

CYBER THOUGHTS

WILL MICROSOFT BECOME THE NEXT CYBERSECURITY JUGGERNAUT?

November 2022

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The Q3 data is in, and while deal count was higher than expected, deal value is down 50% from Q3 2021. Our interpretation of this is that early-stage deals, which have lower dollar values, are still happening as the market drop works its way backward through the system. In speaking with other early-stage funds, deals are still getting done, but the hurdle is now higher, and prices are starting to come down even in seed rounds.

Speaking with CISOs, Chief Information Security Officers, we are seeing a shift towards Microsoft. The company is offering to bundle their endpoint solution, Defender, and offering free data upload to Sentinel from MS products along with a customer licenses to Office 365 and the Windows OS. CIOs upgrading to MS E5 licenses are using the cost advantage of these by cutting the security tools that they replace to pay for the new licenses. This feels like the standard MS playbook of offering a product that is “good enough” and bundling it with the must-have products of the operating system and Office. Having said that, the Defender product is actually quite good, and CISOs are taking note.

While the Microsoft shift is towards a more holistic solution, we’ve started to hear from many CISOs that they are looking to move back to best-of-bread solutions vs. the all-in-one solutions offered by providers like Palo Alto Networks. There are two reasons for this shift: the holistic offerings aren’t integrating as tightly as promised while also being less effective than the best-of-breed competitor,s and by moving to smaller companies, they can wring out cost savings.

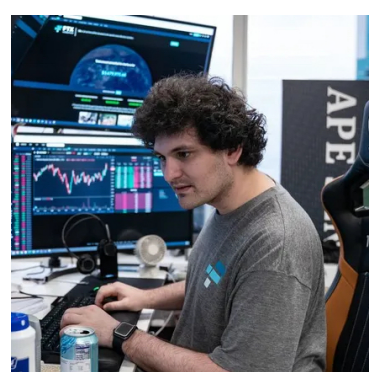
We believe these shifts bode well for security startups over the next few years, especially those that offer solutions in spaces not dominated by Windows OS. As 2022 comes to a close, we expect deal volume to remain low, but that 2023 will be a favorable time to start new companies and invest in them.

Below are a few of the articles that caught our attention this month. Moreover, we’ve inserted one or two sentences in italics, summarizing each article’s importance. We hope you enjoy and appreciate the material.

WHAT WE’RE READING

Here’s a curated list of things we found interesting.

CEO in Charge of FTX Restructuring Calls Case an ‘Unprecedented’ Mess

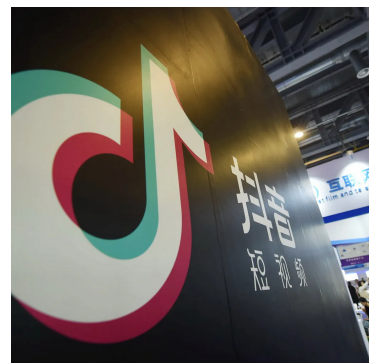


The crypto world was rocked this month by the epic failure of FTX, which went from being valued at \$32B to bankruptcy in the course of several days.

FTX suffered a “complete failure of corporate controls” that culminated in an “unprecedented debacle,” its new chief executive officer said Thursday.

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How China Got Our Kids Hooked on ‘Digital Fentanyl’

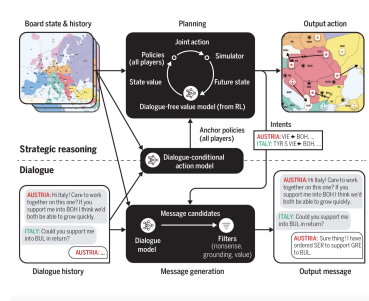


Is China using algorithms to steer US sentiment through TikTok? The fact that TikTok shares data with the CCP means it is a massive security risk for the US.

TikTok is not only the most trafficked news app for Americans under 30. It was also a major political force this year.

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Human-level play in the game of Diplomacy – via Science



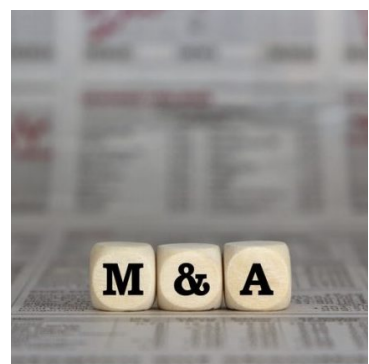
Computers are already beating humans at many types of games, but here we see a computer deceiving humans using text based messages in a game of Diplomacy. It’s frankly impressive and a bit scary. We introduce Cicero, the first AI agent to achieve human-level performance in Diplomacy, a strategy game involving both cooperation and competition that emphasizes natural language negotiation and tactical coordination between seven players.

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TRANSACTIONS

Deals that caught our eye.

Palo Alto Networks Acquiring Cider Security in Nearly \$200 Million Deal



Palo Alto Networks is acquiring Cider Security, an Israel-based provider of application security and software supply chain security, for \$195 million in cash.

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PODCASTS

What we’re listening to.

Cyber Thoughts Podcast by Lytical Ventures



Welcome to the Cyber Thoughts podcast, where we explore the world of cybersecurity through the eyes of practitioners and leaders in the field. In Episode one, we speak with Greg Notch, the CISO of Expel, a recognized leader in managed detection & response. We start with Greg’s background and then delve into the world of MDR and what he looks for in new technology.

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