

# Cyber Security Market Update

## Divergence, AI Uncertainty, and Market Shifts

Presented by Walter Houser  
September 17, 2025



# Index Performance

2,448

Security Weekly 25 Index

Up 144-145% since inception

21,713

NASDAQ All-Time High

Reached on August 13th

21,449

NASDAQ Close

Up 223% overall performance



⚠️ **First significant divergence** between the cybersecurity sector and the broader tech market has emerged, signaling a shift in investor sentiment and market dynamics.



# Why the Divergence?

## Earnings Misses

CrowdStrike revenue miss highlighted sector vulnerabilities and investor concerns about growth sustainability

## Rising Costs

Inflation and potential tariffs are raising operational costs across tech sectors, squeezing margins

## Profitability Pressures

First negative profit in 7 years signals fundamental challenges in the cybersecurity landscape

**Q2 Rebound:** Despite challenges, the sector showed resilience with revenues up 1.83% and profits surging 14%, indicating potential recovery momentum.



# The AI Factor: IT Layoffs or Realignment?

## Significant IT Workforce Reductions

- The tech sector has experienced substantial layoffs, with over **150,000 workers** shed in 2024 alone, according to Layoffs.fyi.
- Microsoft, despite reporting soaring sales, contributed to these figures by axing more than 15,000 positions.

These large-scale reductions raise questions about the industry's health and future employment trends.

- 83,043 tech employees laid off
- 194 tech companies with layoffs in 2025
- 67,749 gov't employees laid off by DOGE
- 178,296 total federal departures in 2025

