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Sales Pulse Research Update   **February 18, 2022**

SPR Update - PANW, ZS, PING - Expecting strong reports...

Key Takeaways:

- Field input indicates that Palo Alto, Zscaler and Ping are all benefiting from the rising tide in security spending.

- Channels report further acceleration of Palo Alto's cloud security solutions (Prisma Access, Prisma Cloud). Demand is strong for Palo's security appliances but, as seen with all hardware solutions, they are seeing supply chain constraints.

- Field input on Zscaler is very strong. Sales momentum and examples of field wins is very similar to the input we heard after the previous few quarters. Their success includes a ramp in business with new products, ZCP and ZDX.

- We believe that Ping is benefitting from the increased end user priority on identity management, especially CIAM, as well as improvement in their solution set and field execution.

PANW: Strong growth in cloud solutions; Evidence of solid overall demand with some impact from supply chain constraints

- VARs and distributors continue to see strong demand for Palo Alto. In particular, they report a strong ramp in billings from next gen cloud security solutions. We picked up more examples of impact from supply chain constraints in their January quarter than in the past but channels say that most products are available within 10 - 14 weeks and they are managing through these extended lead times. We expect Palo to report growth in product backlog and strong revenue from unattached subscriptions.

- In our discussion with channels we heard examples of more $1M+ cloud security deals for Prisma Cloud and Prisma Access. Interest in Cortex has been increasing. We heard some examples of conversion of Cortex interest to revenue but also the view that end users are approaching XDR cautiously. Channels stated optimistic views for further ramp of Cortex and other cloud security solutions throughout 2022 based upon sales pipelines.

- Lead times on most products are still being quoted as 10 - 14 weeks; some products, for example the new PA800 has been pushed out further.

- Palo has announced the PA 3400 and 5400 series and new OS Nebula, which will drive a new refresh cycle. Channel contacts are unsure how supply chain limitations will impact their ability to meet refresh demand.

- Channels are seeing upside in 2022 in the firewall space in four primary areas:

- Network Segmentation (Log4J also helps drive this)
- 5G
- Datacenter rearchitecting. Companies are reducing company owned sites, moving to co-located facilities to reduce cost, achieve geo redundancy objectives, get better latency for critical apps, etc. This drives new FW purchases also applies to the storage space.

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- Refresh is an ongoing element of the business for all FW companies, with some initiatives to force/create refresh cycles.

ZS: Continued growth in SASE and with new products

- The SASE market continues to accelerate. The predominant SASE vendors continue to be Zscaler and Palo Alto, followed by Netskope and then a long list of vendors who are working to get traction. Cloudflare continues to deliver impressive results despite the fact that they do yet have much presence in enterprise channels.

- Similar to previous quarters our checks on Zscaler are very positive and indicate strong growth in new accounts as well as expansion within existing accounts.

- According to channels, Zscaler is better at winning new logos in the SASE market than Palo Alto. Some of this appears to be part of the sales culture. "The ZS culture is better at focusing on, and winning more new logos. Palo is doing a great job selling additional solutions into their customer base. And ZS is doing a notably good job landing new business and expanding into their customer base with ZCP and ZDX."

PING:

- We believe that Ping is benefitting from the rising tide in security spending, the increased priority on identity management, especially CIAM, and improved execution.

- Ping has improved their channel strategy. Feedback from channels indicates progress in establishing new channel relationships and gaining more confidence from channel partners.

- Channels also report improved execution in delivering on their product roadmap and initial traction with API Security.

- Because of projects with Ping are often large it is more difficult than some vendors to get views of quarterly progress, however in our view, channel input has continually improved over the last year.

Select Channel Comments:

"We experienced strong bookings with Palo. Revenue growth on appliances is limited due to lack of product, as we have seen with our other vendors. Palo does have a solid assortment of non attached (to firewall) software to sell, that is all seeing solid traction."

"Some end users are reaching out to multiple VARs to see if they can get improved ship dates for Palo equipment through channels that they do not typically work with."

"My customers are very focused on the ransomeware problem and that is driving new spending on security solutions"

"Palo Alto Cortex is doing well. We understand that some Cortex overlay sales reps are said to be 250% of plan."

"We believe that Palo is not executing as well with MSSP & Service Provider program as compared to FTNT and ZS. PANW has a solid relationship with ATT and Comcast but not clear on others. Apparently the MSSP/SP job in Palo is not that desired."

"PANW Okyo Garde wireless initiative had a change in strategy. It was determined they did not need dedicated salespeople (they were re-assigned within Palo) and plan/thought/opinion is they just need pre-sales SE's to achieve sales objectives. Not everyone agrees with this decision. Okyo is a SASE play offering/supporting SASE into the home office to extend corp security posture and protection into the home environment. Some channels believe that the Okyo Garde offering is overpriced."

"We expect 5G spending to ramp this year and Palo and Fortinet should both benefit. Palo has good support for 5G signaling."

"Palo is doing very well in cloud security offerings, while at the same time increasingly competing with newer companies including ORCA, Wiz IO, Lacework, Simplify,….."

"Many SASE deals are really still BlueCoat SWG replacement. They are called SASE but more tactical and limited at this time"

"Palo Alto execs are doing a great job. Their pace of innovation is respected. Its a fast moving culture".

"We have been seeing a ramp in Cloudgenix SDWAN activity. It is a solid solution."

"ZS eating into Cisco Umbrella sales" (Cisco VAR)

"Seeing some sales turnover of Palo reps who have been focused on selling firewalls. We understand that they are paid on shipments and there have been delays. Also heard that quotas were set very high going into this fiscal year".

We are happy to discuss in more detail,

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Technology Trends

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Important Disclosures