

Lookout Banks \$150 Million To Sell Its Mobile Security To Bigger Businesses



Lookout cofounder and chairman John Hering (l) and CEO Jim Dolce are gunning for the big game in town. (Credit: Lookout)

Seven-year-old startup Lookout can boast 50 million users worldwide who depend on it to keep their phones safe from malware. But what it really wants is the enterprise-sized customer with its thousands of employees—and their phones. So as its new CEO begins a mating dance with the world's largest corporations, the company's decided it needed some gaudier plumage to close the deal—\$150 million's worth.

Lookout announced Wednesday it's raised a late-stage financing round of \$150 million that more than doubles its funding to date. New investor T. Rowe Price led the round, alongside Goldman Sachs, Morgan Stanley MS +0.03% Investment Management, Wellington Management Company and Jeff Bezos' investment vehicle Bezos Expeditions. With the big sum of cash and its powerful new friends, Lookout's hoping to catch the eye of the public sector that it's setting up shop with an ambition to ultimately join their ranks itself.

"You and I may use the products as individuals, but those are units of one," says CEO Jim Dolce. "Then with our small and medium business announcement in the fall, we moved upwards to the tens of units. This is up yet again to the Forbes Global 2000, to the companies with 5,000 users and more. But it's all on the same platform."

Lookout already had some powerful backers in Silicon Valley that all re-upped in the round, including Peter Thiel's Mithril Capital Management, Accel Partners, Index Ventures, Khosla Ventures and Andreessen Horowitz. But when asked if the company needed precisely so much money from all these new and existing backers because it's growing under heavy costs, cofounder and chairman John Hering tells Forbes the company had "barely touched" the money from its previous raise. Lookout, which didn't disclose a valuation on the round, may now be worth as much as double the \$1 billion investors valued it at in its most recent raise.

"I believe that this is the largest private security financing of this year, and it may be one of the largest in history and there's a reason for that," Hering says. "We are playing for the long term. The market is there, the opportunity is there, the time window is here in front of us and we needed to capitalize."

Lookout will be taking on some large companies in the enterprise mobility space such as Intel, VMWare, Symantec and even IBM by looking to take the big-headcount customers, but it's got a lot of reasons to think it can get there with this much money.

First is its individual user base, which stands around at least 50 million. (Lookout said it had 30 million last February and claimed the 50 million milestone back in March, when Dolce joined. He says growth has increased each month since he became CEO.) All those users means two key assets: a foot in the door from a marketing perspective as companies find their employees already use the service personally, as well as massive amounts of data from its customers that can be used to then better predict and block security breaches and fraud, allowing for real-time analysis "beyond samples," Hering says.

Perhaps as important for its wooing of big clients, however, will be Lookout's partnership network with major wireless carriers. AT&T recently signed on, joining Sprint and T-Mobile as partners in the U.S.. Lookout works with Deutsche Telekom in Germany, Orange in France and most recently allied with EE in the United Kingdom.

Then there's Dolce, a veteran of Akamai and Juniper Networks, who is now CEO as the grown-up to oversee this next phase. Hering, the former CEO and most prominent cofounder of the company's history, is still opinionated and evolved as chairman.

And Hering's vocal that Lookout already has found a business model that makes sense, even if the company will likely take near-term on its subscription software deals with larger new clients. Lookout doesn't disclose revenue, but Hering says it has "millions of paid subscribers" today (which matches up with what he told Forbes last year of a high single digit percentage of customers who paid).

The company's got about 240 employees today and plans to hire several hundred more in upcoming months, including at a new major U.S. facility it will open soon.

Where this all goes—and Lookout wants you to connect the dots this way—looks an awful lot like an eventual IPO. Investors like T. Rowe Price and Goldman Sachs are known for making late-stage bets on companies primed for the process in anything from several quarters to a couple years. Dolce says Lookout has a business plan for the next 3 years already worked out but wouldn't rule out additional funding in the future. Hering just says "An IPO will be a step in the path of building a long-term independent company."

Where things could get really interesting, however, is the possible ramifications of Jeff Bezos' investment into the company. Last year, Lookout hinted at efforts to connect more types of devices like cars for the Internet Of Things. While bigger customers are now the priority, there's a clear path to partnerships directly with the device makers through Bezos' day job as CEO of Amazon.com, which just happens to now be in the smartphone business through its Amazon Fire phones.

For now, Hering demurs. "Jeff is one of the most remarkable entrepreneurs of our time. He has a consistent track record executing and creating markets," he says. Lookout's announced no deals with Amazon or any phone maker—yet. With so many millions in the bank, Lookout doesn't need to rush.

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