# Memo

## To Investment Team

## From Your Name

## Date July 19, 2024

## Subject Impact of CrowdStrike Outage on Airlines and Financial Services

### Overview

A global IT outage caused by a software update from cybersecurity firm CrowdStrike has severely disrupted multiple industries, including airlines and financial services. The issue, which originated from a defect in a content update for Windows hosts, has affected Microsofts customers worldwide. Services are gradually being restored, but the incident has highlighted significant vulnerabilities in our increasingly interconnected digital infrastructure.

### Key Events

1. Cause of Outage

* A faulty software update from CrowdStrike led to widespread system failures.
* The update affected Windows hosts, causing issues such as the blue screen of death.

1. Impact on Airlines

* Major U.S. airlines (American Airlines, Delta, United) grounded flights.
* Airports globally, including Los Angeles, Singapore, Hong Kong, Amsterdam, and Berlin, faced delays.
* Manual check-ins caused significant delays at airports.

1. Impact on Financial Services

* Banks and financial institutions from Australia, India, Germany, and the UK experienced disruptions.
* Trading and transaction execution were problematic across markets.
* The London Stock Exchanges Regulatory News Service was temporarily down.

1. Other Affected Sectors

* Healthcare systems in the UK faced booking system outages.
* Media outlets like Sky News were taken off air.
* Government agencies, including the Dutch and UAE foreign ministries, reported disruptions.

1. Restoration Efforts

* CrowdStrike and Microsoft have deployed fixes.
* Services are gradually being restored, with some companies like American Airlines and Commonwealth Bank reporting a return to normal operations.

### Market Reaction

* CrowdStrike Shares dropped by 14.5, wiping out 12.2 billion in market value.
* Competitors SentinelOne and Palo Alto Networks saw share increases of 10 and 2.6, respectively.
* Microsoft Shares dipped by 1.5.

### Conclusions

1. Vulnerability Exposure

* The incident underscores the risks associated with over-reliance on single points of failure in digital infrastructure.
* Companies may need to reassess their dependency on specific cybersecurity solutions.

1. Market Opportunities

* Competitors of CrowdStrike, such as SentinelOne and Palo Alto Networks, may see increased interest and market share.
* Diversification in cybersecurity solutions could become a priority for affected industries.

1. Regulatory and Compliance Implications

* Increased scrutiny on cybersecurity protocols and disaster recovery plans.
* Potential for new regulations mandating more robust testing and backup systems.

### Action Items

1. Portfolio Review

* Assess exposure to affected companies, particularly those heavily reliant on CrowdStrike and similar cybersecurity solutions.
* Consider reallocating investments towards competitors like SentinelOne and Palo Alto Networks.

1. Engage with Affected Companies

* Initiate discussions with portfolio companies to understand their mitigation strategies and future plans to prevent similar incidents.
* Evaluate the potential long-term impact on their operations and financial health.

1. Monitor Regulatory Developments

* Stay informed about any new regulations or guidelines that may emerge as a result of this incident.
* Ensure portfolio companies are prepared to comply with potential new cybersecurity standards.

1. Risk Management

* Encourage portfolio companies to diversify their cybersecurity solutions and enhance their disaster recovery plans.
* Consider investing in companies that offer innovative and resilient cybersecurity solutions.

### Next Steps

* Schedule a meeting with the cybersecurity team to discuss the implications of this outage.
* Prepare a detailed report on the potential long-term impacts on affected industries.
* Develop a strategy to capitalize on market shifts resulting from this incident.

### Attachments

* Detailed incident timeline
* List of affected companies and their current status
* Market analysis report on cybersecurity sector

Please review and provide your feedback or additional insights.

Best regards,

Your Name

Your Position