

## Entrepreneurial Company of the Year, Virtual Security Products Global, 2011

### Frost & Sullivan's Global Research Platform

Frost & Sullivan is in its 50th year in business with a global research organization of 1,800 analysts and consultants who monitor more than 300 industries and 250,000 companies. The company's research philosophy originates with the CEO's 360 Degree Perspective™, which serves as the foundation of its TEAM Research™ methodology. This unique approach enables us to determine how best-in-class companies worldwide manage growth, innovation and leadership. Based on the findings of this Best Practices research, Frost & Sullivan is proud to present the 2011 Global Entrepreneurial Company of the Year Award in Virtual Security Products to Reflex Systems.

### Key Industry Challenges

The modern enterprise has rapidly embraced virtualization, thereby improving hardware utilization, reducing capital expenditures, cooling costs, and ultimately the total cost of ownership. A wide variety of virtual environment configurations are showing up in organizations, consisting of: virtual servers, virtual machines, and virtual switches. The wide variety of use cases for virtualization adds a new layer of complexity into the environment. A single click can now compromise an entire farm of servers, exposing the organizations to significant risk. Security vendors have the challenge of providing new solutions that properly defend these new virtualized environments while convincing budget strapped organizations of their necessity and effectiveness. With a wide variety of existing security vendors adding solutions specifically designed to address virtual environments, plus new vendors entering the space, the virtualized security market is growing rapidly and becoming much more competitive in nature.

Organizations moving assets into virtualized environments often overlook the security of the data, not on the virtualized machine itself, but in the context of the entire virtualized environment. Virtualized environments are just as susceptible to hacking attempts as traditional environments, but virtualized environments come with the risk that a successful hack on the host machine can affect a multitude of virtual machines. As with any new technology, the emergence of new developments in storing and providing information become new vectors for criminals to attack.

Virtual environments introduce new security threats and risks to the enterprise. As organizations are expanding from server virtualization to virtualized desktop environments, traditional security vendors such as Symantec, McAfee are launching new security solutions specifically targeting these virtualized environments. However, these products have been slow to emerge. Frost & Sullivan firmly believes that start up virtualization management and security companies such as Reflex Systems have been much more responsive to the problem. These companies now have to face the daunting challenge of competing against the top-tier security vendors. In addition, these

virtualization focused -companies will need to look at improving functionality and features as more security vendors begin to enter the market.

### Impact of Entrepreneurial Company of the Year Award on Key Stakeholders

The Entrepreneurial Company of the Year Award is a prestigious recognition of Reflex Systems' accomplishments in the Virtual Security Products Market. An unbiased, third-party recognition can provide a profound impact in enhancing the brand value and accelerating Reflex Systems' growth. As captured in Chart 1 below, by researching, ranking, and recognizing those who deliver excellence and best practices in their respective endeavors, Frost & Sullivan hopes to inspire, influence, and impact three specific constituencies:

- **Investors**

Investors and shareholders always welcome unbiased and impartial third-party recognition. Similarly, prospective investors and shareholders are drawn to companies with a well-established reputation for excellence. Unbiased validation is the best and most credible way to showcase an organization worthy of investment.

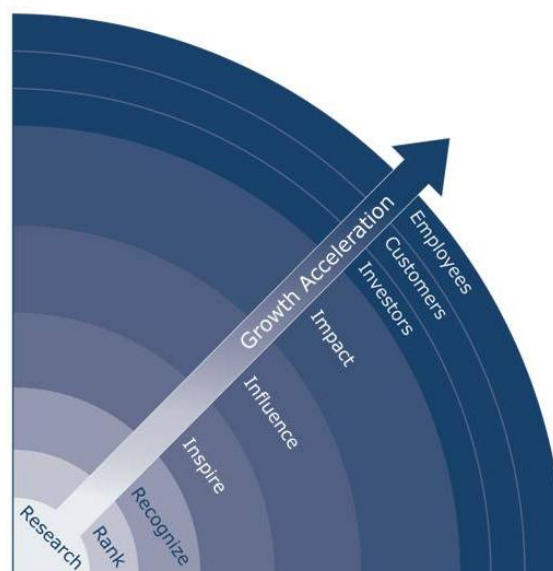
- **Customers**

Third-party industry recognition has been proven to be the most effective way to assure customers that they are partnering with an organization that is leading in its field.

- **Employees**

This Award represents the creativity and dedication of Reflex Systems' executive team and employees. Such public recognition can boost morale and inspire your team to continue its best-in-class pursuit of a strong competitive position for Reflex Systems.

