



Rich Fennessy

CEO, FishNet Security

Editor's Note: In this issue, *martinwolf* interviews Rich Fennessy, CEO, FishNet Security. FishNet is a leading information security provider focused on delivering cyber security solutions to enterprise customers. Since Rich took over the company in the 4th quarter of 2013, the company has enjoyed significant growth in revenue, profitability and overall market share. On Nov. 5, it was announced that FishNet Security would merge with Accuvant to form a new, combined information security solutions company with approximately \$1.5 billion in revenue.

MW: So can you tell us about the rationale behind FishNet Security's merger with Accuvant?

Strategically, this deal makes a lot of sense - in fact, it's a topic that's been discussed between the two companies all the way back to 2008. FishNet Security has been the largest security solutions provider in the US, and Accuvant has always been a strong number two. When you look towards the future from a depth, breadth and scale perspective, the new combined company will be able to offer even more expertise and support to our collective customers. The timing for this announcement is perfect. Companies throughout the world today are faced with ever-increasing challenges to reduce the risk of a security breach, while also maintaining regulatory compliance and operating as efficiently as possible. The new company moving forward will be uniquely positioned to meet this market need. Blackstone saw this and decided to make the investment required to bring the companies together.

The new combined company will have 1,400 employees, 650 of whom are within the services organizations that are on site everyday helping deploy security programs and initiatives for our customers. The collective team will have deep security expertise and best practices that have been developed over years of working within the cybersecurity industry. It really is quite exciting when you think of all the possibilities moving forward for the new combined company.

MW: How does 1+1=3? What can the new combined company uniquely bring to the table?

I think there are a lot of ways that 1+1 can equal 3. While both companies are very similar, they are not exactly the same. For example, both companies have similar security service offerings, but each has also invested in different things and together we will now provide a more comprehensive offering to our customers. For example, we made an investment in 2011 acquiring a company called Logic Trends that expanded our services to include capabilities in Identity Access Management (IAM), which has now become one of

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our fastest-growing consulting practices. Accuvant does not have that offering today; they have always had to leverage a third party. Now, the new combined company can take this offering to Accuvant’s 5,000 customers and add on capabilities where they weren’t previously available.

From FishNet Security’s perspective, Accuvant has been heavily investing in research and development, coming up with creative solutions to complex technology challenges such as increasing the security associated with medical devices or ATM machines. We can now introduce these capabilities to our 5,000 customers. So the new combined company can go to a customer and provide even more value, more support. On a horizontal line, our breadth is much broader, and where we had similarities, our depth on a vertical line is much deeper.

MW: Who are your new competitors? Are they same as before?

Collectively we do not see a change in the competitive landscape. The global cybersecurity market size is \$96B and the new combined company will start off at \$1.5B in annual sales. The reality is: the need for security technology and services is growing very, very fast. The market is projected to be \$156B by 2019. So, there are lots of ways that customers are getting access to cybersecurity technologies and services today, and that will continue as we move forward.

MW: Let’s talk about this VAR to post-VAR transformation. What role did private equity play in this transformation?

If you look at the history of FishNet Security, we’ve had three private equity partners involved along the way. We started as a technology reseller selling security-focused technology product. Over time, we expanded into a security solutions provider with a very broad services portfolio designed to meet the needs of our customers. For example, our customers asked us to help them monitor and manage their security environments, so we built a security operations center (SOC) in Overland Park, KS. As this managed security services business expanded, we built a second SOC in Atlanta, GA. These new services are expensive to build out, and private equity has given us the resources to expand those capabilities and stay ahead of trends in our industry.

MW: Do you anticipate more acquisitions for the combined company going forward?

I fully expect M&A to be in the future of the new combined company going forward. There are always opportunities to add capabilities and expertise or reach into new geographic markets. At some point, global expansion will be on the table, and it’s always best to do that through smart acquisitions rather than building up a new business through a greenfield approach. But the next one to two years will be all about

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integrating these two companies and making sure we maintain our position as North America's premier security solutions provider.

MW: Do you foresee any challenges with the integration process?

Integrations are always challenging and require a lot of work. With that said, we have two very similar companies coming together, which makes things a lot easier. We have also hired Deloitte & Touche as expert advisors. Over my 27-year career, I have led five integrations, so I will act as a special advisor to the new combined company, so that we maintain the best of both companies as they become one. Inside both companies, and especially FishNet Security where I am most familiar, we have great people that are truly committed to making the future a bright one for our customers and our partners.

MW: What's next for you?

No big plans right now, though I am sure I will jump into something new as we move into 2015. I was brought in to lead FishNet Security through its next stage of growth, and in 2014 we have experienced the best year in the company's history. We have grown our top-line sales by 26% and our bottom-line profitability by 70%. As a result, we enabled this transaction to make sense for our investors since they all experienced a very strong return on their investment.

MW: How did FishNet Security grow to what it is today?

Organically, our business has grown on a 5-year CAGR of 22+ percent. As a result, we are now recognized as the US's largest independent security solutions provider. Along the way, we have also selectively looked at mergers and acquisitions to help fuel our growth or capabilities expansion. Since inception, we have completed five M&A transactions, with three occurring in the last five years.

MW: So what's been behind the major demand you've seen?

There is no doubt that all of the recent data breaches we've been reading about in the paper - Target, Home Depot, JP Morgan - are driving large, medium and small companies to step back and review their overall security posture. The end result is that our customers are telling us that security is now a top priority. It's become a board-level discussion, with CEOs and board members more focused than ever on ensuring they are doing all they need to do to be secure and reduce the risk of a significant breach and all its implications. Another related concern is regulatory compliance, such as PCI, HIPPA, SOX and ISO. Within FishNet Security, we are focused daily on helping our customers to reduce the risk, maintain compliance and maximize operational efficiency.

MW: Is anyone safe right now?

Unfortunately, I do think there is now a realization in the world and in IT that it is no longer a question of “if I will be breached,” but rather a question of “when and how severe.” With this as our reality, the focus has shifted to ensuring we have the technologies and processes in place to quickly detect the breach and quickly put in place plans to remediate the situation. In 2013, 253 companies reported a significant breach, resulting in 552 million identities exposed. The cost to our global economy has been significant, estimated by analysts to be between \$400 and \$575B dollars. This eventually translates to higher prices for consumers for the goods and services they purchase from companies that have been attacked. Unfortunately, this trend with major brands getting breached will continue, as there is big money associated with the black market for these identities.