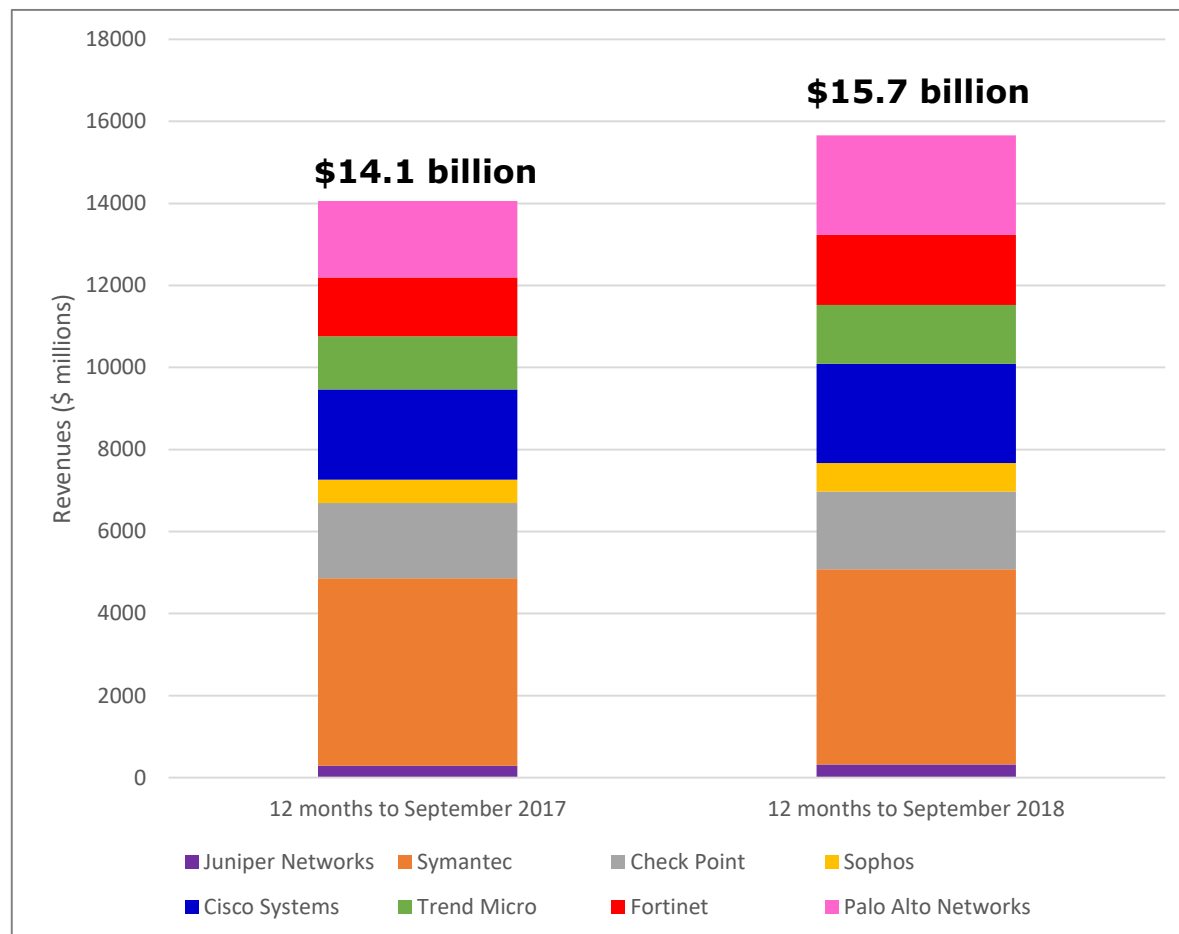
Sales For Q3 2018



Q3 2018 sales by the eight vendors were \$4.0 billion, up 8% on Q3 2017

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- Cisco Systems & Palo Alto Networks sales numbers cover the twelve months - four quarters - from November 1st 2017 to October 31st 2018 whereas the other six vendors' sales numbers are for October 1st 2017 to September 28th 2018.
- Symantec stated in September that it does not anticipate a restatement or adjustment of any audited or unaudited, filed or previously announced, GAAP or non-GAAP financial statements arising from its internal investigation announced in May except with respect to a specific transaction with a customer entered into in the fourth quarter of fiscal year 2018.