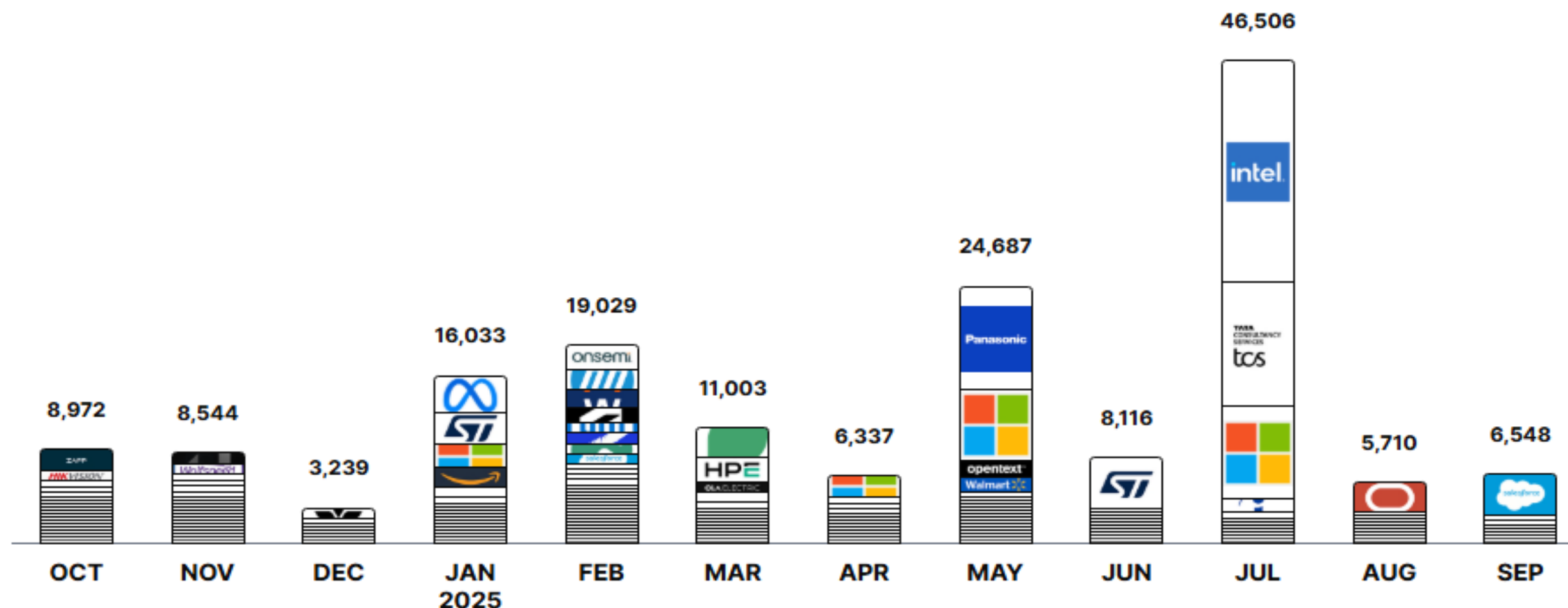


So far in 2025, there have been 521 layoffs at tech companies with 143,969 people impacted.  
In 2024, there were 1,115 layoffs at tech companies w/ 238,461 people impacted.

<https://www.trueup.io/layoffs>

## Tech Employees Impacted by Layoffs

As of September 15, 2025



source: trueup.io

# Tech Jobs by Company

Tech companies with the most open jobs  
As of Aug 31, 2025

## Tech Job Openings

As of Aug 31, 2025











Source:  
trueup.io

Amazon	13,411
Apple	4,889
TikTok	4,091
IBM	4,032
Tesla	3,623
Oracle	3,005
Other public tech companies	87,625
Other private tech companies	100,363

Total job openings = 221,105

## Tech Co's with most open jobs

Open jobs

01		Amazon	13,411
02		Apple	4,889
03		TikTok	4,091
04		IBM	4,032
05		Tesla	3,623
06		Oracle	3,005
07		Microsoft	2,205
08		Google	2,122
09		Shopee	2,050
10		Accenture	1,897

source: trueup.io



# The AI Factor: IT Layoffs or Realignment?

## AI- Driven Transformation

The prevalence of AI is prompting a critical discussion:

- Are these layoffs indicative of a cyclic economic downturn or a strategic realignment of the workforce?

Companies are increasingly investing in AI capabilities,

- which may automate certain tasks and
- create demand for new, specialized roles,
- leading to a profound shift in skill requirements
- rather than just job losses.





# The AI Factor: IT Layoffs or Realignment?



CrowdStrike	~500 roles (5% of workforce)
Sophos	~6% reduction in workforce
Deep Instinct	~20 roles (~10% of staff)
Adarma (UK-based)	173 employees laid off (company collapse)



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## Layoff Speculation

Layoffs at CrowdStrike, Microsoft, and Deep Instinct fueled market speculation about AI replacing human workers

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## Budget Realignment

Companies are strategically shifting resources toward AI-driven initiatives rather than traditional approaches

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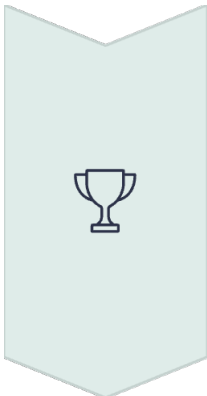
## Margin Preservation

AI is positioned to preserve profit margins and enhance efficiency, not eliminate people outright





# Winners and Losers



## Top Performers

- Rubrik - Strong growth trajectory
- Gen Digital - Consistent performance
- CyberArk - Market leadership



## Struggling Stocks

- Verint - Facing headwinds
- CrowdStrike - Revenue challenges

## Analyst Ratings Overview

Average rating: **1.756 (Moderate Buy)**

**Best-rated companies:** OpenSpan, Verint, Zscaler

**Lowest ratings:** Qualys, NetScout, F5

The mixed analyst sentiment reflects the sector's transitional period and uncertain growth prospects.



# IPO and M&A Landscape

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## IPO Market Slowdown

IPO market remains sluggish with only Netskope filing to go public. Private firms increasingly favor PE buyouts or strategic acquisitions over public offerings.