**Chart 1: Best Practices Leverage for Growth Acceleration**



### Key Benchmarking Criteria for Entrepreneurial Company of the Year Award

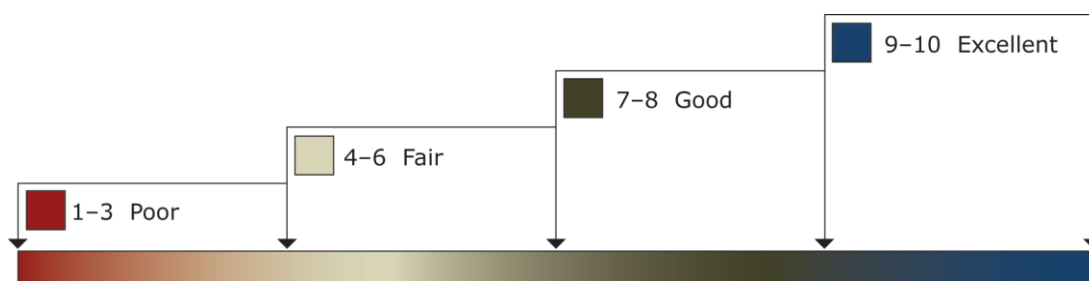
For the Entrepreneurial Company of the Year Award, the following criteria were used to benchmark Reflex Systems' performance against key competitors:

- Growth Strategy Excellence
- Growth Implementation Excellence
- Degree of Innovation with Products and Technologies
- Leadership in Customer Value
- Speed of Response to Market Needs

### Decision Support Matrix and Measurement Criteria

To support its evaluation of best practices across multiple business performance categories, Frost & Sullivan employs a customized Decision Support Matrix (DSM). The DSM is an analytical tool that compares companies' performance relative to each other with an integration of quantitative and qualitative metrics. The DSM features criteria unique to each Award category and ranks importance by assigning weights to each criterion. The relative weighting reflects current market conditions and illustrates the associated importance of each criterion according to Frost & Sullivan. Fundamentally, each DSM is distinct for each market and Award category. The DSM allows our research and consulting teams to objectively analyze each company's performance on each criterion relative to its top competitors and assign performance ratings on that basis. The DSM follows a 10-point scale that allows for nuances in performance evaluation; ratings guidelines are shown in Chart 2.

**Chart 2: Performance-Based Ratings for Decision Support Matrix**



This exercise encompasses all criteria, leading to a weighted average ranking of each company. Researchers can then easily identify the company with the highest ranking. As a final step, the research team confirms the veracity of the model by ensuring that small changes to the ratings for a specific criterion do not lead to a significant change in the overall relative rankings of the companies.

**Chart 3: Frost & Sullivan’s 10-Step Process for Identifying Award Recipients**



**Best Practice Award Analysis for Reflex Systems**

The Decision Support Matrix, shown in Chart 4, illustrates the relative importance of each criterion for the Entrepreneurial Company of the Year Award and the ratings for each company under evaluation. To remain unbiased while also protecting the interests of the other organizations reviewed, we have chosen to refer to the other key players as Competitor 1 and Competitor 2.

**Chart 4: Decision Support Matrix for Entrepreneurial Company of the Year Award**

<i>Measurement of 1-10 (1 = lowest; 10 = highest)</i>	<b>Award Criteria</b>					
	Growth Strategy Excellence	Growth Implementation Excellence	Degree of Innovation with Products and Technologies	Leadership in Customer Value	Speed of Response to Market Needs	<b>Weighted Rating</b>
<b>Relative Weight (%)</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>100%</b>
Reflex Systems	9.0	8.5	9.5	9.5	9.0	9.1
Competitor 1	8.5	8.0	8.0	8.5	8.0	8.2
Competitor 2	8.0	8.5	8.0	8.0	8.0	8.1

**Criterion 1: Growth Strategy Excellence**

Virtualization environments are being rapidly deployed, but the growth of the virtual security market is witnessing slower adoption rates. Frost & Sullivan’s research shows that

the slower adoption is attributed to the lack of awareness and education regarding securing the virtual environment. Several pure-play companies have emerged, offering virtualization security solutions. As the demand for virtual environments has increased, typical security vendors are also entering the market with virtual security products. Start up companies now find themselves having to compete against these larger Tier 1 security vendors and organically implement innovative technology that meets the demands of the company while also creating a brand name over its competitors.