Sales for the 12 months to September 28th 2018



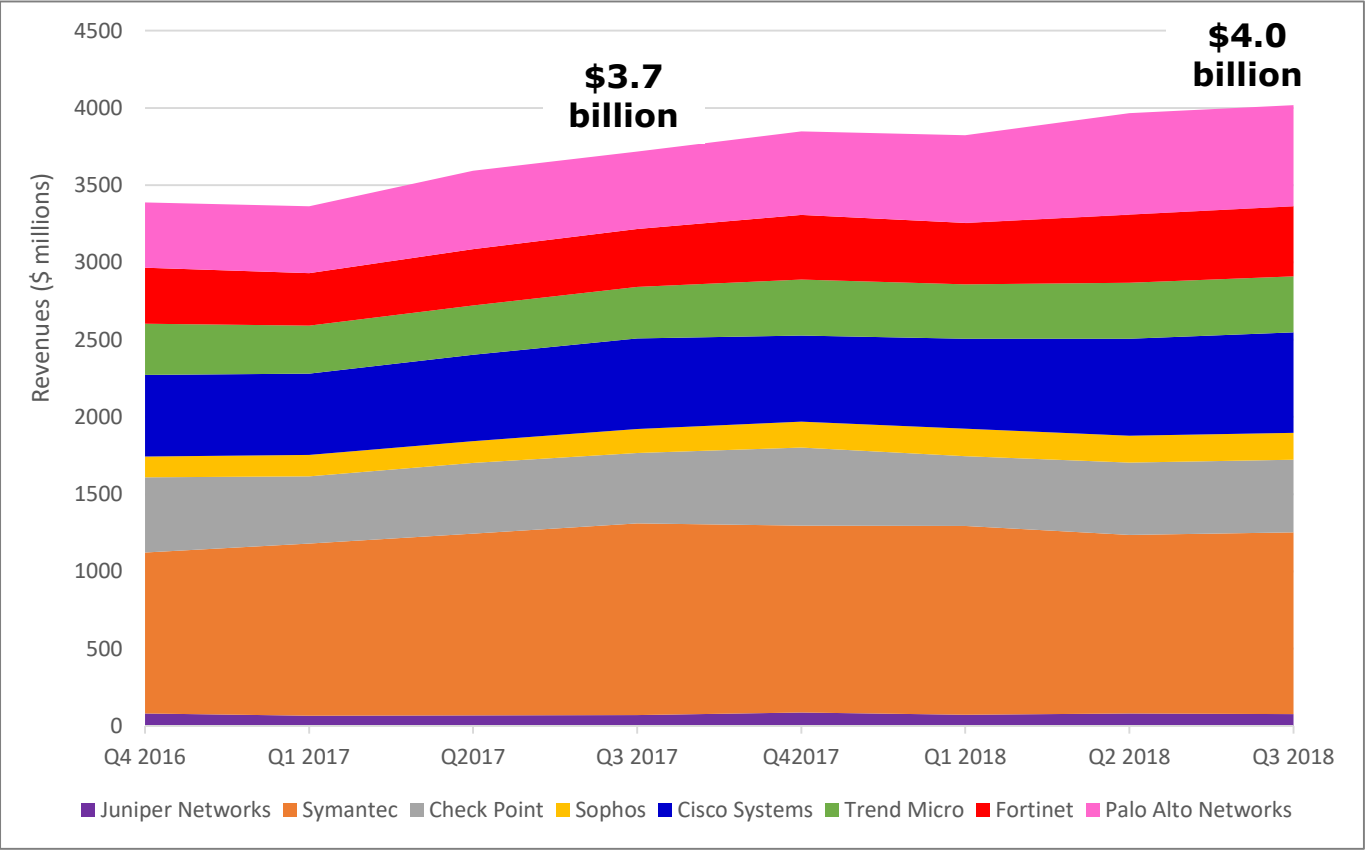
- The eight security vendors generated total sales of \$15.7 billion in the year to September 28th 2018, representing 11% sales growth over the year to September 29th 2017.
- Palo Alto Networks reported easily the fastest sales growth over the last twelve months, up 30% over the 12 months to September 29th 2017.

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The Last Eight Quarters To Q3 2018



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Q3 2018 Ranking By Sales

Vendor Ranking	Vendor	Q3 2018 sales (\$ millions)
#1	Symantec	\$1,175
#2	Palo Alto Networks*	\$ 656
#3	Cisco*	\$ 651
#4	Check Point	\$ 471
#5	Fortinet	\$ 454
#6	Trend Micro**	\$ 361
#7	Sophos	\$ 174
#8	Juniper	\$ 77

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12 Months to September 28th 2018 Ranking By Sales

Ranking	Vendor	12 months sales to 28-9-18 (\$ millions)
#1	Symantec	\$4,762
#2	Palo Alto Networks*	\$2,424
#3	Cisco*	\$2,419
#4	Check Point	\$1,897
#5	Fortinet	\$1,711
#6	Trend Micro**	\$1,437
#7	Sophos	\$692
#8	Juniper	\$317

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Year On Year Quarterly Sales Growth

Vendor Ranking	Vendor	Q3 2018 YoY sales growth	Q3 2018 sales (\$ millions)	Q3 2017 sales (\$ millions)
#1	Palo Alto*	+31%	\$656	\$502
#2	Fortinet	+21%	\$454	\$374
#3	Sophos	+11%	\$174	\$156
	Cisco*	+11%	\$651	\$585
#5	Juniper	+9%	\$77	\$71
#6	Trend Micro**	+8%	\$361	\$334
#7	Check Point	+4%	\$471	\$455
#8	Symantec	-5%	\$1,175	\$1,240

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12 Months Sales Growth To September 28th 2018

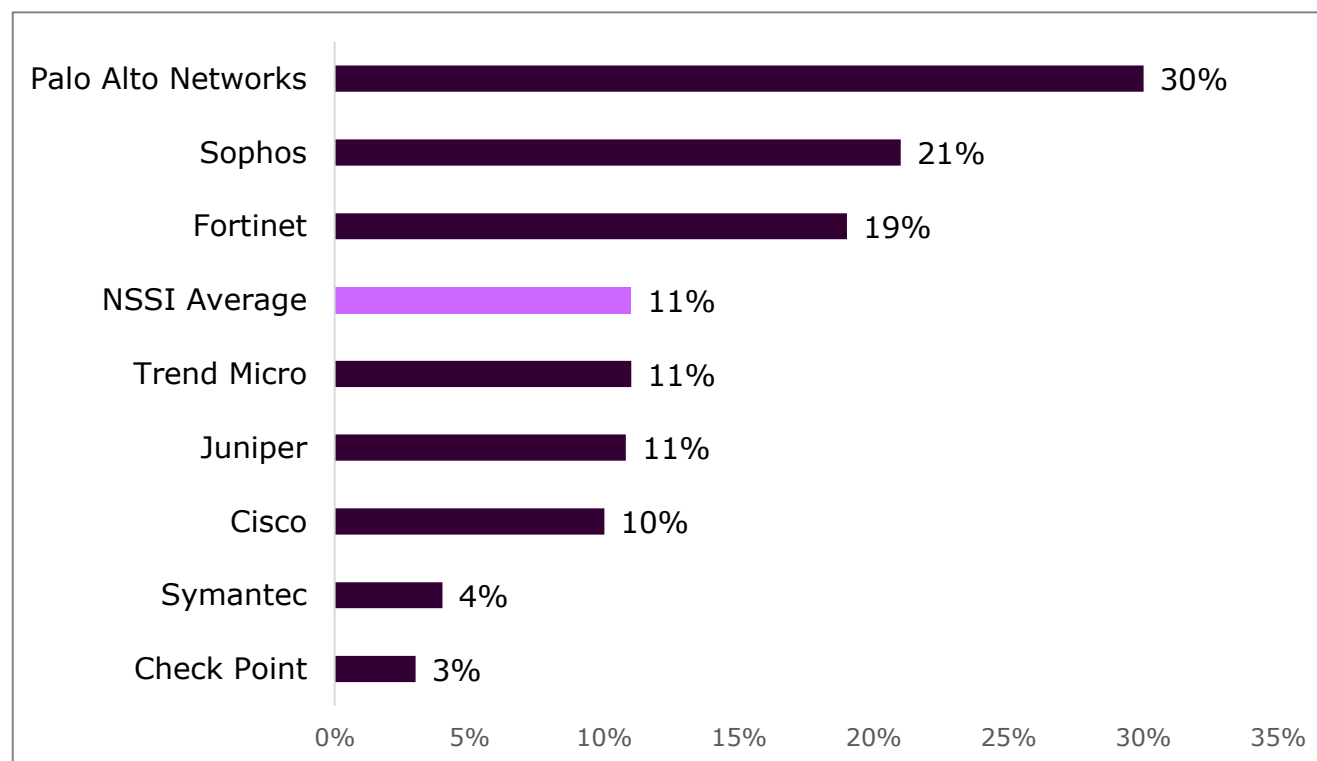
September 2018 ranking	Vendor	Growth in the year to September 2018 vs the year to September 2017	12 months sales to 28-9-18 (\$ millions)	12 months sales to 29-9-17 (\$ millions)
#1	Palo Alto*	30%	\$2,424	\$1,865
#2	Sophos	21%	\$692	\$571
#3	Fortinet	19%	\$1,711	\$1,442
#4	Trend Micro**	11%	\$1,437	\$1,295
#5	Juniper	11%	\$317	\$286
#6	Cisco*	10%	\$2,419	\$2,198
#7	Symantec	4%	\$4,762	\$4,571
#8	Check Point	3%	\$1,897	\$1,836

