
Sales Pulse Research Update**November 5, 2023****Summary of Recent Research – Cybersecurity, UCaaS, BI and Analytics, Changes in IT Spending Priorities**

This update provides brief summaries of our recent research. Access to the full report is for SPR clients only or requested trials.

- 10.25.23 – SPR Update: UCaaS/CCaaS/CPaaS – (RNG, EGHT, NICE, ZM, RNG, FIVN, AVYA, VG, LVOX)
- 10.23.23 -Observability / CSP / DevOps (MSFT, AWS, GOOG, ORCL, DT, DDOG, CFLT, FROG)
- 10.16.23 – SPR Survey Results and Channel Comments
- 10.9.23 – Preliminary views – NOW, Cyber Security (CHKP, CYBR, FTNT, FPD, TENB, QLYS, ZS, CRWD, PANW, OKTA, VRNS)
- 9.26.23 – SPR Update – CRWD Fal.Con – Impressive attendance; AI and TAM
- 9.5.23 – SPR Update – SPR Update: UCaaS/CCaaS/CPaaS – (RNG, EGHT, NICE, ZM, RNG, FIVN, AVYA, VG, LVOX)
- 8.28.23 -SPR Update – Incremental Channel Views – NSSC, Dell, Storage, NTNX, CIEN

10.25.23 – SPR Update: UCaaS/CCaaS/CPaaS – (RNG, EGHT, NICE, ZM, RNG, FIVN, AVYA, VG, LVOX)

OUTLOOK AND TRENDS

- Stock prices of almost all of these Targets were down 20%, plus or minus since early September. Exceptions were OOMA, staying even, and LVOX, up 50% due to the pending acquisition by NICE.
- Those companies that are not pure play CC have been affected by the commoditization of UC and the fact that MSFT is taking share and limiting upside revenue growth and margins for the others. MSFT has unbundled Teams in EU.
- Key elements worrying investors for UC Providers are Commoditization/Competition, Softness in Enterprise Account growth, softness in On-line Revenues, missing on expected new account growth, particularly in Enterprise, as well as being slow to significantly monetize AI.

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- Lots of shake-up in Channel leadership in 2023, showing importance of the Channels and plans to revamp programs and strategies. More focus on the 6-8 very large TSB's as a result of Channel consolidation.
 - AI growth and monetization of features is bringing an expansion in the Addressable Market for SP's, particularly on CC in the next 5 years. Generative AI is key, with NICE as leader and FIVN close behind. Both are well ahead of competitors.
 - Growth of AI may mean a reduction in seat counts in the long term, as the complex capabilities AI brings will be at the expense of the need for some human interaction. But, increased revenues for advanced features will raise ARPU from the sub-\$200 range to the \$300-\$400 range in some cases. The long-term future will bring consumption-based pricing in lieu of seat-based pricing models for high-end capabilities.
 - NICE purchase of LVOX may be the start of more consolidation in this segment.

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10.23.23 - Observability / CSP / DevOps (MSFT, AWS, GOOG, ORCL, DT, DDOG, CFLT, FROG)

Key Takeaways:

- Channels saw a continued slowdown in Q3/2023 that they attributed to macroeconomic pressures. Many channel contacts believe that weak spending will bottom out in Q4 and expect / hope for some acceleration in Q1.
- In Observability, Dynatrace (DT) appears less impacted by this slowdown. They guided conservatively and we believe they will likely meet/beat. Incremental customer growth in the SME continued in Q3. Channels see continued, slow growth in Q4.
- End point monitoring in edge data centers is a use case that SIs see as driving Observability growth in 2024. This is an opportunity for all vendors in this market as a growing number of edge devices and applications will be monitored.
- Channels were asked to provide quotes to clients to achieve consolidation of observability tools for 2024 budgets. These projects have a positive ROI but are complicated and expensive. Many of these projects were pushed out during 2023.

