

## **Entrepreneurial Company of the Year Firewall Market Global, 2010**

### **Frost & Sullivan's Global Research Platform**

Frost & Sullivan is entering 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 in turn 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 2010 Global Entrepreneurial Company of the Year Award in the Firewall Market to Palo Alto Networks.

### **Significance of the Entrepreneurial Company of the Year Award**

#### **Key Industry Challenges Addressed by Entrepreneurial Companies**

Competitors in the firewall market aim to continue growing in the market but face a number of challenges. For example, customers consider firewall technology to be unchanged and indistinguishable from one vendor to another. This will cause customers to invest in solutions from their existing information technology providers. This forces vendors to compete on price and product scalability but does not allow for much differentiation from company to company. In addition, a security technology cannot remain static for several years and still provide effective protection from new and different threats.

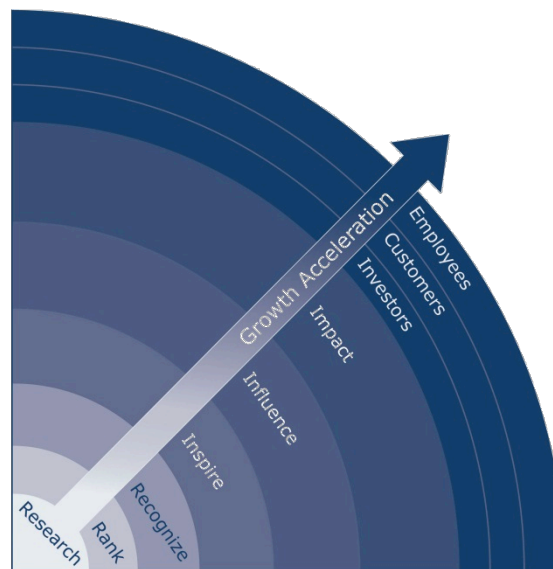
An entrepreneurial company can meet these challenges by introducing an evolutionary product or market strategy. The introduction of a new technology is necessary in order to better protect customers, due to the constantly evolving nature of the threat landscape. In addition, this allows the company to differentiate itself from the competition by competing in product categories that customers haven't paid much attention to in recent years. More importantly, this will generate interest among customers and convince organizations to replace or upgrade their firewalls much sooner than they are currently planning.

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

The Entrepreneurial Company of the Year Award is a prestigious recognition of Palo Alto Networks' accomplishments in the firewall market. An unbiased, 3<sup>rd</sup> party recognition can provide a profound impact in enhancing the brand value and thereby accelerating Palo Alto Networks' 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**  
 3rd 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 Palo Alto Networks' executive team and employees. Such public recognition can boost morale and inspire these stakeholders to continue the best-in-class pursuit of market leadership for Palo Alto Networks.

**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 Palo Alto Networks' performance against key competitors:

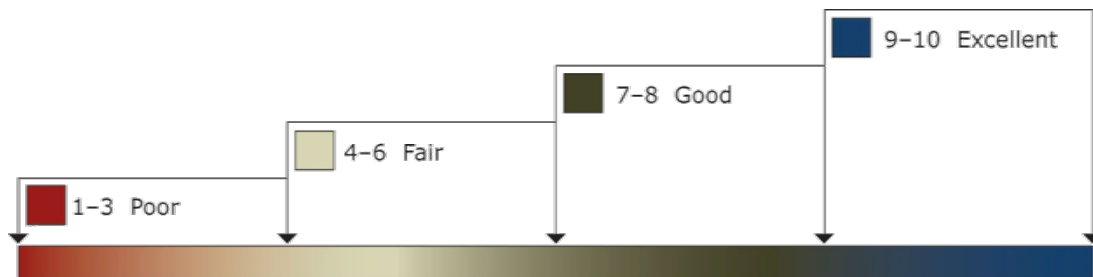
- Growth Strategy Excellence
- Growth Implementation Excellence
- Degree of Innovation with Products and Technologies

