

MARKET NOTE

Trustwave Reemerges with a Promising Future and Partner

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EXECUTIVE SNAPSHOT

FIGURE 1

Executive Snapshot: Trustwave Reemerges with a Promising Future and Partner

Trustwave has come through an eight-year acquisition and a divestiture cycle with a new sense of purpose and new growth opportunities. Trustwave does not look like the same company that it was in 2015 when acquired by Singtel. While historically an MSSP, Trustwave now has a sharp focus on areas such as MDR that are showing higher growth rates rather than some of the legacy capabilities that it brandished back in 2015. With The Chertoff Group's focus on cybersecurity with large global enterprises, government services, and homeland security, Trustwave is a natural fit with Chertoff with an aligned mission. For Trustwave, this opens new doors to expanded opportunities and a larger customer base.

Key Takeaways

- Trustwave kept its eye on the MSSP ball, even as a part of its larger parent company, Singtel. Trustwave saw the changing needs and focus of managed security services customers to address MDR and comanaged SOC. Trustwave caught this wave by investing in areas that are the largest growing in managed security services. This has helped keep Trustwave relevant as it now embarks as a standalone company under The Chertoff Group umbrella.
- Even the deep pockets afforded telcos do not necessarily assure success in the managed security services business. Strategic direction around managed security services and reasonable expectations is required to recoup investment in cybersecurity acquisitions.
- Partnerships will continue to be an important aspect of security services. The partnership between Chertoff and Trustwave addresses strategic advisory services and managed security services, respectively. This combination provides balance and speaks to what clients need to assess, address, and then execute on a security services engagement.

Source: IDC, 2024

IN THIS MARKET NOTE

There will be different entrants and different paths by services providers, vying for leadership positions in the managed detection and response (MDR) market. One of those emerging leaders, Trustwave, has been transforming itself for the past several years to focus on MDR as part of an international telco, but that has now changed. On October 1, 2023, Singtel announced it would be divesting itself of its stake in Trustwave. Singtel initially jumped into the managed security services space with its investment in Trustwave in 2015. Several years on, the desired synergies between Singtel and Trustwave have not materialized in a timely manner.

This sale by Singtel is part of a realignment of its strengths and a refocus on its Asia/Pacific market. Singtel's decision around security services is good news for Trustwave, now an affiliate of The Chertoff Group. Trustwave will be adding managed detection and response, managed SIEM, and other managed security services to Chertoff's expanding portfolio of cybersecurity and government services investments. The new synergies that Trustwave hopes to utilize to its benefit include Chertoff's strong presence in government and large enterprise markets, along with Trustwave's recent shifts toward focusing on the rapidly growing MDR market.

IDC'S POINT OF VIEW

The move toward cybersecurity services by the telco industry is not new; it is a coveted market. Many telcos have large customer footprints in the SMB market, and with cyberthreats expanding to all types of businesses, supplying managed security services to SMBs, as well as larger enterprises, is attractive to them. In addition, the cybersecurity managed service market is experiencing steady growth, and telcos would love a piece of this to supplement overall revenue for other business segments that are already mature and now slower growth areas.

While participating in the cybersecurity services market seems like a sure thing, in fact, there are no sure things in a competitive managed security services market. Singtel was and remains a very successful telco based in Singapore. At the time of the Trustwave acquisition in 2015, Singtel aspired to gain ground in the managed services space. This is an initiative that many telcos embark on as they look for new services and revenue streams to continue growth. But large multifaceted enterprises have many stakeholders to answer to, and in this aspect, Singtel is no different. To assuage company shareholders, it is standard practice for enterprises, including telcos, to review and update their portfolios, with an eye toward profitable growth. In fact, Singtel has a history of doing just that with a previous divestiture of Amobee, a marketing technology company in September 2022 with an enterprise valuation of \$239 million. So this type of constant reassessment and realignment is nothing new for Singtel.

And Singtel is not the only telco feeling its way forward in addressing the cybersecurity services market. AT&T, which has been offering managed security services under the greater AT&T umbrella, announced in November that it is now going to create a standalone managed cybersecurity service business with Chicago-based WillJam Ventures LLC. This spin-off points to the fact that cracking the managed security services market is a work in progress for telcos.

