CANADIAN MANAGED SECURITY SERVICES

MARKET REPORT

2019 EDITION

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About This Report

NBI/Michael Sone Associates' Canadian Managed Security Services Market Report, 2019 Edition, is our second dedicated examination of this subject.

This report is comprised of two main sections. The Market Overview explores the general business, competitive dynamics, service, and technology trends in the Canadian cybersecurity and managed security services industry. The second section looks at the specific managed security offerings and strategies of 11 of Canada's major players in the space. We have included a 2018 revenue estimate and 2019 revenue projection for each provider. While those profiled are not the sum total of all active companies, they are significant Canadian players who set the tone for the entire domestic managed security industry.

As many businesses conduct more of their operations online and over the cloud, the demand for robust network security has grown. Concurrently, network threats have increased in both quantity and severity and a single breach is able to disrupt a company's entire functioning completely. Maintaining adequate in-house IT security capabilities is both complex and costly and this has driven adoption of managed security services.

With security outsourcing, companies can direct focus towards their core business competencies, reduce in-house IT burden, and implement the most effective security measures. In Canada, the need for cost-effective security solutions is magnified as the business landscape is dominated by small- and medium-sized businesses (SMB). Relative to larger enterprises, SMBs have far less capital available to invest in their own IT departments and managed security helps ensure that adequate security frameworks are in place.

In Canada, providers of managed security services can be grouped, roughly, into three categories:

- **Pure-play managed security service/managed detection & response providers:** Companies that specifically provide managed security services and solutions. Key

Canadian pure-plays profiled in this report include (though are not limited to) eSentire, Herjavec Group, and Scalar Decisions.

- **Full-service telecommunications providers:** Bell, Iristel, Rogers, Shaw Communications, TELUS, and Zayo Group-Allstream all have managed security offerings as part of their overall business services suites. They are all featured in this report.

- **ICT solutions companies:** Finally, we have also profiled IT solutions companies CGI Group and IBM.

Competitively, companies within each of the groupings tend to exalt very similar competitive advantages. The telecom and ICT solutions companies maintain that their edge is rooted in their ability to integrate their security solutions seamlessly with the array of communications and networking services offered. Alternatively, the pure-plays assert that their pinpoint focus on security gives them unparalleled expertise not otherwise available.

Within this report, the abbreviation “MSSP” refers to any provider of managed security services (pure-plays, telcos, ICT providers).

The ever-changing nature of the cybersecurity threat landscape means that larger providers increasingly covet the niche offerings and expertise of the smaller cyber/managed security services and technology companies. As a result, more Canadian IT security industry amalgamation should be expected over the next 12-18 months as the major players jockey for competitive edge.

Numerous technology vendors are active in the Canadian managed security market. Larger multi-national technology companies like Cisco Systems, IBM, Juniper Networks, and Hewlett Packard provide an array of security solutions. However, security specialized tech providers like Carbon Black, Check Point Software, F5, FireEye, LogRhythm, Palo Alto Networks, and Splunk have embraced niche areas of IT security and are increasingly visible in Canada. The continuous evolvement of security threats presents opportunity to these smaller solutions/tech companies as they can challenge the larger generalist providers through niche specialization. Furthermore, the sheer number of technology providers in the space has rendered vendor management an important value-add provided by MSSPs as technology selection and supervision is fully outsourced.

Perhaps the most notable service trend within the managed security space is provider movement towards delivering more active threat detection and response capabilities. Many providers have noted that even the best protection, SIEM, and monitoring services are simply not sufficient in today's persistently evolving cybersecurity threat landscape. It is becoming increasingly necessary to acknowledge the inevitability of breaches and to thus have effective managed detection and response (MDR) in place. Most of the providers profiled in this report have either introduced MDR over the last year or have plans to do so by end-2019.