

## Biden's big cybersecurity executive order will be a windfall for both massive firms like CrowdStrike and niche startups like Dragos, experts say

Jeff Elder

- Biden's executive order on cybersecurity will help firms with government connections, experts say.
- The order will also likely help startups with relevant niches, like Dragos, Interos, and GovReady.
- It could encourage acquisitions as big companies add tools for large enterprises.

The big winners under President Joe Biden's new executive order on cybersecurity will be big cloud-security companies with existing relationships with the government – think CrowdStrike, FireEye, Microsoft, and Palo Alto Networks – as well as more niche startups whose services suddenly become critical, according to experts.

In an order handed down Wednesday, the White House laid out new policies and timelines for a cybersecurity industry reeling from the SolarWinds, Microsoft Exchange, and Colonial Pipeline attacks. The order requires more information sharing from federal agencies and companies about cyber threats, a playbook for cyberattack responses, increased security modernization when developing applications, and more focus on the security of supply chains and industrial facilities.

The big public companies will rake in more government spending – and the private industry will see a ripple effect, an expert said. “This comes down to who currently has the contracts and who doesn't,” Eric Cole, a former Obama cybersecurity official and longtime industry consultant, told Insider. “And what the government does, industry follows.”

The order pushes the government toward approaches like “zero-trust” cloud-computing programs that lean heavily on verifying users and searching for intruders with automation. Big companies with longtime relationships in government that may not already have these skills may gobble up smaller companies that do, Cole said.

“This is setting up mergers and acquisitions,” he added.

“This could translate into consolidation,” Dan Ives, a Wedbush analyst, said.



Interos

Interos CEO Jennifer Bisceglie.

Big government contractors like Lockheed Martin and Northrop Grumman could pick up cybersecurity startups to round out their government-focused products, Ives said, as could Microsoft.

He and Cole highlighted several other firms they saw as big winners.

CrowdStrike, the \$41 billion Silicon Valley company that is a powerhouse among the new wave of cloud-security firms, is bundled into many federal contracts via defense contractors and other vendors. The company is already trusted by government agencies, provides a variety of cybersecurity tools, and could be on the lookout to add more capabilities.

“We love a good acquisition,” CrowdStrike CEO George Kurtz told Insider in September.

FireEye, which discovered the sprawling SolarWinds attacks, could also benefit, as the respected incident-response company helps government agencies and enterprises respond faster to cyberattacks, as required by the order.

And Microsoft and Palo Alto Networks, two of the biggest companies providing cybersecurity, will likely broaden their contracts, the experts said.

“Palo Alto Networks will continue to work with the US government to transition these policies into actionable outcomes,” CEO Nikesh Arora said in a statement.

Big startups that have delayed their initial public offerings, such as Tanium, Netskope, and Snyk, will also likely benefit, as they are able to reshape their companies as needed to address the order’s requirements – without the oversight of shareholders.

“Those are the companies that could really capitalize on industry changes here,” Cole said, because they have hundreds of millions in capital and more freedom to pivot to new lines of business.

The order calls out the need for more industrial security – like protecting power plants and dams – and operational security companies such as Dragos could benefit, Wedbush’s Ives said. Dragos CEO Rob Lee told Insider that “the executive order is another promising step in the progress we’ve seen from the Biden administration towards protecting our nation’s industrial infrastructure from emerging threats.”

Other startups with a strong niche could also benefit. Dragos just signed a partnership with IronNet Cybersecurity, run by Keith Alexander, previously the top US cybersecurity official as head of the

National Security Agency and Cyber Command. IronNet could benefit because of its state-of-the-art approach to sharing cybersecurity data between companies – which Biden stressed in the order.

“We need to operationalize the goals laid out by the executive order in ways that bridge the public and private sectors to enable real-time public-private threat sharing,” Alexander told Insider.

GovReady, which helps agencies automate compliance packages, will be in demand, the Washington startup accelerator Dcode said. The Dcode alum Ion Channel could also benefit because of its supply-chain-security tools.

Without visibility into supply-chain vulnerabilities, the government can’t fight off big attacks, Jennifer Bisceglie, the CEO of Interops, told Insider. But the order lacks the economic influence it would have had if the Senate had not drained Biden’s stimulus package of much of its funding for cybersecurity, she added.

“Agencies can only do what they’re funded to do,” Bisceglie said. Otherwise, another big attack will strike agencies and businesses that helplessly shrugged when asked what happened with SolarWinds. “Shoulders were earrings,” Bisceglie said. “We don’t want that again.”