One company that focuses solely on virtualization that stands out from the other competitors is Reflex Systems. Reflex began as a pure physical security provider, offering one of the industry's early IPS solutions, but the company struggled to differentiate its solution in the crowded, quickly commoditizing market. Recognizing the opportunity that the virtualization market offered, the company made the difficult decision in 2006 to discontinue its IPS hardware business (along with its revenue stream), to focus purely on software in the virtualization market. At that time, the decision was difficult, but Frost & Sullivan firmly believes that Reflex has proven itself successful within the virtual security market.

Known as a pioneer in the virtualization market, Reflex has now become a strong competitor in the virtual security and management market. Through developing technology and forging partnerships over a number of years, the company has ensured that its products are leveraged not only by end-users but also by some of the largest technology providers playing in the virtualization space today. These efforts continue to serve Reflex well, as the company experienced strong sales revenue in 2010.

In 2010, Reflex Virtualization Management Center license revenue grew 150% year-over-year, while the average deal size increased exponentially by 210%. Reflex attributes its growth to customers implementing more modules of the Reflex VMC solution, and deploying them on a larger scale. The company also expanded its new customer base by 30%. The value and sustainability of Reflex VMC, and growth in adoption of virtualization within enterprises was also evident in the 20% of Reflex's existing customers who purchased add-on licenses and its high double digit renewal rate from existing customers.

## **Criterion 2: Growth Implementation Excellence**

Reflex demonstrates growth implementation excellence through its strategic technology/alliance partners. Frost & Sullivan feels that through working with these partners such as HP/TippingPoint, Cisco, and VMware, Reflex addresses the needs of the market and delivers a purpose built virtualization management solution. The company has also found success in its ability to expand its offerings to the managed service providers such as Savvis and CSC. Reflex's mission is to become the standard in cloud security and management solution in cloud offerings for many of these service providers. Reflex has also worked diligently to become an attractive go-to vendor for virtualization management and security technology, providing a value add to many large technology corporations.

### **Criterion 3: Degree of Innovation with Products and Technologies**

Reflex Virtualization Management Center (VMC) combines end-to-end virtual infrastructure management with VMsafe-compatible monitoring, security and compliance. Reflex's VMC enables the management and protection of virtual servers, desktops and networks allowing customers to manage and secure their virtual environment. VMC also allows enterprises to dynamically manage critical policies both within their own data center environment and seamlessly extend policies into cloud computing environments. Consequently, the adoption of virtual machines in enterprise environments as well as in private clouds are accelerated and managed in a more holistic fashion with Reflex VMC.

Reflex's rapid and agile development process continues to provide great benefit to its customers and attributes to the company's entrepreneurial spirit. As an emerging company, Reflex focuses heavily on customer-driven feature requests and incorporating relevant functionality to meet the market demand. Frost & Sullivan notes that several key development decisions made through this process have strongly positioned Reflex to support its growth strategy and provide innovation that differentiates Reflex from competitors.

The first key development decision was to create an integrated management platform approach versus a point solution. Reflex VMC is purpose-built for virtualization and provides broad management functionality from a centralized platform rather than a single point solution that addresses one pain point. Reflex believes that this integrated approach addresses the true need in the market to automate management of virtual infrastructures while reducing complexity as well as the ratio of administrators to virtualized servers. Second, Reflex's VMsafe Integration provides deep integration into VMware's hypervisor, providing Reflex and strategic partners a granular level of access to processes and traffic within the virtual infrastructure. Reflex is one of very few companies that provide this level of integration. This feature set is very attractive to large vendors such as HP/Tipping Point, Savvis, CSC, etc. As a result, these companies have partnered with Reflex to gain this level of integration and incorporate it into their solution offerings. Third, Reflex's offers its own Virtualization Query Language (VQL), a proprietary virtualization-specific language which serves as a "Google-like" natural search functionality as well as a structured search and it is used for data classification and policy binding. This language enables Reflex VMC to do three things that support the growth strategy; 1) Ease integration with other 3<sup>rd</sup> party tools through APIs, 2) enables scalability and 3) enables automation of IT processes while maintaining policies by utilizing dynamic virtual infrastructure.

### **Criterion 4: Leadership in Customer Value**

Reflex continues to innovative in its approach to integrate management, security, and compliance of the virtual environment. Reflex enables IT administrators to manage the virtual enterprise based on existing organizational business processes through

comprehensive policy management and enforcement, better utilization of the shared computing resources as well as automation of data center operations across all virtual resources whether in the corporate data center or hosted in the cloud.

Frost & Sullivan's research reveals that Reflex's VMC is considered the "industry standard" solution for some of the world's largest providers such as Savvis, and CSC. Reflex's VMC is a critical piece of these companies cloud infrastructure offering. In, addition, Reflex recently rolled out its "Private Cloud Initiative" and now companies like Schwan Foods, Medquist and Morgan Keegan are using VMC to help them build out their own private cloud infrastructure.

