

Q4 2024 Cybersecurity Update

Cybersecurity News/Insight

- Revenue in the cybersecurity market is expected to grow to \$185.7 bn in 2024, with an annual growth rate of 11.0%¹. The security services segment is expected to contribute \$97.3 bn to total revenues with the rest driven from cyber solutions.² During the period 2024-2029, revenue is expected to show an annual growth rate of 7.9%, resulting in a total market size of \$271.9 bn by 2029³. This growth is expected to be led by the cyber solutions segment with an estimated CAGR of 10.9% and a resultant market size of \$148.3 bn⁴ by 2029, followed by the security services segment at a lower rate of 4.9% and a resultant market size of \$123.6 bn by 2029⁵. Region wise, the largest market for cybersecurity, the U.S. is expected to have a market size of \$81.4 bn in 2024 and is expected to grow at a CAGR of 7.4% during the period 2024-2029 to a market size of \$116.2 bn by 2029.⁶
- According to Statista, cybercrimes are expected to cost about \$9.2 tn in 2024 and an average cost per data breach at \$4.9 mn, with the health care industry having the highest cost per breach (about \$10 mn).^{7,8} The average cost per breach in the U.S. stood at \$9.5 mn, close to twice the global average.⁹ Furthermore, the cost of cybercrime worldwide is expected to grow by 69.4% from 2024 to \$15.6 tn in 2029.¹⁰
- A recent survey by CyberArk (Nasdaq: CYBR) reveals that 65% of office workers circumvent company security policies in the name of efficiency, pointing to a fundamental challenge in the tradeoff between security and productivity.¹¹
- In October 2024, the Cybersecurity and Infrastructure Security Agency (CISA) released its first ever international strategic plan.¹² The plan focuses on how CISA will proactively engage international partners to strengthen the security and resilience of the nation's critical infrastructure. "In following this plan, CISA will improve coordination with our partners and strengthen international relationships to reduce risk to the globally interconnected and interdependent cyber and physical infrastructure that Americans rely on every day," said CISA Director Jen Easterly.¹³
- In December 2024, U.S. Federal Communications Commission (FCC) chairwoman Jessica Rosenworce proposed a rule for communications service providers to submit an annual certification attesting that they have a plan in place to protect against cyberattacks¹⁴. This proposal followed the efforts of an alleged China-backed group of hackers, dubbed "Salt Typhoon," to dig deep into American telecommunications companies to steal data, including from phone calls.¹⁵
- In December 2024, European Union enacted two new laws to bolster its cybersecurity defenses and coordination mechanisms. The two laws are the Cyber Solidarity Act and amendments to the Cybersecurity Act (CSA)¹⁶. These laws will focus on threat detection, incident response, and service certification.
- In December 2024, NATO chief Mark Rutte announced intentions for setting up better intelligence sharing and for improving the protection of critical infrastructure in the face of "hostile" acts of sabotage against allies by Russia and China.¹⁷

Cybersecurity – Notable Ransomware Attacks and Breaches in Q4 2024

- On December 5, British telecom giant BT became a victim of the Black Basta ransomware group which claimed to have stolen 500 Gb of data including financial, corporate, and personal information. The ransomware group added the company to its Tor-based leak website and threatened to publish the data if the ransom was not paid.¹⁸
- On December 4, U.S. White House disclosed Chinese hackers Salt Typhoon breached at least eight U.S. telecommunications companies in a month-long effort to spy on the communications of top politicians. Affected companies include AT&T, Verizon, T-Mobile, and ISP Lumen Technologies. The White House also mentioned that the campaign had been underway for 1-2 years, impacted dozens of countries, and that telecom companies may not have fully booted the hackers out of their systems.^{19,20,21}
- On November 21, U.S.-based Blue Yonder revealed that its managed services hosted environment were affected due to a ransomware attack. Blue Yonder is a supply chain management software provider with several big clients. Starbucks confirmed that the attack disrupted its internal systems for managing employee schedules and tracking work hours in North America and Canada. U.K. supermarket chain Morrisons also faced disruptions in their operations. A new ransomware gang named Termite took credit for the attack on its Tor-based website and claimed to have stolen 680 Gb of data from Blue Yonder.^{22,23,24}
- On October 5, Japan-based Casio fell victim to a ransomware attack from the Underground ransomware gang. The attack resulted in system disruptions and impacted some of the firm's services. On October 10, the attackers added Casio to its dark web extortion portal, leaking troves of sensitive data including intellectual property allegedly stolen from the Japanese firm.²⁵
- On October 1, U.S.-based UMC Health System was forced to divert some patients to other locations after a ransomware attack caused an IT outage and impacted its network. The identity of the attackers was unknown at the time of the attack.²⁶

