Memo To Investment Team

From Your Name

Date July 19, 2024

Subject Impact of CrowdStrike Outage on Airlines and Financial Services

### Overview

On July 19, 2024, a global tech outage caused by a software update from cybersecurity firm CrowdStrike (CRWD) led to significant disruptions across multiple industries, including travel, finance, healthcare, and media. The outage, which affected systems running on Microsoft Windows, resulted in grounded flights, delayed financial transactions, and interrupted healthcare services.

### Key Events

#### 1. Cause of Outage

* A defective content update for Windows hosts from CrowdStrike triggered widespread system failures.
* CrowdStrike CEO George Kurtz confirmed the issue was not a cyberattack but a software bug, which has since been fixed.

#### 2. Impact on Airlines

* Major U.S. airlines such as American Airlines (AAL), Delta (DAL), and United (UAL) grounded flights.
* Airports worldwide, including those in Los Angeles, Singapore, Hong Kong, Amsterdam, and Berlin, experienced delays as check-ins had to be done manually.

#### 3. Impact on Financial Services

* Banks and financial services in Australia, India, and Germany reported disruptions, affecting transactions and customer services.
* The London Stock Exchange Group (LSEG) experienced data and service outages but has since restored operations.

#### 4. Other Affected Sectors

* Healthcare systems in Britain faced booking system outages, and Sky News was taken off air.
* Government agencies in the Netherlands and UAE reported disruptions.

### Current Status

* Services are gradually being restored across affected sectors.
* Companies such as American Airlines, Frontier, Spirit, and Commonwealth Bank have reported a return to normal operations.
* CrowdStrikes market value dropped by approximately 12.2 billion, with shares down 14.5. In contrast, competitors like SentinelOne and Palo Alto Networks saw increases in their stock prices.

### Potential Conclusions

#### 1. Sector Vulnerability

* The incident highlights the vulnerability of critical infrastructure to software updates and the importance of robust IT management protocols.
* Industries heavily reliant on digital systems, such as airlines and financial services, are particularly susceptible to such disruptions.

#### 2. Market Reactions

* CrowdStrikes significant stock drop indicates a loss of investor confidence, at least in the short term.
* Competitors may benefit from this incident as companies reconsider their cybersecurity providers.

#### 3. Regulatory and Operational Implications

* There may be increased scrutiny on cybersecurity firms and their update protocols.
* Companies might diversify their cybersecurity solutions to mitigate risks associated with single-provider dependencies.

### Action Items

#### 1. Risk Assessment

* Conduct a thorough risk assessment of our portfolio companies reliance on single cybersecurity providers.
* Evaluate the potential impact of similar outages on our investments and identify mitigation strategies.

#### 2. Engage with Cybersecurity Experts

* Initiate discussions with cybersecurity experts to understand best practices and potential improvements in IT management.
* Consider investing in or partnering with firms specializing in IT resilience and recovery solutions.

#### 3. Monitor Market Developments

* Keep a close watch on CrowdStrikes recovery efforts and market response.
* Assess opportunities to invest in competitors who may benefit from this incident.

#### 4. Communication with Stakeholders

* Ensure transparent communication with stakeholders about the potential risks and our strategies to mitigate them.
* Provide updates on any changes in our investment strategy related to cybersecurity.

### Conclusion

The CrowdStrike outage serves as a critical reminder of the interconnectedness and vulnerability of modern digital infrastructure. By proactively addressing these risks and exploring new opportunities, we can better safeguard our investments and capitalize on emerging market dynamics.

Please feel free to reach out with any questions or for further discussion on this matter.

Best regards,

Your Name