2

## Major M&A Activity

**Palo Alto Networks** acquiring CyberArk (~\$25B) and Protect AI (~\$500M) in landmark deals

3

## Strategic Expansions

**Zscaler** acquired Red Canary to push into managed services

**Keyfactor** acquired InfoS Global & Cyber Insights



Populate Competitors ⓘ

Populate Schwab Sector Stocks

PANW

CRWD

NET

FTNT

ZS

My Comparisons ▾

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Summary

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▼ Relative Performance Chart

This graph does not reflect distributions, capital gains, sales loads, redemption fees

1 Day

3 Day

5 Day

10 Day

1 Mo

3 Mo

6 Mo

9 Mo

PANW

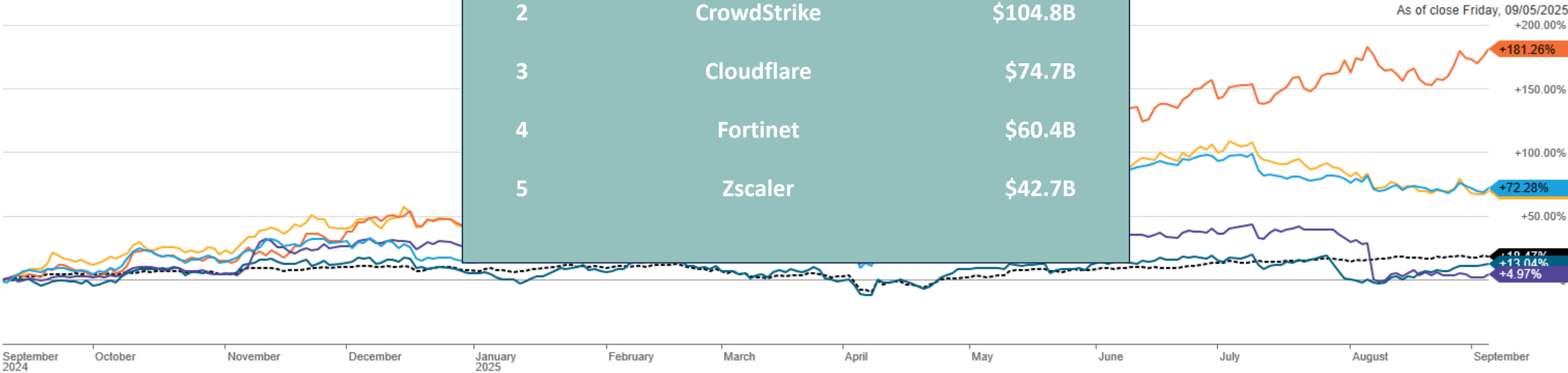
CRWD

NET

FTNT

ZS

S&P 500 (Benchmark)





# Private Investment Trends



## Deal Characteristics

Private equity deals are fewer in number but maintaining substantial deal sizes, indicating selective but confident investment strategies