New Products

- In November 2024, CrowdStrike (Nasdaq: CRWD) launched its AI Red Team services to proactively identify and help mitigate vulnerabilities in AI systems, including large language models (LLMs), so organizations can drive secure AI innovation with confidence.²⁷
- In October 2024, Fortinet (Nasdaq: FTNT) announced the general availability of Lacework FortiCNAPP, a single, unified AI-driven platform to secure everything from code to cloud all from a single vendor.²⁸ The new product offers additional benefits such as “automated remediation and blocking of active runtime threats, as well as enhanced visibility into FortiGuard Outbreak Alerts, which provide key information about new and emerging threats and the risk they pose within an organization’s environment”.²⁹
- In October 2024, Palo Alto Networks (Nasdaq: PANW) introduced its new operational technology solutions to address growing cybersecurity threats to industrial operations.³⁰ The solutions include a fully integrated, risk-based guided virtual patching solution, the Prisma Access Browser with Privileged Remote Access, and a suite of ruggedized, ML-powered next-generation firewalls (NGFWs) built to withstand harsh industrial settings where traditional firewalls often cannot operate.³¹

Cybersecurity – M&A and IPO Activity in Q4 2024

Inside HXRXL™ Index Activity:

- On December 12, Fortinet (Nasdaq: FTNT) acquired Israeli collaboration and email security company Perception Point for a reported amount of \$100 mn. Perception Point provides solutions for securing email, collaboration platforms, web browsers, and cloud storage applications, which will enable Fortinet to expand and enhance its offering. Perception Point is known to have raised \$48 mn in funding, with the most recent investment amount disclosed in 2021, when it secured \$28 mn in a Series B round.³²
- On November 6, CrowdStrike (Nasdaq: CRWD) announced its intent to acquire Israeli SaaS security firm Adaptive Shield in a \$214 mn deal. Adaptive Shield provides comprehensive SaaS security posture management, enabling organizations to gain full visibility into misconfigurations, human and non-human identities, and data exposures across over 150 applications. CrowdStrike plans to integrate Adaptive Shield technology into its Falcon platform and will provide customers with comprehensive identity protection across SaaS, on-premises Active Directory and cloud-based environments. The acquisition was funded by cash, with the transaction being closed on November 20, 2024. Adaptive Shield, which emerged from stealth in 2020, raised \$44 mn in funding, including \$10 mn in 2023.^{33,34}
- On October 8, Cloudflare (Nasdaq: NET) announced the acquisition of Kivera, a cloud security, data protection and compliance platform company. The combination of Kivera and Cloudflare One platform will put controls directly into the cloud deployment process, preventing security issues and risks before they occur. It extends their SASE portfolio to incorporate cloud app controls, empowering Cloudflare One customers with preventative security controls for all their cloud services. The acquisition will add several capabilities including one-click security, enforced cloud treatment, data exfiltration and a flexible DevOps model.

Top 3 Contributors in Q4 2024 (HXRXL up 8.9%)

Rubrik^{35,36}

- Stock price was up 103% from September 30, 2024 - December 31, 2024.
- The company reported strong Q3 2025 (fiscal year ending January) results with revenue growth of 43% y/y to \$236 mn, while annualized recurring revenue (ARR) increased 38% y/y. As of Oct 31st, 2024, customers with subscription ARR of \$100,000 increased to 2,085, up 32% y/y. Q3 revenue increased 15% sequentially. EBIT was negative \$125 mn. Net income was negative \$131 mn vs. negative \$86 mn in Q3 2024. Q3 2025 net loss included \$92.5 mn of stock-based compensation. The company generated FCF of \$16 mn in Q3 2025 vs. \$3.5 mn in the same quarter last year.
- Rubrik has built a unique Zero Trust architecture that combines data and metadata from business applications that apply AI and machine learning directly to the business data with visibility into the scope of the attack, the time of infection, the sensitivity of the impacted data, and the ability to do malware hunting and quarantining. This architecture has helped the company win a few contracts with leading companies in Q3 2025.
- FY 2025 revenue was guided to be in the range of \$860-\$862 mn while non-GAAP EPS is expected to be in the range of negative \$1.86-\$1.82. For Q4 2025, revenue was guided to be in the range of \$231.5-\$233.5 mn and non-GAAP EPS to be in the range of negative \$0.41-\$0.37.

