



# Mitigate Cyber Risk while Increasing Deal Velocity for Private Equity Firms & Portfolio Companies

# Introduction

Zscaler's comprehensive cloud-native platform securely connects everything, simplifies user experience and onboarding, lowers deployment and operational burden all while comprehensively protecting assets from cyber threats so the Private Equity (PE) firms can remain secure, engage in more sell side & buy side transactions and create value in their portfolio companies with confidence.

## Challenges for PE firms, transactions and portfolio companies

The nature and scale of cyber risk varies by sector. These ever-present and evolving risks pose a threat to all businesses to some degree. PE has traditionally taken a less rigorous approach to cybersecurity than other industries—but this is starting to change. They must be mindful of the cybersecurity of their internal operations, their portfolio companies and the transactions they engage in. Understanding both the nature of cyber threats and the opportunity to get in front of them is critical to preserving and creating value.

PE firms typically experience numerous cybersecurity challenges. They include lack of cyber investment, education and training, data privacy, inadequate incident response (IR) tools, intrusion monitoring, malware identification, and countless other IT underinvestments. Moreover, many of these firms do not have a dedicated CISO to drive a cohesive cyberstrategy. PE firms are considered by cyberattackers as a “target-rich-zone.” PE firms are rapidly realizing they can no longer fly under the radar of threat actors. Instead, PE firms need to enhance their digital transformation and data privacy via implementing a threat-based cybersecurity program.

In addition to the inherent challenges of PE firms, they manage a large disparate network of portfolio companies and continually engage in both sell side and buy side transactions. We need to evaluate the overall cyber risk for PE across all constituents – PE firms, PE transactions and PE portfolio companies, the challenges across all three categories are related but discrete.

## PE Firms

Investment professionals at PE firms continually evaluate targets and have largely dynamic work from anywhere profiles involving global travel. These individuals are in possession of sensitive financial, operational and commercial data which makes them a target for hackers and other bad actors. PE firms, like other professional services organizations, have in recent years made investments to enhance their cyber security posture. However, given the evolving threat landscape and the emergence of ransomware, further training and awareness is needed at the practitioner level.

## PE Transactions

PE firms engaged in platform or carve-out acquisitions, are subject to inherent cyber risks during the transaction life cycle. Engaging with 3rd party advisors to perform IT and cyber diligence is a best practice. However, compressed timelines coupled with lack of access prevents them from addressing risks pre-close. Post close, the propensity of cyber attacks increases many fold due to unaddressed vulnerabilities leading to value erosion. According to a survey from a leading cyber solution provider, about 60% of companies had some level of regret or concern related to cyber security after the close of a transaction. Moreover, the deal value realization is subject to operational execution speed that continues to leave cyber issues open.

## **PE Portfolio Companies**

PE firms have a diverse set of portfolio companies spanning multiple industry sectors, regions and geographies. Historically, most PE firms provided strategic guidance and oversight to their portfolio companies leaving pertinent day to day decisions including cyber security and IT systems matters to the qualified management team. However, in today's day and age with the increasing emphasis on Environmental, Social, and Governance standards (ESG), PE firms are expected to play a larger role in Corporate Governance, including providing oversight and direction around cyber security. Typically, there is a lack of cross portfolio cyber strategy and framework. Moreover, the pressure on value creation and EBITDA improvement contradicts the technology investments needed to prevent or detect a cyber attack.

For the PE firms, portfolio companies, and their ongoing buy-side/sell-side transactions, deal makers, and executives should proactively address areas that can adversely affect estimated valuation and synergies.

## **Zscaler advantage**

### **Transform and modernize cyber security at PE firms and portfolio companies**

The traditional castle-and-moat perimeter approach is being phased out in favor of the zero trust model. Zero trust provides a secure and direct connection that reduces potential vulnerabilities for storage and moving data—in SaaS and public clouds—and applies to almost any type of security threat. With Zscaler, PE firms reduce or eliminate their attack surface, threats can be limited in their ability to move laterally, and the platform's scalability reacts to new and evolving threats in near real-time.

### **Enable the modern and mobile workforce for PE professionals and portfolio company employees**

Today's workforce is mobile and decoupled from physical spaces. The Zero Trust Exchange supports this by giving policy-based access to users wherever they are, regardless of location. Gone are the days of tunneling into networks, and issues are proactively resolved with a shift-left strategy.

The platform can be scaled to meet new user demands, wherever or however they access the internet. This is particularly important for the highly mobile PE professionals and also provides an opportunity to modernize the work culture at portfolio companies.

### **Zscaler helps PE platform / add-on / carve-out acquisitions run safer and faster**

Zscaler delivers a modern approach to M&A integrations, separations and stand-ups, based on the concept of a Zero Trust Exchange delivered in an as-a-service, pure cloud platform. The Zscaler Zero Trust Exchange securely connects users to systems, applications, devices and each other without connecting any of it to the acquiring or separating company's network. The platform delivers instant access to data and ensures uptime, while protecting the firm's network against potential cyber risks and threats. The result is a highly scalable, safe, and transparent integration sandbox that can be reused time and again.

### Reduce one time costs and run rate costs with optimized IT footprint

Zscaler eliminates the need to have expensive MPLS circuits and capex investments in hardware appliances. Zscaler enables switching from private WAN to a pure internet-based network. In addition, Network and Security as a Service reduces infrastructure costs. The simplified solution eliminates point solutions enabling the IT support resources to reprioritize efforts to build new functionality and focus on innovation. Through these tenets, Zscaler is able to reduce one time costs and run rate costs leading to significant EBITDA improvements.

### Zscaler is the modern way to transform network, application and security enabling PE professionals to work from anywhere and secure the PE portfolio companies with zero trust

The immediate ability to create value with Zscaler in a competitive PE world is a compelling differentiator Zscaler brings into the PE sector. Zscaler's simplicity gets PE firms, PE Portfolio companies and PE transactions to run optimally and offers superior user experience, enhanced security, optimized IT organizations and streamlined one time and run rate costs leading to improved EBITDA. Zscaler allows PE operators to move rapidly to value-creation activities while increasing the return on investment. Contact us for a [demo](#) today.



Experience your world, secured.™

#### About Zscaler

Zscaler (NASDAQ: ZS) accelerates digital transformation so that customers can be more agile, efficient, resilient, and secure. The Zscaler Zero Trust Exchange protects thousands of customers from cyberattacks and data loss by securely connecting users, devices, and applications in any location. Distributed across more than 150 data centers globally, the SASE-based Zero Trust Exchange is the world's largest inline cloud security platform. Learn more at [zscaler.com](#) or follow us on Twitter [@zscaler](#).

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