



## TECHNOLOGY RACE INTENSIFIES

SLG recently joined a call with David Bridges, a Senior Geopolitical Advisor at Fidelity Investments, whose prior experience includes:

- Central Intelligence Agency's (CIA) Clandestine Service for 25 years
- Member of the Senior Intelligence Service team that guides global CIA activities
- Executive director of CIA activity in Russia, the former Soviet Union, central and eastern Europe, and the Balkans
- Operational command of CIA offensive and defensive counterintelligence operations worldwide

## TAKEAWAYS

### Putin:

- Not responsive to public opinion; economic punishment is useless (Putin doesn't care and was prepared for sanctions from the West)
- Spent a decade upgrading Russia's military
- If replaced, which Bridges doubts, successor will be from inner circle and just like him
- Key questions:
  - o Does this expand beyond Ukraine? Bridges thinks this is unlikely
  - o Baltics? Doubtful

### Why Now?

- Putin views the U.S. as weak, corrupt and in decline
- Perfect opportunity with oil markets tight and bad U.S. energy policy
- Putin's term is up in 2 years (although that is meaningless)
- Also views the EU as weak
- Bridges highly doubts Putin stops and pulls out of the Ukraine

### NATO:

- Too complacent during the past years
- This should serve as a wake-up call NATO needed
- **Finland's** recent ordering of 64 F-35's is very positive for NATO and the West given they're a non-NATO member and have largely avoided aligning with anyone
  - o Russia's foreign ministry spokeswoman, Maria Zakharova, said today there will be detrimental consequences if Sweden and Finland try to join NATO
- Power/leadership is shifting in NATO from the West to the East

## **Nuclear:**

- Will it turn nuclear, even just tactical?
  - o No, because Putin recognizes that this would be the end of Russia
  - o Putin doesn't believe a tactical nuclear war can be fought

## **Sanctions:**

- Current sanctions will have little impact since they ignore energy

## **INVESTMENT FOCUS**

### **Cyber War:**

Putin has warned the U.S. and Europe not to interfere and threatened repercussions which many interpreted as expanding cyberattacks to Western targets

### **Investment Impact:**

#### **The Race for Global Technological Superiority will intensify**

Cybersecurity spending worldwide:

- o +13% in 2021 to \$172 billion
- o +11% (Estimates) for 2022

More than 430 cybersecurity-related mergers and acquisitions were announced in 2021

- o Eleven of the deals were for an amount greater than a billion dollars.

Ransomware – several highly publicized incidents occurred in 2021

Cryptocurrency provides difficult to trace payment opportunities for ransomware

Remote Work – Covid-19 work-from-home has increased demand for computer security

SD-WAN Technology Changes Security Needs

Artificial Intelligence Cybersecurity Needs

### **Public Companies in this space include:**

Cloudflare Inc. (NET)  
Zscaler (ZS)  
Palo Alto Networks (PANW)  
CrowdStrike (CRWD)  
Tenable (TENB)  
SentinelOne (S)  
Ping Identity (PING)  
SailPoint (SAIL)

Varonis (VRNS)  
Rapid7 (RPD)

### **Other Drivers:**

#### **Private Equity**

- Thoma Bravo agreed to buy Proofpoint, Inc. (PFPT) for \$12.3 billion in April 2021
- Illumio raised \$225 million at a \$2.75 billion valuation led by Thoma Bravo in June 2021
- Netskope raised \$300 million at a \$7.5 billion valuation in July 2021

#### **Mergers & Acquisitions**

- Okta (OKTA) acquired privately held Auth0 for \$6.5 billion in March 2021
- NortonLifeLock acquired Avast for \$8.6 billion in August 2021
- Permira acquired Mimecast for \$5.8 billion in December 2021
- Microsoft (MSFT)
  - Acquired RiskIQ, a security threat management company for \$500 million in July 2021
- Alphabet (GOOGL)
  - Acquired Siemplify, a security orchestration, automation and response provider, for \$500 million in January 2022
- Palo Alto Networks (PANW)
  - Has made 10 acquisitions over three years to expand from a "firewall" security market to a cloud-based security platform

In closing, we believe there are several opportunities in select areas of cybersecurity, particularly given the heightened focus on the Global race for technological superiority.

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