- 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 Palo Alto Networks

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>				
	Degree of Innovation with Products and Technologies	Leadership in Customer Value	Speed of Response to Market Needs	Growth Strategy and Implementation Excellence	<b>Weighted Rating</b>
<b>Relative Weight (%)</b>	<b>30%</b>	<b>30%</b>	<b>20%</b>	<b>20%</b>	<b>100%</b>
Palo Alto Networks	10	10	9	8	9.4
Competitor 1	8	9	8	8	8.3
Competitor 2	8	9	7	7	7.9

**Criterion 1: Degree of Innovation with Products and Technologies**

In the security industry, it is crucial for competitors to continue innovating and developing new technologies. This is necessary to remain relevant in the face of a constantly changing threat landscape. This will also help to rejuvenate customer interest in the firewall market.

Palo Alto Networks was founded with the intention of reinventing the firewall in order to better defend customer networks in this new threat environment. The goal of traditional firewalls to control network traffic based on port and protocol has become much less effective in recent years. This methodology cannot address SSL encrypted traffic, is ineffective with new applications that piggyback legitimate protocols, and is helpless against evasive techniques, such as port-hopping. The Palo Alto Networks family of next-generation firewalls represents a new way of controlling network traffic.

The Palo Alto Networks firewall utilizes three scanning methodologies to control network traffic: AppID, UserID, and ContentID. Between these three technologies, Palo Alto Networks’ customers now have unprecedented visibility and control of network traffic based on user identity, application, and content. This provides the highest levels of granular

access control and can be used to defend against threats, prevent data leakage, and prevent access to inappropriate Web content.

By comparison, other competitors are just now beginning to offer functionality capable of identifying and analyzing applications to control traffic. However, Palo Alto Networks still holds the advantage of having designed this product from the ground up as a complete system, while competitors have added the functionality to their existing platforms in response.

### **Criterion 2: Leadership in Customer Value**

The firewall is recognized as the foundation of an organization's security architecture. However, customers have not been able to utilize emerging technologies securely. Customers must choose to block these new applications outright or to accept the use of these applications along with the inherent risks. Customers have had to rely on a wide array of security technologies to help manage this risk, such as intrusion prevention, gateway antivirus, or Web filtering. Customers have accepted this situation, but a vendor offering a stronger value proposition can quickly gain in market share.

Palo Alto Networks offers this value with its next-generation firewall, which allows customers to utilize next-generation technologies in a secure manner. This product utilizes the company's proprietary Single Pass Parallel Processing (SP3) Architecture to provide a truly enterprise solution that offers high performance and minimal latency. The comprehensive nature of the security that this solution provides can also help eliminate extensive collections of security appliances, thus simplifying management and reducing costs such as administration, service contracts, and power consumption.

The competition has focused largely on the consolidation of the different security solutions in order to provide value in the form of comprehensive security, simplified management, and more cost-effective solutions. However, these solutions have lacked the scalability and high performance required for adoption in the enterprise market. This is largely due to the duplication of low level networking functions such as packet handling and stream reassembly for each security function. The Palo Alto Networks firewall is designed to reduce this duplication through its single-pass architecture and further accelerates performance with function-specific parallel processing.

### **Criterion 3: Speed of Response to Market Needs**

The firewall market was originally very innovative, with new methodologies announced every couple of years. However, in recent years, firewall vendors have been slow to respond to customer needs. Deep packet inspection and multi-function firewalls have been

able to alleviate some of these challenges, but customers are still relying on stateful inspection firewalls. These firewalls rely on ports and protocols to control network traffic, but this has become very ineffective due to emerging technologies and evolving threats.

Palo Alto Networks first announced its evolutionary technology in 2006 and has been gaining in recognition amongst customers and competitors. In this time, the competition has developed their own firewalls with limited application control abilities added. While the competition still has a long way to go, Palo Alto Networks is the catalyst for the transition to the next generation of firewall solutions. Palo Alto Networks has already demonstrated the ability to quickly address customer needs, and the company will be a major factor in the next stage of the market's evolution.

