

IP Cybersecurity Show 1

COVID's Impact on Cybersecurity: Growth in the Cybersecurity Segment

This is Investor Perspectives, I'm the host of Investor Connect, Hall T Martin, where we connect startups and investors for funding.

In our new Investor Perspectives series entitled "COVID's impact on Cybersecurity", you'll hear about growth in the cybersecurity segment.

As the COVID pandemic passes, we emerge into a new world. The cybersecurity space is now undergoing tremendous change as we shift from a centralized to a decentralized workforce. Every business is impacted by cybersecurity. We have investors and startup founders describe the changes coming up.

Our guests are:

1. [Greg Fitzgerald](#), Co-Founder, [Sevco Security](#)
2. [Merrick Andlinger](#), Partner & Chief Investment Officer, [Option3Ventures](#)
3. [Christian Kameir](#), Managing Partner, [Sustany Capital](#)
4. [Andrew Morris](#), Founder, [GreyNoise Intelligence](#)

I hope you enjoy this episode.

Our first guest is Greg Fitzgerald, Co-Founder of Sevco Security. Headquartered in Austin, Texas, Sevco Security is a company of cyber experts building services and products for cyber experts. They design solutions to solve hard problem(s) associated with quickly discovering the context for who, what, where, why and how network-connected devices relate on your network.

Greg, thank you for joining us.

[00:13:03] **Greg Fitzgerald:** Thank you very much.

[00:13:04] **Hall Martin:** Great. Let's talk about COVID's impact on cybersecurity. And before we kick into that, tell us more about your work and what you do.

[00:13:14] **Greg Fitzgerald:** Well, thank you. I've been in cybersecurity for about 20 years now, I was in IT in terms of servers, and cloud and even system software back in the 90s, and I've been very blessed, honestly, to be able to experience the advent of the expansion of IT as an important element of business, and then fall into the right spots here where cybersecurity has really become paramount to the risk of an organization, and then, frankly, the influence it can have on how a company performs or behaves in terms of stock and people getting hired and fired and liability. And it's continued to be a continuous problem and will continue to exacerbate over time as we continue to expand our IT environment.

[00:14:00] **Hall Martin:** Well, great. So cybersecurity is growing rapidly, but what's your perspective on the growth there itself, what are you seeing?

[00:14:08] **Greg Fitzgerald:** Cybersecurity is fascinating because it's the result of the expanded exposure of people's critical information, whether that be data, whether that be people's information, like PII they call it, personal identifiable information, healthcare information. And we're starting to see a huge increase in the participants on the, it's called the bad side. Before it might have been petty theft, little hackers back just even 15 years ago, 20 years ago, where just somebody who was curious and wanted to deface a website. Now, of course, we're seeing enormous Cold War of sorts of nation states that have taxed America, and frankly, vice versa, America's inside and looking at nation states, but you've got to ramp it kind of black market of bad folks that are organized. You also have various entities that are ideological and want to do things for a specific belief. Others are just damage makers and then others are opportunists. And so, we continue to see, economically, why there's an entire industry of the bad side. And then, of course, that creates an entire explosive industry of the good side. So in a simplest way, it's good guys versus bad guys, and we're trying to leapfrog each other. The minute we get a cybersecurity capability that can kind of block the bad tactics, bad guy's figured out a way around it. So it just, it's a continuous lifecycle.

Our next guest is Merrick Andlinger, Partner & Chief Investment Officer at Option3Ventures. Headquartered in New York City, New York, Option 3 Ventures specializes in finding and developing attractive investment opportunities at the frontiers of cybersecurity and immediately adjacent technologies. It brings a unique perspective to these industries, integrating the expertise and experience of its management and advisors in the United States National Security Community with their extensive operations and investment expertise gained in the technology industry and on Wall Street. The Option3Ventures team has worked together for the past five years, invested in five companies and successfully exited from two of those investments.

Merrick, thank you for joining us.

[00:05:10] **Merrick Andlinger:** Nice to be here, thank you Hall.

[00:05:12] **Hall Martin:** So tell us more about your work and what you do.

[00:05:16] **Merrick Andlinger:** Well, I'm Chief Investment Officer at Option 3. We are a six-year-old cybersecurity, private investment firm. We focus on early stage equity investments in cybersecurity companies, and that's all we do. Our heritage comes from the national security sector, as well as people with Wall Street investment chops, and we work that duality. We have a tech board that's filled with former national security people as well as Wall Street people. And we look for our deal flow coming out of that community as well as out of the investment community. So rather than focusing, let's say, on Silicon Valley, we're focused in the Washington DC to New York corridor.

[00:06:11] **Hall Martin:** Great. Well, let's talk about the growth in the cybersecurity space. What do you see going on there?

[00:06:17] **Merrick Andlinger:** Well, there is a lot going on. You can't help but pick up the newspaper, turn on the TV and hear about another breach, another ransomware attack, something to be afraid of. And, unfortunately, you're only hearing about the tip of the iceberg, that there's a lot of issues at work, and there are a number of different solutions. But I'll address that, what we've seen is the growth in cybersecurity as an asset class. And so, from an investing perspective, when we set up the firm, six years ago, it was pretty much a venture capital game, traditional venture capital type of investments. Now, six years later, you'll see the full spectrum from early stage seed investing to late stage pre-IPO growth and even buyouts. And so, now you've got across the full spectrum, different opportunities, including exchange traded funds in cybersecurity. So from an investment perspective, there's growth all along, and those stocks have performed really well during COVID. From a cybersecurity company perspective, you're also seeing growth that's aimed at many of the kinds of attacks that we've seen, and COVID itself, this last year of lockdowns, work from home, has created a whole bunch of opportunities for malicious attacks as well as created specific challenges. So that with work from home,

people are using their own devices, they're logging into networks, they're exposing themselves more. You've got corporate IP spread all around, and as a result of this, there's funding and solutions aimed at those particular issues.