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Sales Growth in the Twelve Months to September 28th 2018



* vs 12 months to September 2017

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Sequential Sales Performance Q3 2018 vs Q2 2018

Vendor Ranking	Vendor	Q3 2018 sequential sales growth	Q3 2018 sales (\$ millions)	Q2 2018 sales (\$ millions)
#1	Cisco*	+3.8%	\$651	\$627
#2	Fortinet	+2.9%	\$454	\$441
#3	Symantec	+1.6%	\$1,175	\$1,156
#4	Check Point	+0.6%	\$471	\$468
#5	Trend Micro**	-0.2%	\$361	\$362
#6	Palo Alto*	-0.3%	\$656	\$658
#7	Sophos	-0.9%	\$174	\$176
#8	Juniper	-2.9%	\$77	\$80

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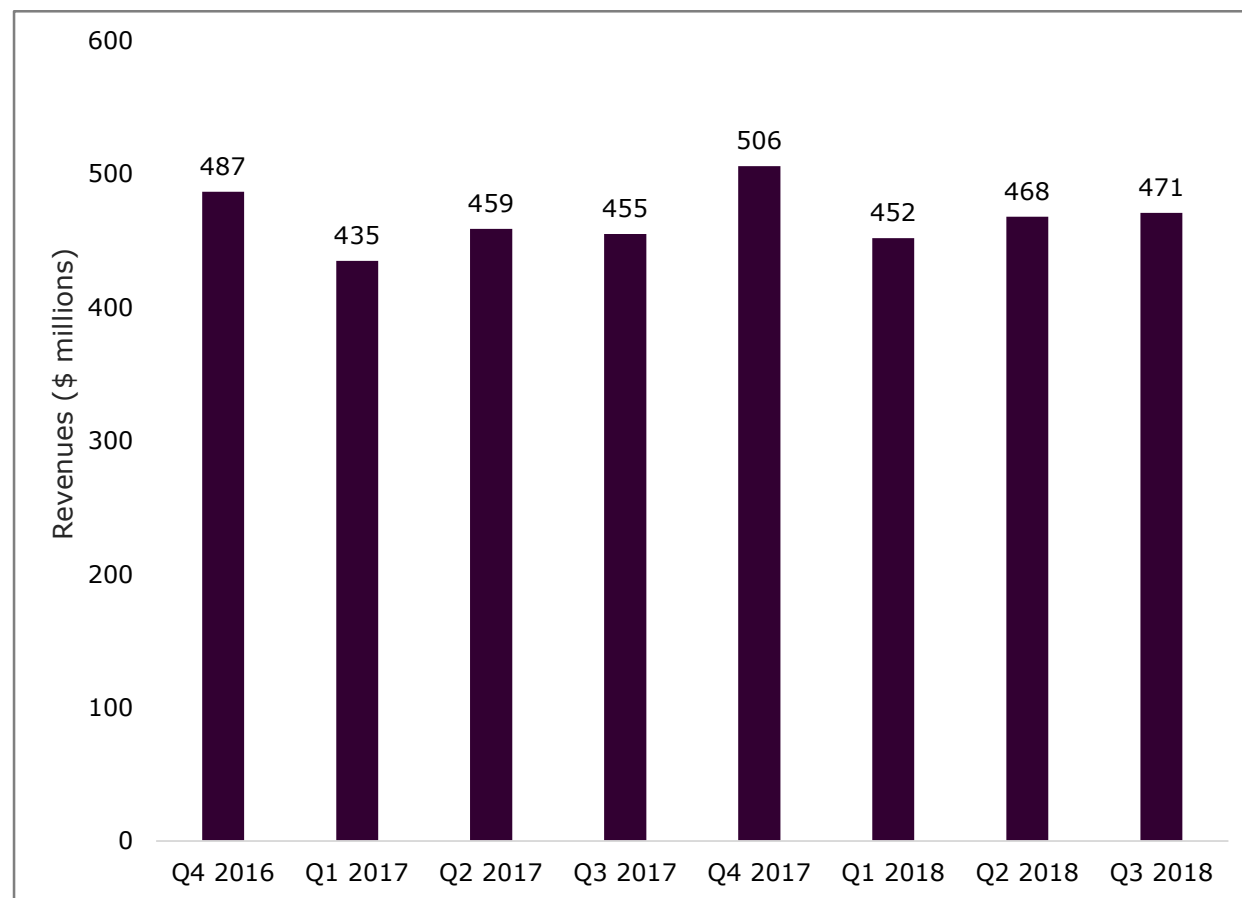
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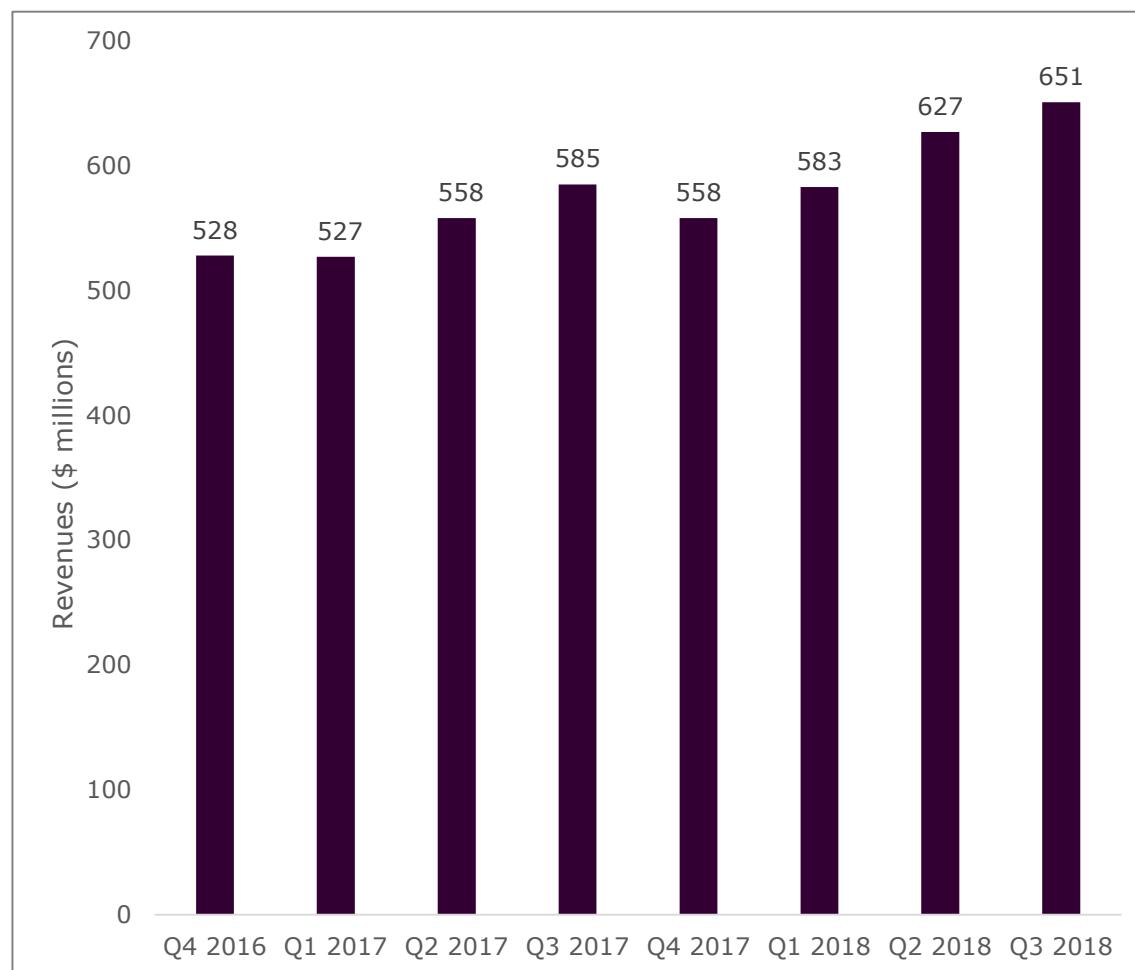
Individual Vendor Summaries