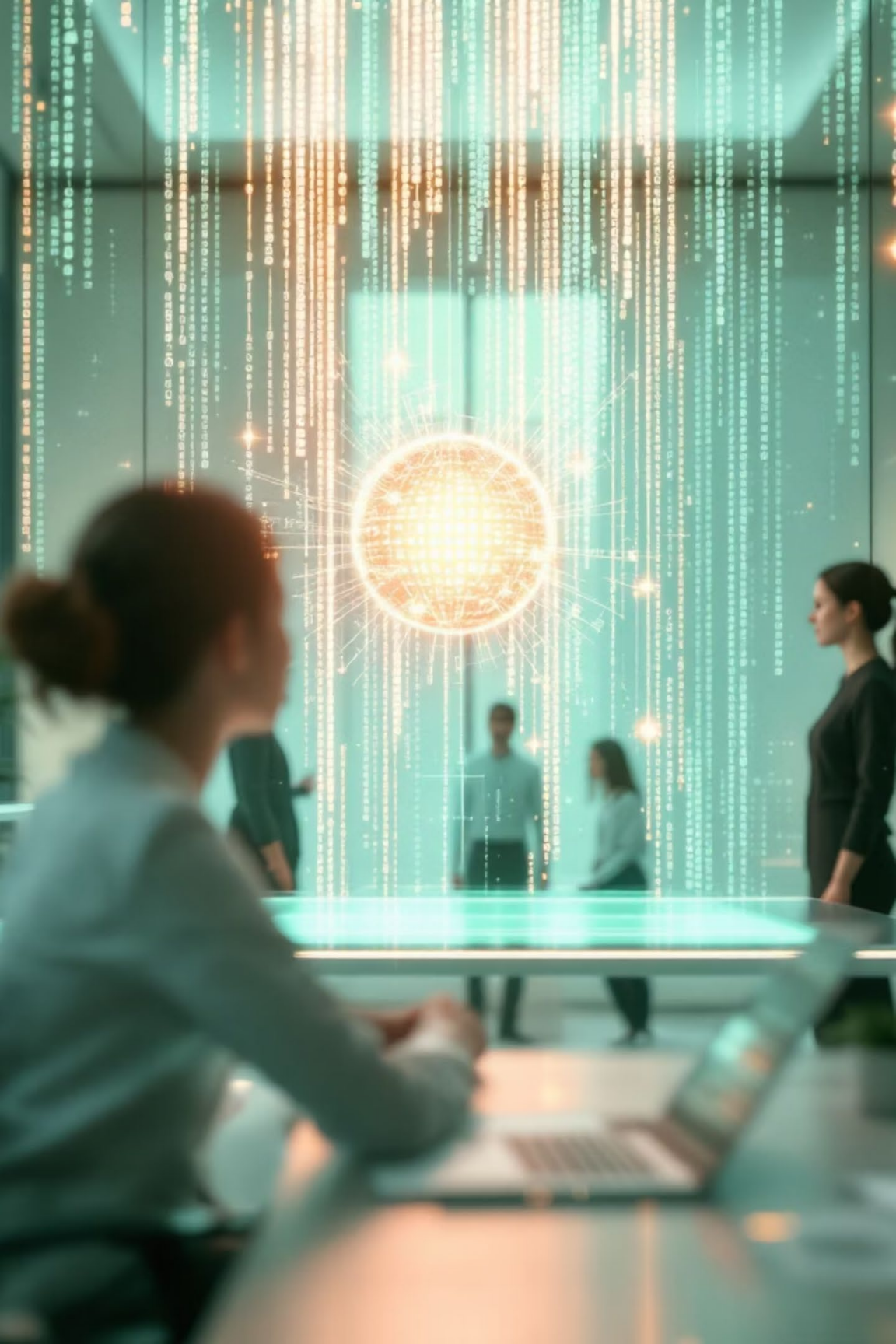
## Notable Funding

ReliaQuest raised \$500M, with a portion allocated for founder buyout, demonstrating continued investor appetite for established players

## Market Sentiment

PE firms remain bullish on cybersecurity fundamentals but exercise increased caution due to economic uncertainties

⊗ **Concerns:** Potential tariffs, federal spending constraints, and scaling operational costs are creating headwinds for private investment decisions.



## Key Takeaways



### Market Divergence

Cybersecurity sector is diverging from NASDAQ due to earnings pressure and sector-specific challenges



### AI Transformation

AI is reshaping budgets and operational strategies, focusing on efficiency rather than job replacement



### M&A Dominance

IPO market stalled while M&A and private equity transactions dominate the investment landscape



### Growth Opportunities

Managed services and post-quantum cryptography emerge as key growth areas for the sector



# Is Your Employer Focusing on Reskilling & New Opportunities?

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## Upskilling Initiatives

Companies are heavily investing in training programs to equip their workforce with AI-relevant skills, focusing on areas like data analytics, prompt engineering, and ethical AI application.

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## Emergence of New Roles

AI is a catalyst for new specialized job categories such as AI ethicists, data privacy officers, and AI integration specialists, redefining the landscape of future employment.

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## Enhanced Productivity

Instead of outright replacement, AI tools are augmenting human capabilities, automating repetitive tasks, and allowing employees to focus on strategic thinking and creative problem-solving.

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## Strategic Workforce Planning

Organizations are actively re-evaluating and reimagining their talent strategies to seamlessly integrate AI capabilities, prioritizing adaptability and a culture of continuous learning.

