

## INVESTOR'S EDGE

# Cybersecurity is becoming big business

*Here are two good stocks for aggressive, long-term investors.*

*"Privacy is not for the passive."*

— Jeffery Rosen, former U.S. Attorney General



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I have had my credit card information compromised, and you probably have too. It ticks me off, to put it politely, and this column is the only time I will be polite about it!

Let's face it, your financial data and personal information are everywhere and can be vulnerable to attack. In fact, it's estimated that cybercrime will cost the global economy a staggering \$6 trillion this year. Furthermore, businesses and individuals are expected to shell out more than \$150 billion on cybersecurity in 2021 as the world scrambles to play defense against numerous nefarious actors.

The trend is clear: cybersecurity is becoming a massive industry that impacts everyone from your average consumer to international corporations. This has become big business with big consequences and potentially big rewards for aggressive investors.

I would like to focus on two pure play companies that are in this specialized industry whose future returns will help you forget about the credit card theft you probably have experienced.

Let me explain.

The first line of defense in cybersecurity is a firewall and something most of us are already using — whether we know it or not.

This can either be a physical box from your internet service provider or a piece of software run over a network. It looks at incoming and outgoing network activity and decides whether to allow or block the information.

Palo Alto Networks (Ticker Symbol: PANW) is the world leader in "next-generation firewall" protection. Their state-of-the-art firewall software uses sophisticated machine learning and artificial intelligence to add multiple levels of security to protect your network and electronic devices.

With a market cap of \$47 billion and more than 10,000 employees, Palo Alto is the largest pure-play cybersecurity company in the world. Despite its large size, Palo Alto expects explosive sales growth of 50% over the next two years — a remarkable rate considering their size. Furthermore, management sees demand staying that way post pandemic on the continued use of work from home and hybrid models.

In addition, CEO, Nikesh Arora, said growth will be fueled by the shift to more cloud-based work situations, which create vast long-term security concerns.

While large corporations certainly need and use the protection services offered by Palo Alto, many also have more complex security needs that go beyond the first line of firewall protection.

Large corporate networks can have tens of thousands of users, including

employees, vendors, consultants, etc., each using different devices to access the internal network, all at the same time. The process of securing the entire internal corporate network from external threats is called “endpoint protection.”

A leader in this field is CrowdStrike (Ticker Symbol: CRWD).

CrowdStrike specializes in endpoint protection, threat intelligence, and offers aggressive solutions to support later stage security and large network operations.

CrowdStrike employs only 3,000 people. This is a unique and aggressive growth stock.

In addition to their endpoint protection technology, CrowdStrike offers highly trained human analysts to assist customers in proactively searching for cyber threats that may be lurking undetected in a network.

CrowdStrike serves nearly half of the Fortune 100, including major banks, health care organizations, and energy companies and boasts a near perfect customer retention rate.

And think of this: it is estimated that the world will have more than 50 billion devices connected to the internet by 2025, compared to just 5.8 billion in 2020! Those are a lot of endpoints that need protecting and that’s good news for cybersecurity companies.

Every stock has its risks. Both of these companies have seen explosive increases in their stock prices as a result of the large markets they serve.

For example, CrowdStrike went public back in June of 2019 and has since returned more than 650%!

So, these are certainly not bargain buys and investors need to take a long-term view with this emerging industry.

Demand for cybersecurity services, however, remains extensive and this industry has almost unlimited shelf life as upgrades to cybersecurity will always be needed.

Obviously, no one likes to have their sensitive information compromised. It is a violation of our privacy.

To get on the winning side of this battle, buy Palo Alto Networks and/or CrowdStrike for the long term — and punch back.

As Winston Churchill once said: “I like a man who grins when he fights.”

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