Check Point



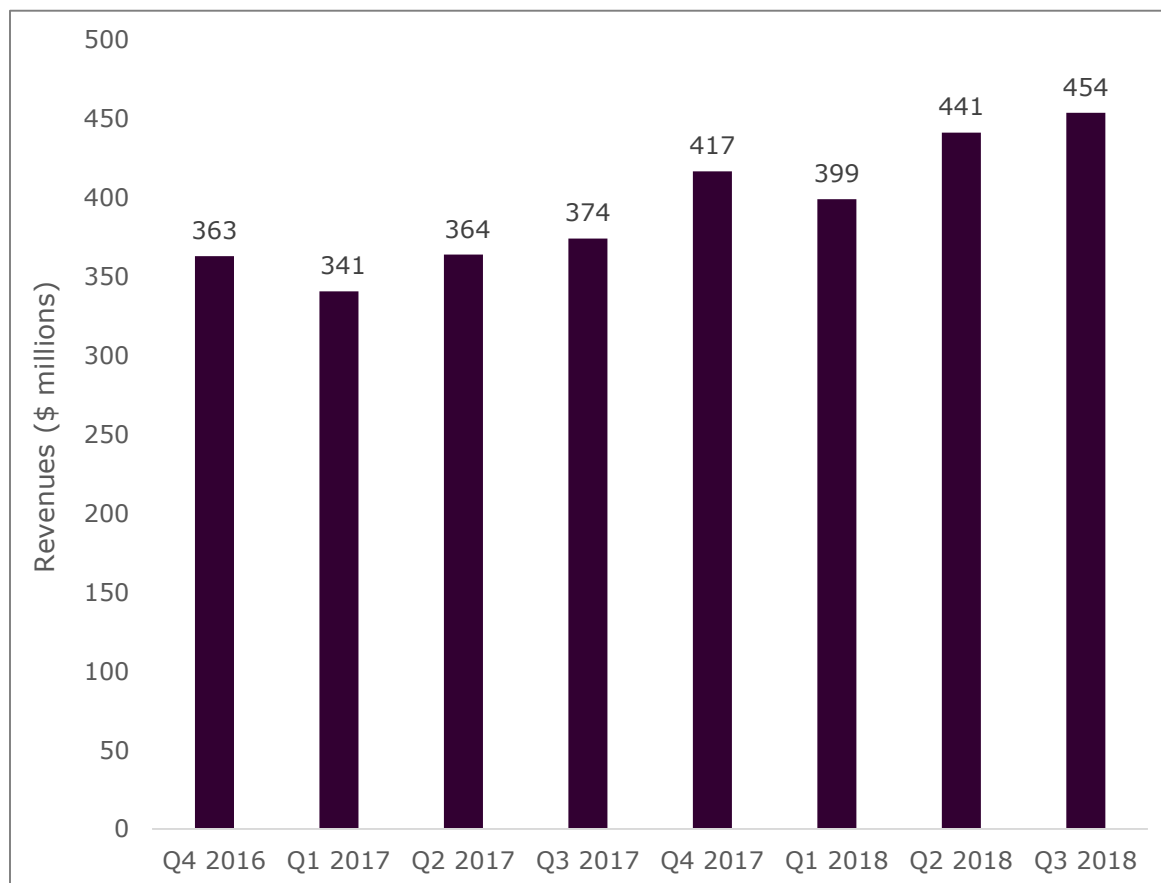
- Q3 2018 sales were \$471 million.
- #4 by Q3 2018 sales.
- #4 by sales for the 12 months ending September 28th 2018 (\$1,881 million).
- #7 by Q3 2018 sales growth vs Q3 2017 (+4%).
- #8 by 12 month sales growth to end September 2018 vs 12 months sales to end September 2017 (+3%).
- #4 by sequential sales growth in Q3 2018 vs Q2 2018 (0.6%)
- Profitability in Q3 2018: GAAP operating income of \$226 million.

