

## The Right Buyer for Secureworks

As reported by Reuters yesterday, Dell is exploring a sale of Secureworks.

- From the perspective of the company's customers and national security considerations, it matters whose roof Secureworks ends up under.
  - There are potential front-runners like Cisco but the right buyer may well be a strong company with little or no current play in cyber security.
  - In the current political climate, it can't be taken for granted that a foreign buyer will even be allowed.
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Thursday's news from Reuters that Dell is exploring a sale of Secureworks was inevitably presented through the lens of the seller's goals, in particular paring down some of its \$50 billion worth of debt. Let's consider it here from the perspective of Secureworks customers; governments, whose role it is to support organizations in being able to protect their infrastructure; and prospective bidders.

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Besides the breadth of its managed security services offering, what makes Secureworks stand out among enterprise security companies is its deep intimacy with adversaries. A lot of organizations have good visibility into cyber threat actors. A lot of private and government security organizations also have good visibility into the physical-world activity of these adversaries. With the possible exception of IBM Security, I know of no other commercial cyber security company that can match the intimacy Secureworks has with adversaries and its ability to correlate, interpret and predict their behaviours across cyber and real-world physical domains.

### Implications Beyond the Fate of Dell's Balance Sheet

Secureworks is deeply embedded in some of the world's largest and most sensitive governmental organizations and commercial enterprises. Its intimacy with adversaries can put the lives of a subset of its employees and contractors at risk. What happens to Secureworks – who buys the company, what they do with it – matters a lot to its customers, its people and the national security of countries where it has a large footprint.

Whether Huawei should or shouldn't be allowed to be a 5G infrastructure supplier is dominating a lot of debate around cyber security and national security these days. Whose roof Secureworks ends up matters just as much (arguably more). And with more than two thirds of its revenues generated by US customers, prospective bidders should expect to be bound by a long list of T&Cs dictated by US national security interests.

In the current political climate I wonder whether this could rule out a non-US buyer. If foreign bids are allowed, BT could be a leading contender. It is generating more than £500 million a year in cyber security revenues (which is in the same ballpark as Secureworks). Among other European candidates, Deutsche Telekom doesn't have the same cyber security ambitions in the US market as BT does but in Europe, it is aiming a lot higher.

Telefonica also harbours global ambitions in cyber security and has been actively seeking a big US partner for almost two years. All three of these telcos could benefit enormously from a trans-Atlantic partnership with Secureworks as a platform for global leadership

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in cyber security. Whether any of them has the nerve - or the permission - to buy the company outright is another matter.

There's no way Cisco has not already spent time considering a move for Secureworks. As a buyer, Cisco ticks all the right boxes – a US company with big cyber security ambitions, including in managed security services where it's not currently a big player. If Cisco isn't the front-runner, it's likely to be among them.

The big cloud players can never be ruled out. It's highly debatable whether any of them is motivated to wander deep into the low/no margin end of the cyber security market. Even if they are, the sheer scope of how Secureworks has to operate on-premises and across multiple clouds is unlikely to fit their business models. If any of them is going to make a serious move here, I'd look to Microsoft - just by virtue of its enterprise focus.

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#### **A 'Big 4' Accounting Firm? A Marriage Made in Where Exactly?**

IBM would doubtless love the market power that a merger of IBM Security and Secureworks would present. Customers and competition authorities would love it a lot less, though. AT&T and Verizon? They'll be thinking about this.

So too will the 'Big 4' global accounting firms. Such a marriage would not be made in heaven, though (think more the other place). Secureworks employees have a deeply-ingrained pride in their cause. Their white hat warrior culture wouldn't sit at all well with what many of them see as the 'by-the-hour', bean-counter ethics and motivation of accounting firms. Retaining Secureworks talent post acquisition will be a challenge for any buyer. The risk of a stampede for the exit doors is likely higher with a 'Big 4' acquirer. If their ambitions blind them to that, the regulators may recognize it for them.

Two completely different scenarios wouldn't surprise me. The first is a sizable buyer, a well-known company, perhaps in the technology space already, but with little or no cyber security play currently. The advantage of a dark horse acquirer like this is that it could leave the Secureworks management team firmly in control of the business it has accumulated - as well as where to take it next. In many ways that would be the best outcome for customers and governments.

The other scenario is that the conditions placed on a sale or the price offered by bidders (or a combination of the two) leave Dell inclined not to accept any of them. In which case Secureworks carries on as normal. Secureworks needs a white knight. But it needs one that meets customer and government requirements that the company be left in a position to continue to do what it does – and to do it well. Dell's balance sheet? That's a related challenge – but a very different one. ■

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HardenStance will be speaking on "AI in Cyber Security" at [The KPN Guest Hacker Programme](#) in the Hague on February 28<sup>th</sup> and chairing "Stopping the breach – Securing future networks with the help of AI and virtualisation" at [FutureNet World](#) in London on March 26<sup>th</sup>.

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