



DATA TRIBE

## **Maryland is the White Hot Center for Cybersecurity Innovation and Investment**

Mike Janke, DataTribe Co-Founder

There's an economic transformation happening in Maryland that is accelerating and attracting increased attention. Our state has become the "Cybersecurity Hub" rivaling Silicon Valley in the talent, resources, and expertise that can be leveraged by startups pushing the boundaries of cybersecurity.

The latest example of the increased recognition is a recent [Washington Post article](#). Post reporter Aaron Gregg summarizes recent local funding rounds and acquisitions in the cybersecurity space, he quotes me in the article saying:

"This area has moved from marketing noise to real proof points of industry-leading IPOs, acquisitions and fundings, these are the real biomarkers of a commercial innovation."

This is happening because Maryland is the place to be for cybersecurity innovation. We're home to more than 40 government agencies with extensive cyber programs. These include the National Security Agency, the National Institute of Standards and Technology, the Defense Information Systems Agency, Intelligence Advanced Research Projects Activity, USCYBERCOM, NASA and the Department of Defense's Cyber Crime Center. And that's only a partial list!

In addition, the state is home to 16 nationally designated cybersecurity Centers of Excellence and a state university and college system that graduates more cyber-degreed engineers than any other state. In the midst of a massive shortage of cybersecurity professionals nationwide, the state offers approximately 109,000 cyber engineers. Maryland set a record for venture capital investment in 2018, and over \$1 billion was invested in the immediate region including Washington D.C. and Northern Virginia.

Why are VCs so excited about this region, aside from the talent and the large government footprint? It goes to the nature of venture funding, and the definition of success. Success is usually considered a 3x return on investment in 10 years or less, with the hope that an occasional "homerun" will return far more. But those are rare, and most investments are failures by this metric. Venture funding is high risk, so typically VCs spread their bets, understanding that most won't be successful. We take a diametrically different approach at the DataTribe foundry. DataTribe is a cybersecurity and data science foundry that helps create, finance and intensely coach brand-new commercial startups manned by former cybersecurity and data science veterans of select federal research centers and national laboratories. Along with my



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co-founder Bob Ackerman, founder of AllegisCyber Capital and dubbed one of cybersecurity's "Money Men" by the Wall Street Journal, we provide critical support functions like product management, legal, finance, marketing, hiring and our experienced team members will actually embed in the company to fill roles until the appropriate hire is on-boarded. This equates to over \$1M in in-kind services for FREE. We want our companies spending money on people, product and traction- not rent or marketing or design.

I'm proud to say our success to date helping Maryland startups succeed here at home rather than move to the West Coast has been recognized by Gov. Larry Hogan:

"Maryland was one of the very first states to recognize the importance of information security, not only as a critical issue for the nation, but also as a strategic industry for the state," he said recently. "DataTribe and AllegisCyber have been foundational to our unrivaled cybersecurity ecosystem and critical to maintaining our nation's information and infrastructure."

We look at between 250-300 startups per year and choose to partner with only three or four. We leverage our domain knowledge to identify gaps in the cybersecurity market and then help create companies to fill them. Seed-stage startups are financed with up to \$2 million, as well as being offered an embedded team of experienced start-up executives with experience in the commercial sector; effectively adding the missing resource to go from "cyber practice" to "cyber product." We now have the solid metrics to back this up. In the U.S for the last 4 years, the average cyber security startup took 21 months to go from Seed round to A round. Over the last 3 years, DataTribe companies averaged 12 months from Seed to A round and several had the top 1% of all A round valuations in the country. Solid data and metrics, not marketing hype.

When it comes to startups we invest in, I don't believe in fair fights. Building a successful startup can be brutal, and I want our companies to have every advantage. We stack the deck for our companies, for example removing the risk associated with first-time founders through our embedded team. Steps like these attract faster investments and higher valuations.

DataTribe has started the process that helps identify these special, high potential companies. We have opened our second annual DataTribe Challenge, a competition to identify high-technology startups with a vision to disrupt cybersecurity and data science. The three finalists will split \$20,000 in prize money, and one may receive up to \$2 million in seed capital from DataTribe. The winners will be announced in November.

This could be followed by up to \$6.5 million in Series A venture funding from DataTribe and AllegisCyber. All startups with less than \$1.2 million in seed financing are eligible to apply. Contestants must have already developed a robust concept or initiated development of a



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minimal viable product (MVP) – i.e., a product developed with sufficient features to entice early adopters.

Preference will be given to early-stage startups with experience working in national security, defense, national laboratories, or at cybersecurity and data science R&D organizations. Preference will also be given to startups with appropriate commercial experience, but commercial experience is not required.

If you know of anyone with a killer idea for better cybersecurity, send them our way - <https://datatribe.com/challenge/> We'll show them how to win, and why Maryland is the best place to turn their cyber vision into market success.