

REPORT REPRINT

Thycotic gets SaaS with cloud-based version of its privileged account manager

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The company has launched a full multi-tenant SaaS version of its flagship privileged account management offering, Secret Server, that is intended to provide all the features that customers have come to know and love without the hassles of maintaining on-prem infrastructure.

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Our last report on Thycotic detailed the company's acquisition of Arellia, which broadened its flagship Secret Server line by adding security and privilege management (PM) for endpoints to the mix. It's latest move is the release of Secret Server Cloud, a full multi-tenant SaaS version of Secret Server that is intended to provide all the features that customers have come to know and love without the hassles of maintaining on-premises infrastructure.

THE 451 TAKE

As we've noted in other reports, the abuse or misuse of privileged credentials plays a prominent role in most successful security breaches, and as such, PM has been elevated as a strategic security priority. That said, many PM products are still primarily geared toward protecting legacy on-premises resources, such as Unix, Linux and Windows servers - mostly via traditional means (SQL server databases and such) that require substantial resources to manage. Launching a SaaS version of Secret Server strikes us as a logical move, particularly for reaching resource-constrained small and midsize enterprises, for which a traditional heavyweight PM product is beyond reach.

CONTEXT

Thycotic's odyssey began in 1996 as a software consulting company with a focus on application security - the name Thycotic has no deeper meaning or significance. Its flagship privileged password vault, Secret Server, was launched in 2005. Thycotic has since expanded its feature set to include password management, group provisioning and access governance, and (most recently) security and privilege management for endpoints via the acquisition of Arellia earlier in 2016. Thycotic had been self-funded, but secured a majority investment from Insight Venture Partners in 2015 to help accelerate growth. In conjunction with the funding, founder and CEO Jonathan Cogley handed the CEO reins to NetIQ veteran James Legg, who subsequently strengthened Thycotic's management team with a new CFO; CMO; and heads of US sales, channel sales and EMEA.

Thycotic's 7,500 customers are spread fairly evenly across a wide swath of company sizes and verticals, such as government, education, telcos and retail. Approximately two-thirds of its customers are in the US, with the rest located throughout Europe, Australia and South Africa.

When we last wrote about the company, Thycotic had roughly 80 employees, all based at the firm's Washington DC headquarters; headcount now stands near 110. The company claims revenue growth of more than 100% in its most recent quarter; we estimate revenue to be approaching the neighborhood of \$30m.

PRODUCTS

Thycotic's flagship PM product, Secret Server, is an agentless Windows-based password repository and privilege management platform that is designed to be installed on-premises or hosted in the cloud without substantial configuration efforts. The password vault can store a variety of credentials, including Windows local administrator passwords, UNIX root passwords and service account passwords, as well as files, private keys, SSL certificates or other types of sensitive data. Secret Server supports two-factor authentication (2FA) and 100-character passwords, automatic password expiration, and renewal for a variety of platforms and devices.

Application control and privilege management capabilities obtained with the Arellia acquisition include application whitelisting, blacklisting and real-time application reputation analysis to help ensure that only trusted applications are installed and run on endpoint devices, as well as application isolation to prevent the propagation of malware. Its Local Security feature enables admins to lock down the creation of new user accounts and groups by allowing general business users to install applications without admin privileges. Arellia's Security Analysis scans endpoints for security configurations relative to compliance standards, and enforces remediation to bring those systems back into compliance.

Password Reset Server is intended to provide cost-effective and easy-to-use password reset functionality, to reduce helpdesk calls without all the bells and whistles of a full-featured password management offering. Standard features include challenge/response questions, graphical image-based questions and support for 2FA.

Group Management Server is a provisioning and access governance product that provides nontechnical business managers with the ability to administer groups within Active Directory, provision new employees and automatically de-provision users that have left the company. Additional features include role-based access control, automated expiration of group memberships for contractors and temporary staff, user self-service capabilities, and workflows for auditing for compliance requirements.

