

Lancope Exercises the Option to
Improve Equity Management with
Help from Certent and Armanino

Case Study

Lancope®

At A Glance

Customer Profile:

Lancope, Inc. is a leading provider of network visibility and security intelligence to protect enterprises against today's top threats. Despite its continued success and corresponding growth, the company was forced to rely on Excel spreadsheets to manage its equity compensation program. By moving to Certent, a software-as-a-service solution for equity compensation management, Lancope gained greater visibility and control, ease of reporting, and peace of mind that the data was complete, accurate, and up-to-date.

Software & Services

- Certent Equity Compensation Management
- Armanino consulting and implementation services
- Armanino equity compensation management and audit services

Benefits

- Eliminated manual management of equity compensation data and capitalization table
- Accelerated reporting for individuals and the board
- Helped Lancope comply with regulatory requirements and pass muster during due diligence phase of company acquisition

Challenge

Since 2000, Lancope, Inc. has been providing comprehensive security and network monitoring and analytics for companies and organizations across the globe. The company's market-leading StealthWatch System gives enterprises deeper internal visibility into their networks as well as advanced threat protection and network segmentation.

As a growing company, greater internal visibility is what Lancope's finance department needed for its equity management function. Much of the effort of managing the company's stock option program, tracking equity and options for employees, and maintaining a capitalization table was being handled manually in Excel spreadsheets. In addition to the lack of visibility and time required to create reports and maintain equity information as employees joined or left the company, spreadsheets didn't provide the peace of mind that data was being captured and reported correctly.

"We tried to find the right solution to help us automate equity management, but none provided everything we needed, particularly when it came to tracking capitalization information and reporting on employee equity," says David Cocchiara, chief operating officer and chief financial officer at Lancope. "We knew we didn't want Excel to be the system of record for equity management, but we really had no alternative."

Solution

Then Cocchiara heard about a software-as-a-service solution for equity compensation management and reporting called Certent. The colleague that recommended the Certent solution also recommended Armanino for its expertise in deploying the software and migrating Lancope's data. Armanino is the largest California-based independent accounting and consulting firm and one of the largest firms in the United States, with an integrated set of audit, tax, consulting, business management, and technology solutions.

After comparing Certent and another cloud-based solution, Lancope decided Certent was the best match for the company's needs. Lancope then turned to Armanino for the implementation. "The Armanino team was well organized, knowledgeable, and responsive," says Cocchiara. "It was a smooth deployment despite issues with our data quality. It was really a piece of cake."

Armanino completed the project on time, meeting a hard deadline for implementation ahead of the prior year audit. "We needed the new system to calculate the stock compensation expense for the audit and we achieved that thanks to the Armanino team," says Cocchiara.

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-David Cocchiara
CFO and COO,
Lancopex, Inc.

Results

After deploying the new Certent solution, Lancopex finally had the visibility, ease of management, and assurance that all the data was accurate and up to date for equity compensation management. "With Certent, we could easily and quickly generate a capitalization table and create reports," says Cocchiara. "Better yet, we had confidence that all of the data was included. Before Certent, data about number of options issued, number of options remaining, ungranted options, vested versus unvested, and other details didn't exist in the cap table and had to be calculated manually."

Reporting was now at the touch of a button. "We could quickly generate reports for individual employees," says Cocchiara. When an employee or the board requested information about equity compensation, Cocchiara's team could respond immediately.

Armanino also assisted Lancopex with managing the stock option program and capitalization table. The Armanino team updated new participants and terminations, input new grants and exercises, and provided audit assistance. "We got great support from Armanino throughout the deployment process and beyond," says Cocchiara. "Whenever we had a question or problem, Armanino was there to help us."

Lessons Learned

Having an accurate, thorough, and up-to-date equity compensation management solution helped Lancopex during the due diligence phase of its acquisition by Cisco Systems. "Had the acquisition happened before we deployed Certent, we wouldn't have been able to check the compliance box when it came to equity compensation for employees who exercised options," says Cocchiara. "I could really feel good about the due diligence process and generating final compliance reports for the acquisition."

Looking back, Cocchiara wishes he'd put a system in place like Certent sooner than he did. "One of the lessons I've learned over the years is about the timing of putting certain systems in place," says Cocchiara. "You should really implement equity management software as early as feasible once you get to 50 employees or more. With the right software, you can spend your time managing company growth instead of spending it on managing employee and investor equity reporting."

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About Armanino

Armanino provides an integrated set of accounting services—audit, tax, consulting and technology solutions—to a wide range of organizations operating both in the US and globally. You can count on Armanino to think strategically, to provide the sound insights that lead to positive action. We address not just your compliance issues, but your underlying business challenges, as well—assessing opportunities, weighing risks, and exploring the practical implications of both your short- and long-term decisions. When you work with us, we give you options that are fully aligned with your business strategy. If you need to do more with less, we will implement the technology to automate your business processes. If it's financial, we can show you proven benchmarks and best practices that can add value company-wide. If the issue is operational, we'll consult with your people about workflow efficiencies. If it's compliance, we'll ensure you meet the requirements and proactively plan to take full advantage of the changes at hand. At every stage in your company's lifecycle, we'll help you find the right balance of people, processes, and technology.

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