Cisco Systems



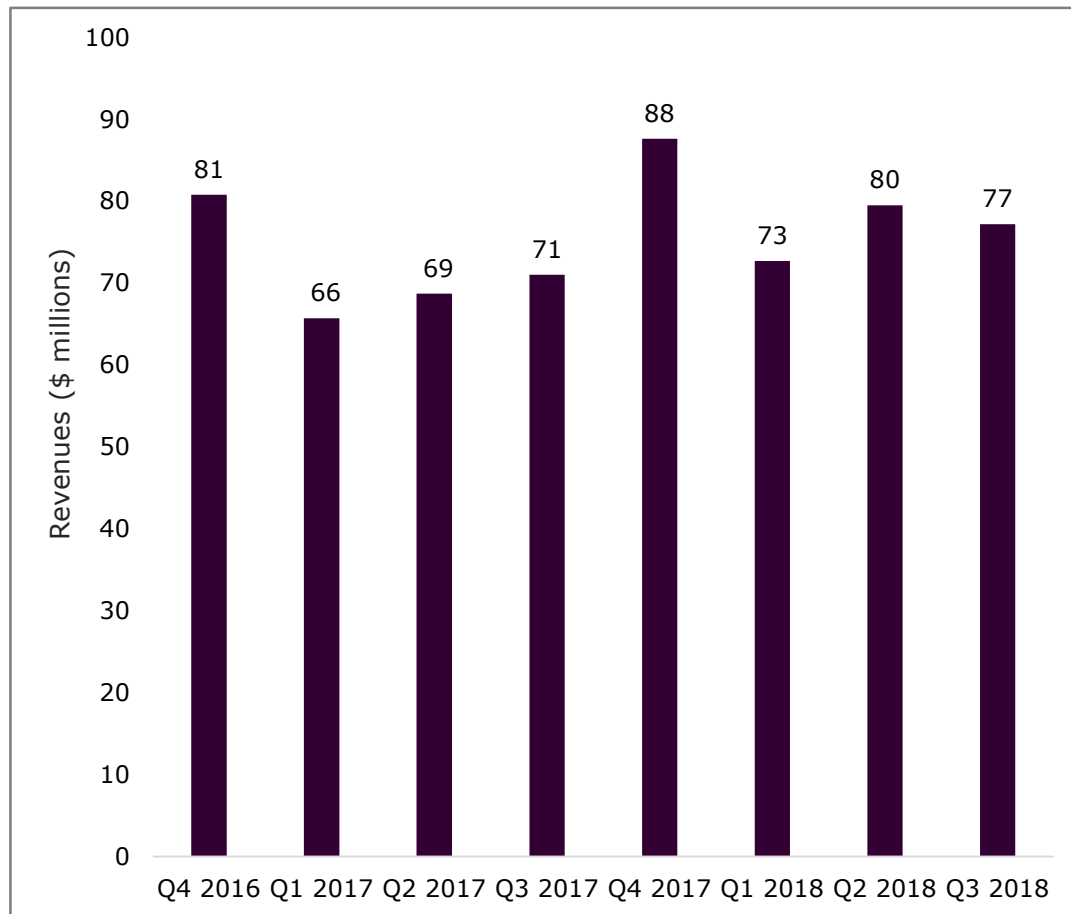
- Q3 2018 security sales of \$651 million.
- #3 by Q3 2018 sales.
- #3 by sales for the 12 months ending September 28th 2018 (\$2.4 billion).
- #3 by Q3 2018 sales growth vs Q3 2017 (+11%).
- #6 by 12 month sales growth to end September 2018 vs 12 months sales to end September 2017 (+10%).
- #1 by sequential sales growth in Q3 2018 vs Q2 2018 (3.8%).
- Profitability: Cisco reports sales of security solutions but not profitability.
- Cisco and Palo Alto Networks report for the quarter ending October 31st 2018 whereas most vendors report for the quarter ending September 28th 2018.

