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Breach Security Raises \$6M In Series B Second Tranche

By Scott Denne

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In an attempt to increase sales, Breach Security Inc., a Web application security company, has raised \$6 million in a Series B second tranche.

"We're converting our company from a development company to a real sales and marketing company," said Breach Chief Executive Marc Shinbrood.

Sid R. Bass Associates led the tranche, with new investor Evergreen Venture Partners and existing shareholder Enterprise Partners Venture Capital also participating in the round. Sid R. Bass led the previous tranche of \$6 million with Enterprise Partners joining in.

Breach Security was created in 2004 when Enterprise Partners purchased Israel-based Gilian Technologies and moved its operation to Carlsbad, Calif. Evergreen Venture Partners was an original investor in Gilian. As part of the acquisition, Enterprise Partners injected \$7.5 million in Series A funds into Breach Security initially in August 2004.

Breach's main product, WebDefend, protects against attacks on privileged data, such as credit card numbers, from a company's Web site. The appliance can be adapted to any company's Web applications without needing to alter its network to fit the device, Shinbrood said.

Using a sophisticated set of algorithms, Breach's products can quickly learn the patterns in a company's Web site and allow it to identify intruders, said Carl Eibl, managing director at Enterprise Partners Venture Capital and a member of the board of directors at Breach.

Breach's other products are ModSecurity, an open source firewall for web applications, and BreachView SSL, which eliminates blind spots from encrypted threats on intrusion detection systems. All three of Breach's products are currently on the market.

The main competitor to Breach is Tel-Aviv-based Imperva Ltd., whose Web security applications, like Breach's, can seamlessly identify intruders on a company's Web site with no disruption in real time, said Eibl.

The company counts Prudential Financial Inc., Scientific-Atlanta Inc., Paypal Inc., Nike Inc., and Nokia Corp. among its customers.

Shinbrood anticipates that Breach will need to raise one more round of financing around the end of the year, before a liquidity event can occur.

"It's too early to say how big our next round will be but certainly greater than \$10 million," Shinbrood said. "There is quite a bit of appetite out there."

Although it is too early for the company to formulate an exit strategy, Shinbrood said, they will be watching Sourcefire Inc., an Internet security company, which recently set the price for its IPO.