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CYBERHEDGE

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# Rapid Response

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Travelex

worldwide  
money



Finablr

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# CYBERHEDGE Rapid Response: Travelex/Finabl

Updated: Tuesday  
March 24<sup>th</sup>  
2020

**A cyber attack stopped Travelex's operations. It never fully recovered due to lack of cash to respond.** The COVID-19 pandemic will weaken many companies' cash positions in the coming months, also resulting in an inability to adequately respond to cyber attacks. With everyone working from home, corporate networks have never been more vulnerable.

Finabl (FIN) is on the brink of collapse after reporting that its Board is "unable to accurately assess the financial position" of the company and that there is material uncertainty about the group's ability to continue. The CEO has stepped down, shares have been suspended from trading, and Abu Dhabi state-owned institutions are reportedly now considering a restructuring package for the group.

These events follow a damaging operational stoppage in activity at Travelex following a cyber breach on December 31, which led to an estimated 30 percent decrease in annual operating profits and rapid decline in available capital to: 1. pay interest on debt, 2. fund working capital and ongoing operations, and 3. finance required incident response and technology recovery services.

**FIN's downfall tells a larger, more pressing story today—a company's cyber governance is an important indicator of how resilient it will be in the face of significant external shocks.**

FIN/Travelex's swift demise offers an urgent warning to C-suites, investors, and regulators about risks to other companies with similar leverage and tech-reliant business models during the current global Covid-19 pandemic. While FIN/Travelex's poor cyber governance and undisclosed financing issues are self-inflicted wounds, the net result—a sudden loss of financing leading to a rapid collapse in operations—is a risk facing other companies today.

FIN/Travelex did not have the financial resources to adequately respond to its cyber breach (the external shock) and restore operations after a significant operational disruption. The result was a rapidly cascading crisis that has nearly brought the company down in a matter of weeks.

The global shutdown of normal business operations caused by the Covid-19 outbreak means many industries are now dealing with similarly disruptive business and financing shocks faced by FIN/Travelex—albeit for a very different reason. Managing this shock will put more strain on companies' abilities to manage tech-reliant operations and drain the short-term liquidity necessary to effectively protect that technology from disruptive attacks.

This also comes at a time when the cyber threat surface of companies' use of new technology has vastly increased due to the quick and massive shift to remote working around the world. For many companies, this equates to a threat surface more vulnerable to further operational disruptions (a key contributor to the FIN/Travelex breach).

The difficulties are compounding quickly. But, looking beyond tomorrow's headlines, post-pandemic, how many companies are going to have balance sheets and operating margins that look like Finabl PRE-breach? The answer is a lot.

This translates to many companies with tech-reliant business operations that will be susceptible to a second-order impact of cyber disruption and further financial losses at a time when they will be seeking to regain footing and shore up balance sheets post-pandemic.

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The companies that are best positioned to navigate external shocks when they arise are usually in the best condition once they subside. As the FIN case illustrates, one important gauge is cyber governance performance. This case can also serve as an early warning sign of trouble for C-suites and investors.

The Cyberhedge cyber governance model takes into account both cyber and financial factors when assessing performance. In 2019, it consistently measured FIN's **weakest cyber governance metric versus peers as a poorly managed threat surface and technology stack**—in the end, a key source of the breach. Cyberhedge warned in a [January 2020 Rapid Response note](#) that Travelex's poor cybersecurity rating and management's underwhelming response to a 2018 breach pointed to fundamental underlying issues that threatened significant financial damage in the near term.

In the end, FIN's poor cybersecurity governance was a red flag that raised broader concerns about company management.

While FIN's swift collapse is not due to cyber concerns alone (an ongoing investigation has apparently uncovered previously undisclosed financing obligations at the company), its poor cyber governance served as a warning sign for investors about its susceptibility to a significant external shock like a ransomware disruption. Companies with tech-reliant business models and weaker financials on a relative peer basis that also don't manage their technology well are most susceptible to external shocks—whether they come in the form of ransomware or a pandemic.

A company's cyber governance performance provides an important indication of how well it is positioned to manage through the primary and secondary impacts of the initial shock (turbulence of the market, increased cyber vulnerabilities for networks due to remote work) and how well-positioned it will be, both in terms of balance sheet and cybersecurity, once the dust settles on COVID-19.

## What do we mean by cyber governance?

Cyberhedge created the performance metric of a cyber governance rating as a way to compare how companies manage their technology investments and network security. The rating is used in the financial industry alongside investment metrics like Return on Equity or Assets (ROE/ROA) or Earnings per share (EPS). We define a corporation's cyber governance as 'the financial impact resulting from how companies manage the operational risks of their technology investments.' Our Cyber Governance Indexes are priced daily and demonstrate market-based proof that better cyber governance does outperform the market and vice versa. For more details, see our [CBH ratings](#).

## Research

**Ryan Dodd**, Founder and CEO, Cyberhedge  
**Chris Nolan**, Senior Research Analyst, Cyberhedge

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