Fortinet



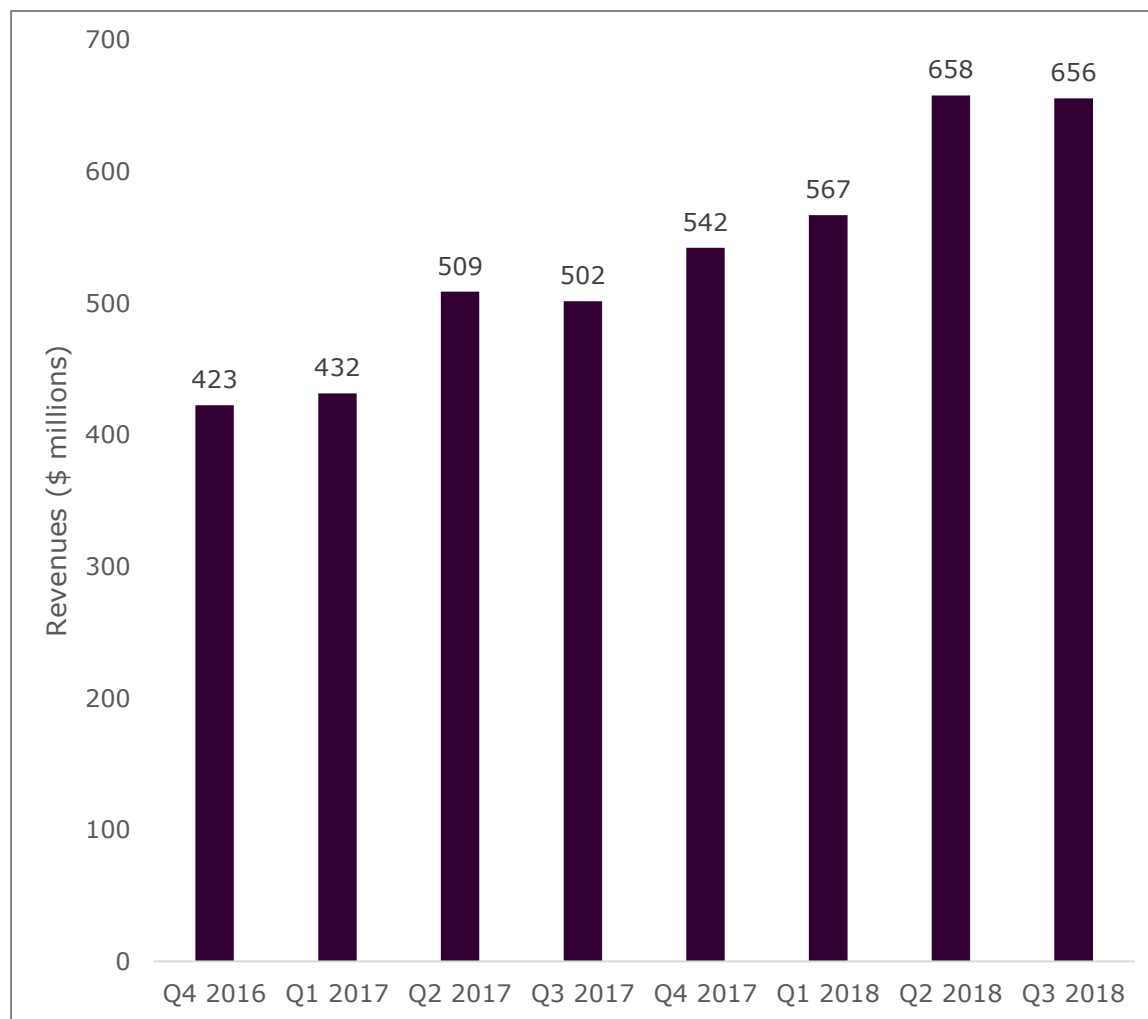
- Q3 2018 sales were \$453.9 million.
- #5 by Q3 2018 sales.
- #5 by sales for the 12 months ending September 28th 2018 (\$1,711 million).
- #2 by Q3 2018 sales growth vs Q3 2017 (+21%).
- #3 by 12 month sales growth to end September 2018 vs 12 months sales to end September 2017 (+19%).
- #2 by sequential sales growth in Q3 2018 vs Q2 2018 (2.9%).
- Profitability in Q3 2018: GAAP operating income of \$62.8 million.

Juniper Networks



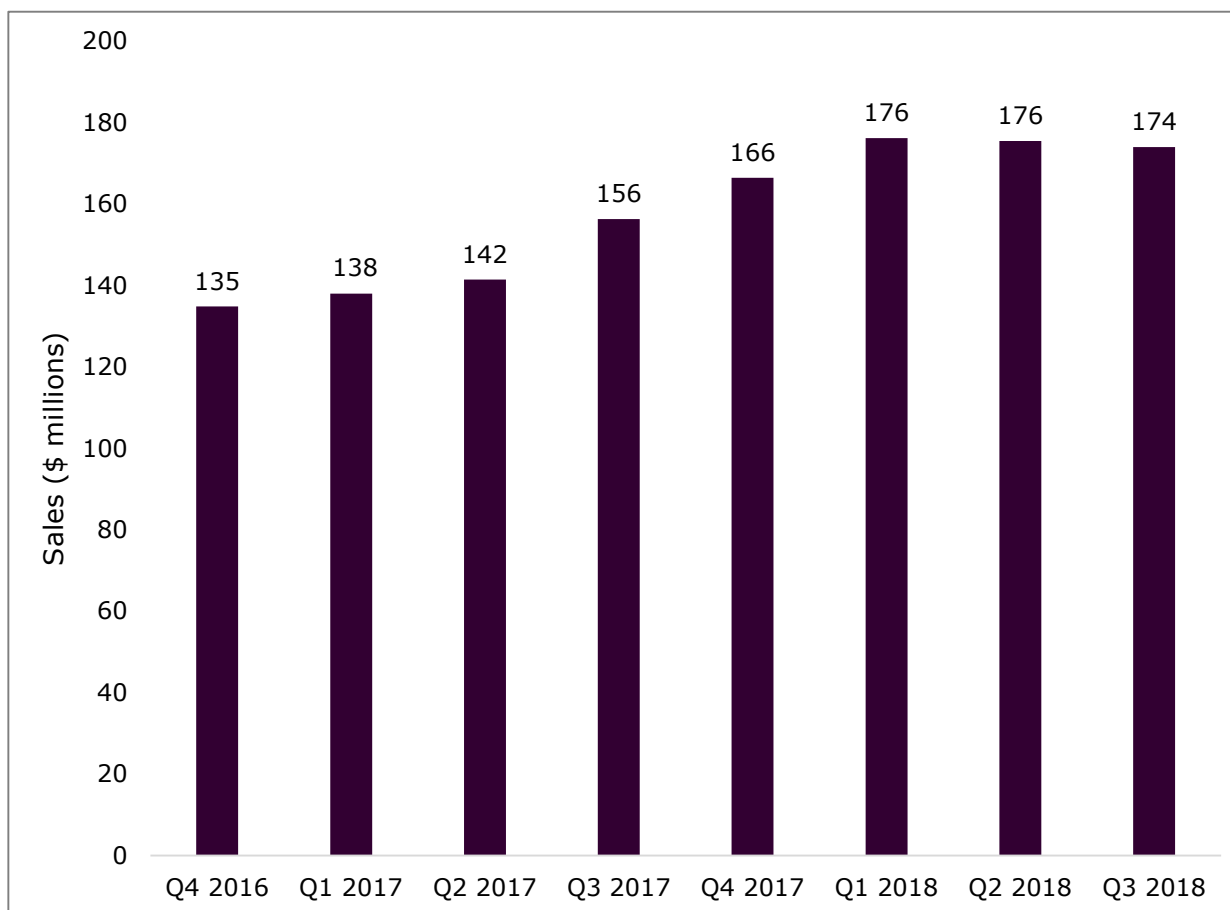
- Q3 2018 security sales: \$77.2 million.
- #8 by Q3 2018 sales.
- #8 by sales for the 12 months ending September 28th 2018 (\$317 million)
- #5 by Q3 2018 sales growth vs Q3 2017 (9%).
- #5 by 12 month sales growth to end September 2018 vs 12 months sales to end September 2017 (11%).
- #8 by sequential sales growth in Q3 2018 vs Q2 2018 (-2.9%).
- Profitability: Juniper reports sales of security solutions but not profitability.