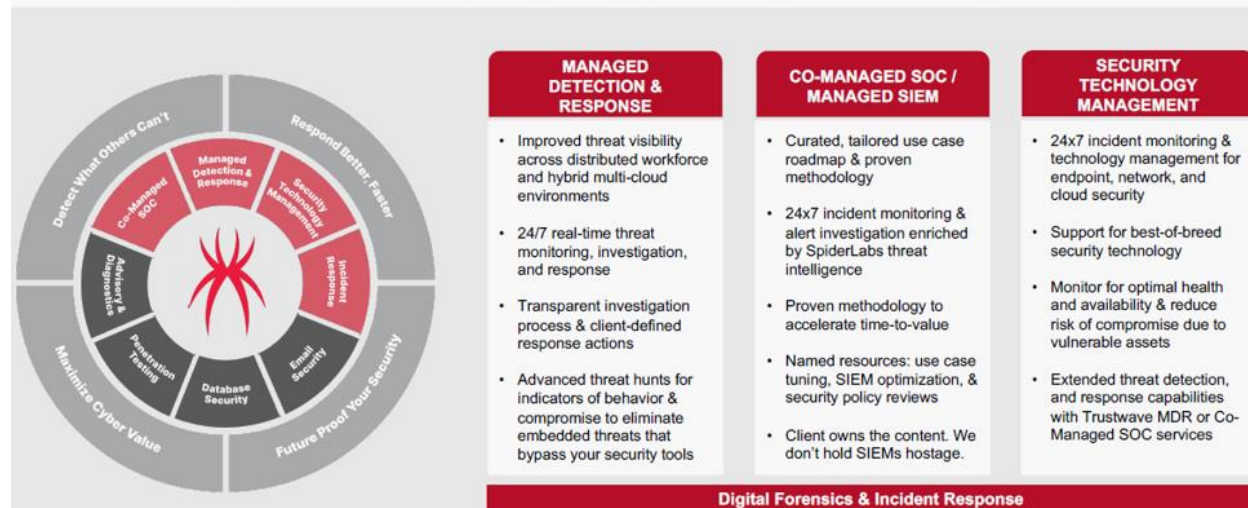
Specific to Trustwave, its vitals look good. Even as it has been flying under the radar as part of Singtel, it's been reimagining itself within those confines. In 2021, Trustwave announced the divestiture of its PCI business to Sysnet, making the strategic decision to focus on higher-value offerings with MDR, consulting/cyberadvisory, and products for database security and enterprise email security. This

affords Trustwave customers access to a robust managed security services offering. Figure 2 shows Trustwave's managed security services offerings.

FIGURE 2

Trustwave's Managed Security Services Offerings

Designed to meet the needs of mid-market and enterprise clients with differing levels of security maturity



Source: Trustwave, 2024

This was a shrewd realignment in direction as the managed services market was growing particularly MDR services having the highest growth rate among all cybermanaged services.

In addition, in 2022, Trustwave transferred significant revenue and assets that were complementary to Singtel Group's core telecommunications and systems integration business in Asia/Pacific, to Singtel Group entities, making Trustwave a very different company than the PCI-focused business acquired by Singtel in 2015.

Trustwave executives say they saw the cybermarket shifting and made the decision to focus on the emerging MDR market. This has resulted in strong growth for the company's MDR and comanaged SOC offerings as clients are looking for this combination of services. The company has already seen improved revenue and record sales for the past two quarters, with high double-digit year-over-year growth for its MDR offering. This growth is particularly pronounced in large enterprises in healthcare, financial services, hospitality, transportation and logistics, retail, and manufacturing verticals.

While Trustwave will be a standalone cybersecurity company, it will not be going it alone. The acquisition by MC2 Security Fund, an arm of The Chertoff Group, means it will partner with a company that has deep connections across large global companies and government agencies with a shared security-focused mission. Chertoff's strategic cybersecurity advisory services are complementary to Trustwave's cybersecurity portfolio as well as the overall MC2/Chertoff security portfolio that includes DMI, Virtru, and ThayerMahan. Because Trustwave is no longer owned by a non-U.S. entity, it opens opportunities for Trustwave in many government agencies, Global 1000 companies, as well as

verticals such as insurance and legal firms. But this is not a specific retrenchment to U.S. markets only, as Trustwave has a significant international presence, and will continue to partner with Singtel/NCS/Optus in the Asia/Pacific region. The Chertoff Group also has reach beyond the United States and advises many large multinational companies.

The cybersecurity managed services market – while growing – will remain competitive, and companies will take risks to engage and become players. Sometimes a company rolls the dice with a new acquisition and high expectations, but it doesn't always play out as anticipated. The failure is not always because of bad service, product, or bad marketing. Some domains are outside of the parent company's expertise, and a scenario that looks good on paper doesn't always translate in the real-world environment. In addition, sometimes the parent company is large and lacks nimbleness, while an acquired company wants and needs to reinvent itself to meet market demands and changing customer needs. This is particularly true in the managed security services business. This conscious uncoupling of Trustwave and Singtel is probably best for Singtel and most certainly best for Trustwave.

LEARN MORE

Related Research

- *Deloitte Expands Managed Services Footprint and Offerings for More Holistic Identity Security* (IDC #US51334923, November 2023)
- *Market Analysis Perspective: Worldwide Security Services, 2023 and Beyond* (IDC #US51228723, September 2023)
- *The Security Services Providers' Balancing Act – Broad Opportunity Across Industries, Geographies, Cybersolutions, and Regulatory Concerns* (IDC #US51018323, July 2023)
- *Zero Trust Survey Insights* (IDC #US50047823, June 2023)

Synopsis

This IDC Market Note discusses the divestiture of managed security services provider Trustwave from Singapore-based Singtel to The Chertoff Group. During the eight years Trustwave was part of Singtel, it was also looking ahead to changing customer needs and realigning itself to address comanaged SOC and MDR. This mission-focused thinking now sets Trustwave up for accelerated growth, in partnership with Chertoff, to execute on the security goals that Chertoff strategically advises its clients.

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