Our next guest is Christian Kameir, Managing Partner at Sustany Capital. Sustany Capital is a blockchain venture fund headquartered in Newport Beach, California. Aside from investing in blockchain-related projects, the firm lends its expertise to existing companies interested in 'security token offerings'.

Christian, thank you for joining us again.

[00:04:56] **Christian Kameir:** Thank you for having me, Hall.

[00:04:57] **Hall Martin:** Great. So tell us more about your work and what you do in it.

[00:05:01] **Christian Kameir:** Yeah, so we've been in technology investing for some 20 years at this point in time. We started off being focused mostly on voice allied key technologies and _____ online player games. And today we focus on decentralized software solutions, and a lot of people refer to it as blockchain. That's a little more nuanced, but anything that has to do with value transfer that makes economic activity more efficient, that's something that we're interested in, and you could also label it as the new web 0.3 stack. I think we're going to talk about this for a little bit.

[00:05:34] **Hall Martin:** Great. Well, let's talk about the growth in the cybersecurity space. What do you see going on here now?

[00:05:39] **Christian Kameir:** I just looked up the latest numbers, I look at these quite frequently, and I'm just supposed to be visiting a couple of really good _____. So I think a lot of people don't really know how big the space is, so damages for cybercrime this year being predicted to be around \$6 trillion. So to put this in perspective, a GDP for the US was over 21 trillion. So that's like almost a third of US GDP that will cost or that's expected to be cost in cybercrime this year. So usually, the growth in that space year-over-year has been like, between 12 and 15%. But based on that, Gartner predicts that the revenues for that space will be like 133 billion for the next year. I think we're going to surpass that by quite a bit, because I don't think it factors in that a lot more people work from home. So the _____ increased by about 87% as far as like vulnerabilities, like, Open PCs on the web, that typically will just sit dormant _____. And the other part is that telemedicine specifically increased by 157%, and so that is a very sensitive area that needs to be protected regardless. And then lastly, and that's kind of a space that we play in a lot, you got a lot of honey pots. What I mean by that, so the cryptocurrency space is now 1.7 trillion, and a lot of these, let's call it online wallets, but they are honey pots. So they are very, very attractive target for hackers to put it this way.

Our final guest is Andrew Morris, Founder at GreyNoise Intelligence. Headquartered in Washington, D.C., GreyNoise helps security analysts save time by revealing which events they can ignore. They do this by curating data on IPs that saturate security tools with noise. This unique perspective helps analysts confidently ignore irrelevant or harmless activity, creating more time to uncover and investigate true threats. Andrew, thank you for joining us.

[00:04:49] **Andrew Morris:** Thanks so much for having me.

[00:04:51] **Hall Martin:** So tell us more about your work and what you do in it.

[00:04:54] **Andrew Morris:** Yeah, so I'm the founder and CEO over at GreyNoise Intelligence. I started the company about three and a half years ago. We focus on making the security analyst as efficient as possible. There are a zillion security companies out there that are completely focused on telling the security team where all the bad guys are and where all the threats are. And so, we don't try to do that. We actually, we try to chip away at the amount of alerts that probably don't matter to the analyst. And so, that way, what we do is we're actually making the analyst more efficient by telling them all the things that probably don't matter, that they can deprioritize and focus more on the ones that do matter. And so, that's, that's what we spend all our time doing.

[00:05:36] **Hall Martin:** Great. Well, let's talk about the growth in the cybersecurity space, where do you see it moving going forward?

[00:05:43] **Andrew Morris:** Yeah, that's a good question. So there's been a really interesting, I would say, resurgence of going back to the basics lately, which I find really interesting. So the security industry has been around for, I'd say, maybe 20ish years, the cybersecurity industry properly. And it's really exploded lately, I mean, really, in the last five years, has just seen just a massive explosion in investment, in major acquisitions, and in new companies popping up in the security industry and the industry itself has grown to be substantially larger. And it's actually, it's almost, I would say, overwhelming the amount of companies that are providing solutions in the cybersecurity space. And one of the patterns that I'm seeing a lot lately, which I'm really excited about is that we're going back to a lot of the basics that a good security program is kind of built on, on top of. Questions like, before I think about even securing all my stuff, where is all of my stuff. Right? Like, where are all of my machines? What are all the accounts that we have? Where are all of our servers? Where are our data centers? Where are our users? Where is our data? Things like that. That's like a very basic question. And so, we're starting to see more companies that are popping up on things like asset management and attack surface and things like that, which I'm really excited about. On the other side of that, we're starting to see a lot of companies that are popping up specifically just to address concerns that have been created by other security products, kind of, I would say, not necessarily solving the problems all the way or solving the problems in a way that is impractical for practitioners. And so, there's a lot of security companies that are coming up trying to take creative approaches like machine learning,

ML, etc., to making people more efficient. That's actually where we plan a lot more, instead of just saying, buy our product, all your cybersecurity problems go away, we're starting to see more security companies that are coming up, like, that's not really our focus, we just want to make you more efficient at X, we want to make you more efficient at Y, we want to try to increase efficiency to try to end up generating returns to the user and to the business in that way rather than completely claiming to protect the customer from the cataclysmic breach. And so, those are, those are two trends that I'm seeing that personally, I'm really excited about. There's also a lot of consolidation happening, so there are a lot of major acquisitions that are occurring from usually publicly traded companies, the same kind of 10 are doing lots and lots of acquisitions, and I expect to see more and more consolidation.