Palo Alto Networks



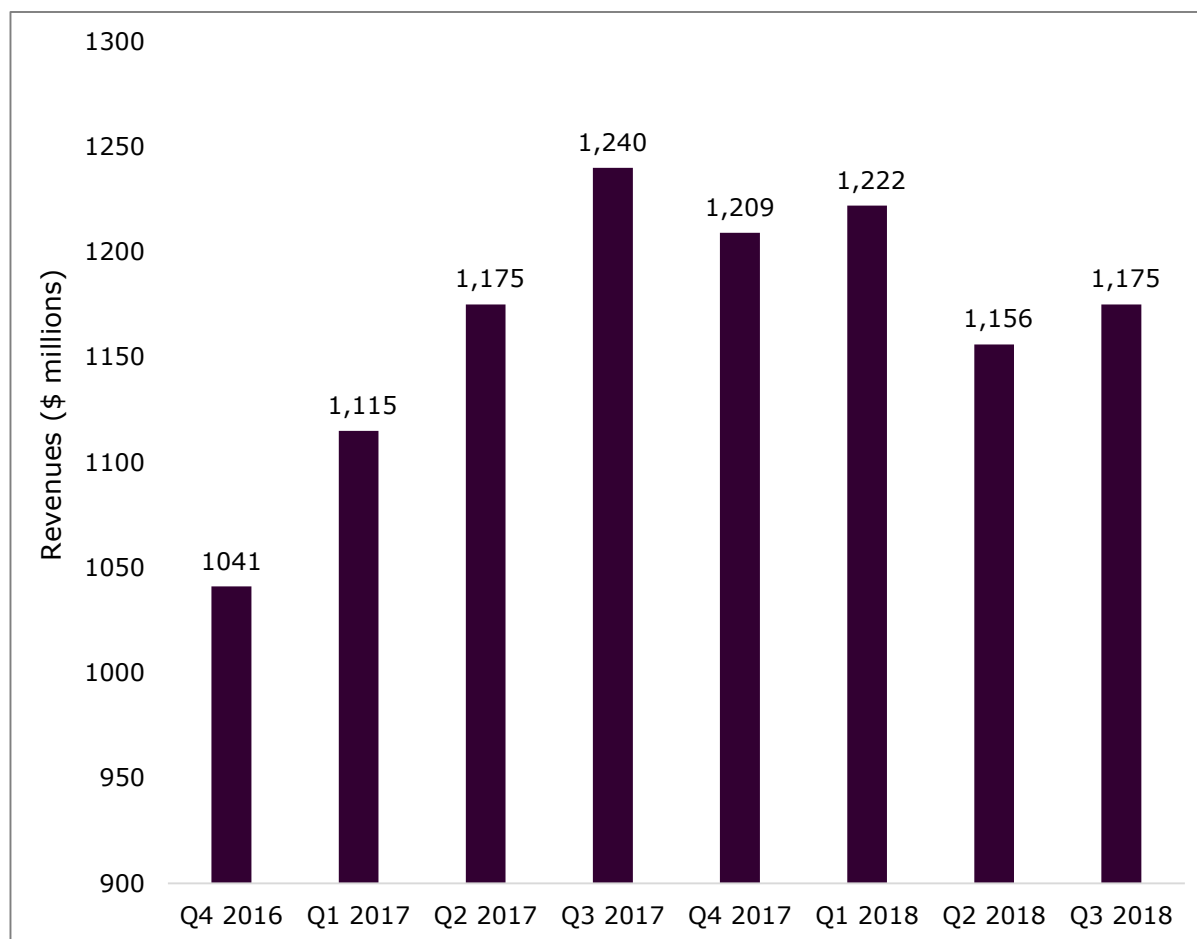
- Q3 2018 sales were \$656 million.
- #2 by Q3 2018 sales.
- #2 by sales for the 12 months ending September 28th 2018 (\$2,424 million)
- #1 by Q3 2018 sales growth vs Q3 2017 (+31%).
- #1 by 12 month sales growth to end September 2018 vs 12 months sales to end September 2017 (+30%).
- #6 by sequential sales growth in Q3 2018 vs Q2 2018 (-0.3%)
- Profitability for Q3 2018: GAAP net loss of \$38.3 million
- Cisco and Palo Alto Networks report for the quarter ending October 31st 2018 whereas most vendors report for the quarter ending September 28th 2018.