While Secret Server already had the ability to manage privileged accounts in IaaS and SaaS environments, Secret Server Cloud was developed in response to customer demand from mid-tier customers that lack the resources to set up a completely redundant environment for mission-critical applications, as well as larger enterprises looking to replace legacy on-premises infrastructure. Rather than spinning up Secret Server instances in AWS or Azure, Thycotic spent over two years in planning and development to create a full multi-tenant SaaS version of Secret Server from scratch.

Customers get most of the features of Secret Server, including privileged password management, privileged account discovery, password rotation, application proxying and two-factor authentication, in their own dedicated tenant. Secret Server Cloud can be turned on with the flip of a switch from the common user interface without worrying about managing SQL server or IIS, database mirroring, server patching, or other administrative tasks. Thycotic also provides an on-premises service component that can communicate with Active Directory for login to Secret Server.

STRATEGY

Although Thycotic was initially SMB-focused, the company has gradually migrated upstream to larger enterprise accounts as the product set has matured and the feature set has expanded. While the initial motivation for Secret Server Cloud was for the midmarket, Thycotic has been clear that the launch does not signify a return to its SMB roots, and has noted interest in Secret Server Cloud from larger enterprises looking to replace legacy infrastructure or deploy at the department level.

That said, the launch of a cloud-based service implies some changes to its go-to-market model. For starters, Secret Server Cloud will be offered as a subscription-based service rather than its traditional perpetual licensing. While Thycotic claims feature parity with the on-premises version of Secret Server, customers will have the option to pay on a yearly or monthly basis, although both pricing models are comparable over a three-year period.

Thycotic is offering two versions of the product: a free version for managing up to 500 passwords for companies that want to move away from managing privileged access with spreadsheets, and a professional version for up to 5,000 passwords (this limit can be extended if needed), with advanced features such as privileged account discovery, session management and proxying connections.

Thycotic is also aiming to make the purchasing process as frictionless as possible for department-level sales, and will look to lean heavily on channel partners as a primary distribution and sales channel. Secret Server Cloud will initially be hosted with a US-based cloud services provider, although the company plans to expand to EMEA and APAC to better serve global and non-US companies.

COMPETITION

We view PM as consisting of at least five discrete capabilities: privileged password management/vaulting, privileged session management, Active Directory bridging to enable access to non-Windows resources using AD login credentials, privileged session monitoring and recording, and Windows least-privilege management.

While several vendors have checked most of the PM boxes, many others still have notable gaps that will need to be filled either via partnership or via M&A. The most broadly constituted vendors include CyberArk, BeyondTrust, CA (which recently added proxy-based PM vendor Xceedium), Centrify and Lieberman Software. Less broadly focused PM vendors include BalaBit, ObservelT and Wallix, many of which have recently ventured into the adjacent user behavioral analytics (UBA) market.

With its purchase of endpoint security vendor Arellia, Thycotic entered similar territory as CyberArk via its pickup of Viewfinity, as well as other vendors that provide privilege management for Windows endpoints, such as Avecto, BeyondTrust, Quest, AppSense and Centrify. Thycotic could also see competition from consumer-oriented password managers like LastPass (acquired by LogMeIn in 2015 for \$110m) or Dashlane, which don't offer the same capabilities for privileged accounts, but are often a starting point for smaller companies looking to get a handle on user passwords.

SWOT ANALYSIS

STRENGTHS

With the ability to quickly spin up a new instance, Secret Server Cloud bolsters Thycotic's reputation for ease of use and rapid deployment that resonates with many customers, particularly in the midmarket, but also for larger organizations.

WEAKNESSES

Although Thycotic is growing rapidly and expanding its footprint, the company is still catching up to some of its larger PM rivals.

OPPORTUNITIES

PM has been largely a luxury for large enterprises, although abuse of privileged credentials affects all firms. Secret Server Cloud could help tap into a large greenfield opportunity for managing privileged users among small and midsize organizations. Thycotic could also be an acquisition target for a large IAM or security vendor that lacks PM capabilities.

THREATS

As its product set grows, Thycotic will increasingly encounter vendors outside its core PM niche, including more broad IAM suite vendors, endpoint security vendors and potentially UBA vendors.