Broadcom^{37,38}

- Stock price was up 34.4% for the period September 30, 2024 - December 31, 2024.
- The company delivered exceptional results in Q4 2024 as revenue grew 51% y/y to \$14 bn. These results included the impact of the VMware acquisition in Nov 2023. Excluding VMware, organic growth was 11%. Cash flow from operations was \$5.6 bn vs. \$4.8 bn in the corresponding period last year, an increase of 16% y/y. FCF increased by 16% y/y to \$5.5 bn.
- The company issued strong guidance for Q1 2025 with revenue expected to be \$14.6 bn, up 22% y/y, and adjusted EBITDA margin of ~66%. Semiconductor revenue is expected to grow ~10% y/y to \$8.1 bn and with continued strong demand for artificial intelligence, AI-related revenue is expected to increase by 65% y/y to \$3.8 bn. The company intends to use its growing cash balances to pay down debt and reduce interest expenses going forward.

Cloudflare^{39,40,41,42,43}

- Stock price was up 33.1% from September 30, 2024 - December 31, 2024.
- The company reported good Q3 2024 results with a 28% y/y rise in the topline, resulting in revenues of \$430 mn. Despite a GAAP loss from operations, it had an operating cash flow of \$104.7 mn. When compared to Q3 2022, the topline increased by 69%. In Q3 2024, the company added 219 large customers paying >\$100,000 per year. The topline has grown consistently q-o-q over the last two years which bodes well for the company.
- On Oct 8, Cloudflare announced it had acquired Kivera, a cloud security, data protection, and compliance platform. Kivera's technology and Cloudflare's SASE platform will bring additional, preventive cloud security all within a unified platform.

Bottom 3 Contributors in Q4 2024

Booz Allen Hamilton^{44,45,46}

- Stock price was down 20.9% from September 30, 2024 - December 31, 2024.
- The company reported excellent Q2 2025 results with revenue of \$3.1 bn, an increase of 18% y/y and 7% on q-o-q basis. EBIT at \$550 mn more than doubled sequentially and on y/y basis. Lower operating expenses increased EBIT margins by 747 basis points on y/y basis to 17.5%. Net income doubled to \$388 mn vs. \$169 mn in Q2 2024 while net margins was 12.3% for Q2 2025. FCF was \$563 mn vs. negative \$64 mn in Q2 2024.
- On Nov 13, the company announced that through its corporate venture capital arm, Booz Allen Ventures, LLC, it has made a strategic investment in Starfish Space, an emerging leader in satellite servicing, inclusive of satellite life extension and end-of-life disposal, and its third space-focused investment. The investment offers resilience and sustainability of space infrastructure through innovative offerings for both government and commercial mission sets. Investors reacted negatively to the announcement and the stock crashed by 24% in the 6 days after the announcement.
- Guided revenue growth for FY 2025 is in the range of 11.0%-13.0% (original guidance of 8.0%-11.0%). Guided adjusted EBITDA of \$1,300-\$1,330 mn, with adjusted EBITDA margin of ~11%. FCF is expected in the range of \$825-\$925 mn.

General Dynamics^{47,48}

- Stock price was down 12.8% from September 30, 2024 - December 31, 2024.
- Q3 2024 revenue grew 10%y/y to \$11.7 bn, led by a 22% increase in the Aerospace segment, and a 20% increase in Marine Systems. The revenue increase was driven by the four G700 deliveries, higher service center and special missions volume, and higher FBO and MRO volume, particularly in the Asia-Pacific region at Jet Aviation. EBIT grew by 11.7% y/y to \$1.2 bn. Margins were stable compared to the previous year with EBIT margins at 10.1% (vs. 10.0% in Q3 2023) while net margins were 8.0% (vs. 7.9% in Q3 2023). Net income for Q3 was \$930 mn vs. \$836 mn in Q3 2023. FCF was \$1.2 bn vs. \$1.1 bn in Q3 2023.
- Orders in the Aerospace segment totaled \$2.4 bn while defense segment orders were \$10.5 bn. However, the company missed street EPS consensus by a fair amount as they could deliver only four G700s in the quarter as against the expected 15-16 G700s. Due to the timing of engine certification, aircraft engines arrived late to schedule. The aircraft was painted prior to receiving the engines, and then repainted. This resulted in a significant upping of both cost and time spent.
- Many of the aircrafts planned for delivery in the quarter have highly customized interiors. These intricacies are considered to be major changes for regulatory purposes. This resulted in longer-than-anticipated efforts to finalize and achieve supplemental type certificates. A supplier quality escape on a specific component caused the exchange of several components on each planned aircraft delivery, up to 16 per aircraft. Four days of productivity were lost due to Hurricane Helene.
- In FY 2024, the company plans to deliver 42 G700s as against the 50-52 expected initially.

Varonis^{49,50,51}

- Stock price was down 21.4% from September 30, 2024 - December 31, 2024.
- The stock came under pressure due to lack of any strong catalysts. Additionally, while third quarter ARR growth accelerated to 17.9% year-over-year, it modestly missed expectations due to weakness in the Federal vertical. There was also some disappointment for investors as the Microsoft 365 CoPilot catalyst hadn't contributed much to overall growth.

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