Sophos



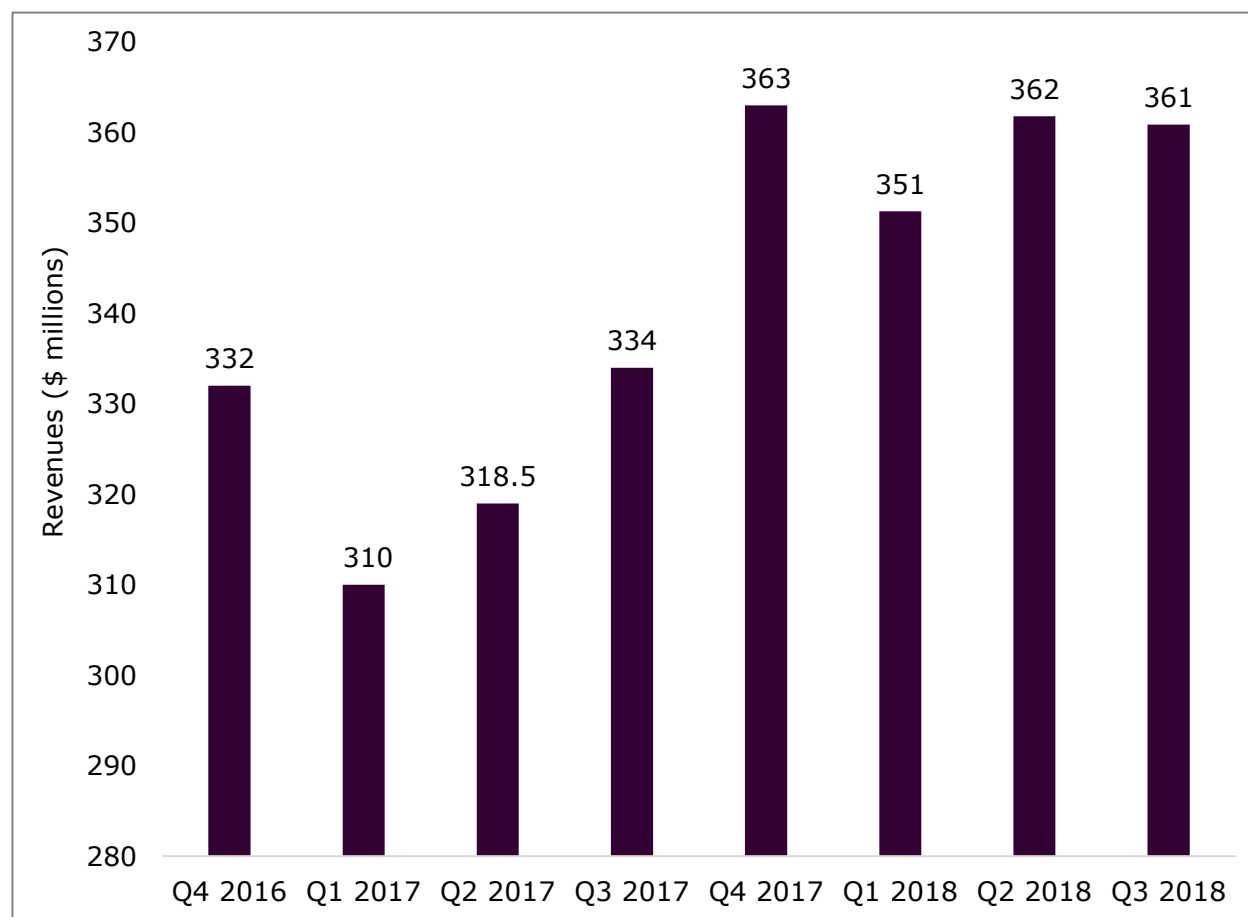
- Q3 2018 sales were \$174 million.
- #7 by Q3 2018 sales.
- #7 by sales for the 12 months ending September 28th 2018 (\$692 million)
- #3 by Q3 2018 sales growth vs Q3 2017 (+11%).
- #2 by 12 month sales growth to end September 2018 vs 12 months sales to end September 2017 (+21%).
- #7 by sequential sales growth in Q3 2018 vs Q2 2018 (-0.9%).
- Profitability for the six months to end September 2018: GAAP profit of \$26 million.

Symantec



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- Q3 2018 sales were \$1,175 million.
- #1 by Q3 2018 sales.
- #1 by sales for the 12 months ending September 28th 2018 (\$4,762 million).
- #8 by Q3 2018 sales growth vs Q3 2017 (-5%).
- #7 by 12 month sales growth to end September 2018 vs 12 months sales to end September 2017 (+4%).
- #3 by sequential sales growth in Q3 2018 vs Q2 2018 (1.6%).

Trend Micro



- Q3 2018 sales were \$360.9 million.
- #6 by Q3 2018 sales.
- #6 by sales for the 12 months ending September 28th 2018 (\$1,437 million)
- #6 by Q3 2018 sales growth vs Q3 2017 (+8%).
- #4 by 12 month sales growth to end September 2018 vs 12 months sales to end September 2017 (+11%).
- #5 by sequential sales growth in Q3 2018 vs Q2 2018 (-0.2%).
- Profitability in Q3 2018: Operating income of \$83.6 million.

* Q3 2018 Trend Micro figures are Non-GAAP

What's New From HardenStance?

The following cyber security insights have recently been made available by HardenStance:

- Nokia's Enterprising Security Strategy
- Palo Alto Networks joins NGMN Alliance
- Container Security the Red Hat Way
- AI in Cyber Security & Cyber Warfare
- AMTSO's Malware Testing Standard
- Managed Security: New Opportunities for Telcos
- 5G Security to Drive Enterprise Investment

For more details see here:

www.hardenstance.com

HardenStance will be attending the following upcoming events

- BlackHat Europe, December 3rd – 6th 2018
- Mobile World Congress, February 25th – 29th 2019
- RSA, March 5th – March 8th 2019
- Cloud & Cyber Security Expo, March 12th 2019
- FutureNet World, March 26th – 27th 2019

For more details see here:

<http://www.hardenstance.com/events-where-hardenstance-is-speaking-or-attending/>

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About HardenStance

- HardenStance Ltd is a market research company delivering trusted research, analysis and insight in telecom and IT security.
- The company was founded in January 2017 by Patrick Donegan.
- Patrick spent more than ten years from 2006 – 2016 as a telecom market research analyst for Heavy Reading, the latter three as Chief Analyst.
- Find out more and subscribe free of charge to future editions of the HardenStance NSSI www.hardenstance.com
- Contact: patrick.donegan@hardenstance.com



HardenStance Ltd Disclaimer

- HardenStance is a market research company delivering trusted research, analysis and insight in IT and telecom security.
- Every effort has been made to ensure the accuracy of the information in this report and explain how discrepancies in the financial reporting cycles of different vendors have been reconciled.
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