### **Criterion 5: Speed of Response to Market Needs**

Reflex's current go-to-market strategy is a channel model with heavy direct sales touch targeting mid to large enterprise customers that have sizable virtualization implementations. Due to the current success, Reflex is currently expanding the sales team and sales resources to support the growing worldwide pipeline. In addition, based on traction in the service provider and hosting/cloud market, Reflex is building a business focus around a service provider business model that will incorporate Reflex VMC management solution into broader service provider cloud offerings. Reflex has shown success with Savvis and CSC, becoming a standard for security management in each of their cloud solutions.

### **Conclusion**

Frost & Sullivan is proud to announce Reflex Systems with the Virtualization security entrepreneurial company of the year strategy award. The company's overall success in this market is attributed to its reputable brand and strategic growth in the market. The company's ability to strategically partner with reputable companies and become the standard in cloud security and management solution in cloud offerings for many of these service providers has enabled the company to become a stable contender in the virtualization security products market.

### **The CEO 360 Degree Perspective™ - Visionary Platform for Growth Strategies**

The CEO 360 Degree Perspective™ model provides a clear illustration of the complex business universe in which CEOs and their management teams live today. It represents the foundation of Frost & Sullivan's global research organization and provides the basis on which companies can gain a visionary and strategic understanding of the market. The CEO 360 Degree Perspective™ is also a "must-have" requirement for the identification and analysis of best-practice performance by industry leaders.

The CEO 360 Degree Perspective™ model enables our clients to gain a comprehensive, action-oriented understanding of market evolution and its implications for their companies' growth strategies. As illustrated in Chart 5 below, the following six-step process outlines how our researchers and consultants embed the CEO 360 Degree Perspective™ into their analyses and recommendations.

**Chart 5: CEO's 360 Degree Perspective™ Model**

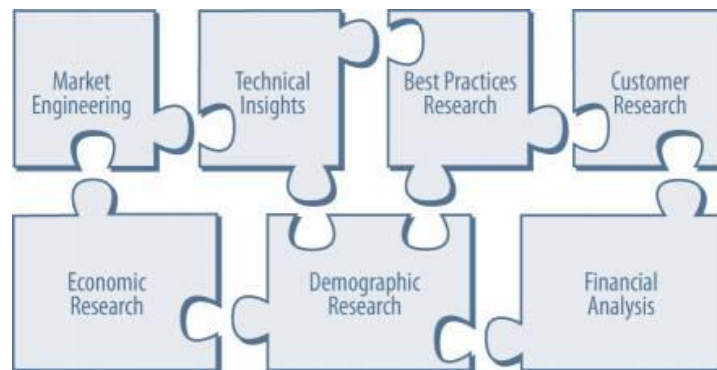


### Critical Importance of TEAM Research

Frost & Sullivan’s TEAM Research methodology represents the analytical rigor of our research process. It offers a 360 degree view of industry challenges, trends, and issues by integrating all seven of Frost & Sullivan's research methodologies. Our experience has shown over the years that companies too often make important growth decisions based on a narrow understanding of their environment, leading to errors of both omission and commission. Frost & Sullivan contends that successful growth strategies are founded on a thorough understanding of market, technical, economic, financial, customer, best practices, and demographic analyses. In that vein, the letters T, E, A and M reflect our

core technical, economic, applied (financial and best practices) and market analyses. The integration of these research disciplines into the TEAM Research methodology provides an evaluation platform for benchmarking industry players and for creating high-potential growth strategies for our clients.

**Chart 6: Benchmarking Performance with TEAM Research**



### About Reflex Systems

Reflex Systems was founded in 2008 and is based in Atlanta. The company is an early adopter to the virtual security market and enables companies to integrate management and security to monitor the virtual infrastructure, maintain secure configuration, and utilize cross-functional management while maintaining compliance regulations in a virtual environment.

### About Frost & Sullivan

Frost & Sullivan, the Growth Partnership Company, enables clients to accelerate growth and achieve best-in-class positions in growth, innovation and leadership. The company's Growth Partnership Service provides the CEO and the CEO's Growth Team with disciplined research and best-practice models to drive the generation, evaluation and implementation of powerful growth strategies. Frost & Sullivan leverages 50 years of experience in partnering with Global 1000 companies, emerging businesses and the investment community from more than 40 offices on six continents. To join our Growth Partnership, please visit <http://www.frost.com>.