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# VC Evaluation of Cyber Security Proposals

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# A Decade in the Trenches

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- My career in Compusec/Infosec/Netsec/Cybersec
- A funny thing happened on my way back to government
- Research programs vs investment portfolios
- Taking it back to the IC
- Another coast, another perspective

# VCs vs Pure Geeks

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- Change evaluation basis, change the game
- The process is simpler than many think
  - Does the idea have technical integrity and merit?
  - Is the team right?
    - Capable of working to commercial specs
    - Capable of flexing to market needs
  - Is the market right?
    - Growing, with capability to do so explosively
  - Is the deal a good one for the VC?
    - Priced right
    - Passes the gut test

# What will cause VCs to walk away?

- Lack of integrity
  - Bad track record
- Bad market conditions
  - Lack/slow growth of demand
- Mismatch of proposal to VC' s strategic plan
- Bad sizing of deal
  - Too large/small for budget
  - Valuation expectations unrealistic
- Bad gut feeling

# What Should Make You Walk away?

- A VC who woos you on money alone
  - Closing is not unlike marriage
  - You will entrust your career and finances to the VC
- A VC who doesn't pass *your* gut test
- A VC who hasn't done their homework
  - Cybersecurity markets are NOT vanilla IT markets
- A VC with a bad reputation
  - Especially those who wash out founders

# A cautionary post script

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- Startup markets run in peaks and troughs
  - Dot com boom of 1990s – dead zone 2000-02
  - Dead zone post 2008 – picking up again
- The day and age of massive multiples on exit are past (with a few exceptions)
  - Cyber has advantages here
  - You may benefit from doing your risk homework
- Take advantage of non VC early stage funding options – including strategic investors