#### **Criterion 4: Growth Strategy and Implementation Excellence**

Palo Alto Networks' family of next-generation firewalls has helped propel the company's growth since its founding in 2006. In addition, the company has some of the leading and most influential industry leaders at the helm. Palo Alto Networks' founders, management, board of directors, and engineers have played key roles in the development of the market so far, including the development of stateful inspection and intrusion prevention. This has enabled the company to develop and implement a leading growth strategy that leverages the strength and high value proposition of its next-generation firewalls. As a result, Palo Alto Networks has boasted extremely high annual growth rates, highlighted by the company recently celebrating its 1,000<sup>th</sup> enterprise customer. Palo Alto Networks is fully anticipated to continue its meteoric rise in the firewall market.

Based on clear examples of innovation and insights into firewall market needs, Frost & Sullivan proudly bestows the 2010 Global Entrepreneurial Company of the Award upon Palo Alto Networks.

# 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 360 degree perspective is also a "must-have" requirement for the identification and analysis of best-practice performance by industry leaders.

The 360 degree 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 360 degree perspective into their analyses and recommendations:

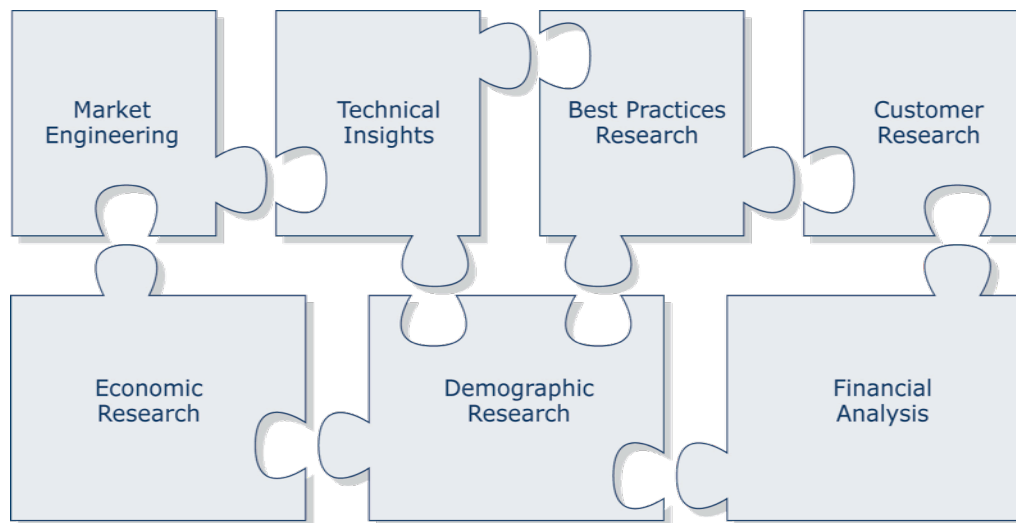
**Chart 5: How the CEO's 360 Degree Perspective Model Directs Our Research**



## 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 7 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 the 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 Palo Alto Networks

Founded by security visionary Nir Zuk, Palo Alto Networks offers real innovation in the firewall by enabling unprecedented visibility and control of applications and content – by user, not just IP address – at up to 10Gbps with no performance degradation. Based on patent-pending App-ID technology, Palo Alto Networks' next generation firewalls accurately identify applications – regardless of port, protocol, evasive tactic or SSL encryption – and scan content to stop threats and prevent data leakage. Enterprises can for the first time embrace Web 2.0 and maintain complete visibility and control, while significantly reducing total cost of ownership through device consolidation.



## 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 almost 50 years of experience in partnering with Global 1000 companies, emerging businesses and the investment community from 31 offices on six continents. To join our Growth Partnership, please visit <http://www.frost.com>.