

Computer Security Firm Raises \$35 Million From K.K.R. and Others

By Michael J. de la Merced September 18, 2014

With the news of hacking and data theft dominating headlines, there would seem to be no better time for a security software provider to raise new money. And Ping Identity is wasting no time in collecting new funds.

Ping, a 12-year-old company, said on Thursday that it had raised \$35 million in a new round of funding, led by Kohlberg Kravis Roberts and Ten Eleven Ventures, a venture capital firm founded by the security specialist Alex Doll.

Existing investors like Draper Fisher Jurvetson, General Catalyst Partners, SAP Ventures, W Capital Partners, Volition Capital, Triangle Peak Partners and Appian Ventures also participated.

The new money, which will bring Ping's total fund-raising efforts to \$110 million, is meant to help the company grow as it seizes on a renewed focus on security. Its business is creating what the company's founder, Andre Durand, calls a universal identity for corporations in an age when employees increasingly use different devices and cloud-based applications, instead of simply logging onto a desktop at an office.

Using Ping, employees would to just log in once and then use their company's applications, rather than having to log into a corporate network and then their array of programs. That more centralized system — protected by what Mr. Durand called extra-tough security — makes life easier and more protected for customers.

“The Internet is becoming the center of the new work environment, not the corporate network,” he said. “The model of logging onto the corporate network is going away.”

That has yielded significant growth over Ping's lifespan, Mr. Durand said. Its sales have grown on average about 50 percent a year, though he declined to provide more precise figures.

It's a product offering that drew the attention of K.K.R., the investment giant best known for big leveraged buyouts like the takeovers of RJR Nabisco and the hospital operator HCA. But the firm has been dipping its toe more into the increasingly popular “growth equity” market, a somewhat nebulous term that encompasses investments in older, more established start-ups.

Several months ago, K.K.R. learned that Ping was looking to raise money with the assistance of the Royal Bank of Canada, and the firm's technology co-head, Herald Chen, began pursuing

meetings with Mr. Durand. To help its cause, the investment firm enlisted Mr. Doll, a former chief executive of the software encryption company PGP.

Over three months or so, the two sides began putting together what became the fund-raising round, with Mr. Chen and Mr. Doll agreeing to join Ping's board.

"It's pretty simple," Mr. Chen said. "We have looked at a lot of investments in the growth area, and we think the Ping opportunity offers a great risk-reward proposition for K.K.R. We think it's a solid investment."

What K.K.R. will help bring to the table, according to both Mr. Chen and Mr. Doll, is its huge size and experience and contacts within the Fortune 100. (The firm's stable of portfolio companies will also use Ping products.)

Though Ping remains focused on growth, Mr. Durand added that the company is also keeping an eye on metrics befitting a more mature company, like profits and cash flow. Those measures will become increasingly important as the company heads toward what he said was "independence" — which includes a potential initial public offering within a few years' time.

Mr. Durand said that a prospective I.P.O. has been discussed internally over the last year and a half, though such a move is likely to require "a substantial company" if it is to succeed in the public markets. The job now, he added, is to keep getting Ping to that point, especially while security remains a central focus for both customers and investors.

"Now is the time to seize the moment," he said.