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- Our contacts noted a lot of interest in Cisco's strategy around integration and consolidation of AppDynamics and Splunk Observability platforms. This could revitalize Cisco's efforts in this market and become a challenge to Dynatrace and other vendors. Cisco's marketing engine is likely to start pre-announcing the new product strategy in Q4 or Q1 to freeze the market as has been their strategy in the past after acquisitions.
 - AI/ML in Observability and the Cloud is of high interest. SIs we spoke with have started building GenAI test labs in their Cloud Centers of Excellence. Some customers are testing use cases for customer service, QA for IoT attached devices like automobiles, manufacturing equipment, home-based appliances, physical office facilities and building maintenance and repair (field service dispatch). Integrators also discussed Healthcare use cases including patient care with EHR integration for chronic illnesses and IoT attached devices such as pacemakers, insulin pumps, pain treatment, etc advising caregivers to be more proactive. Use cases in Life Sciences include drug testing and clinical data for a faster time to market for vaccines and prescription medication.
 - CSPs are seeing a slow down in IaaS native service deployment for the remainder of 2023. MSFT is seeing initial traction for AI use cases mentioned above. The Enterprise has adopted public cloud as part of their hybrid data center configuration and SIs believe that the transition of their clients to the cloud is about 70% complete. The fastest growing public cloud, right now, is OCI as the Cerner acquisition has driven their EHR customers towards a hybrid configuration with on-premise databases and cloud-based apps.
 - Also, we have heard that financial services cloud projects are back in 2024 budgets and the SIs who handle these migrations expect an uptick in early 2024. IBM has funded and started to see traction in the integration of their public cloud with their well-known hybrid architecture and are expecting very large projects to get funded in 2024.

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10.16.23 – SPR Survey Results and Channel Comments

Content in This Note:

- IT Spending Trends - High Level Summary
- Key Takeaways
- Select Channel Comments

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- Links to notes on specific segments and vendors

This note provides a summary of views of IT spending based on our recent survey and ongoing checks. We include a long section with channel comments as some clients have told us they like to review this raw channel input in addition to our summary notes. We are always happy to discuss in more detail.

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10.9.23 – Preliminary views – NOW, Cyber Security (CHKP, CYBR, FTNT, FPD, TENB, QLYS, ZS, CRWD, PANW, OKTA, VRNS)

Key Takeaways

- US Fed continues to be strong, and will continue spending at the same, if not slightly higher level, throughout CY Q4 (unless interrupted by shutdown) ZS, PANW, NOW are noted beneficiaries.
- FTNT and TENB, at this point, have the softest channel sentiment.
- CRWD, PANW, ZS and OKTA all look solid at this point in the Qtr.
- CYBR looks particularly strong.
- Mixed feedback on possible Q4 yr end budget flush. In Financial Services some co's holding back on spending, while others are not. One large SI shared "the banks are not spending". There are also examples of companies that have spent most of '23 budget, while others have not. Some companies have OpEx budget available (good for software) but not CapEx. We even picked up examples of companies already pulling in planned '24 budgets to act on crucial projects in '23. In summary we see a mixed environment for Q4 spending.
- 2024 budgets for security look to be in-line with 2023 to >10% higher.
- AI – lots of interest and there will be a lot of POC's to fully understand details before deploying. We are getting feedback that the cost could be higher than expected, not due to licensing or monthly fees, but due to fees based on transaction/ingestion volumes.

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- We continue to hear of lots of interest and associated activity in AI based cybersecurity products but turning this interest into purchase orders continues to be challenging.
 - Incumbent vendors, and those with a platform are still preferred.
 - Everyone claims they have a platform, oh...and also AI.
 - Compliance, Cybersecurity insurance, and new SEC reporting requirements are helping to drive spending; Zero Trust and IAM are seeing increased interest based on recent cyber-attacks benefiting vendors in this segment.
 - N America EDR/endpoint space seeing less new logos. Most of these co's (F2000, G2000, Large Enterprise) have picked a vendor over the last 3 yrs. The opportunity is now in adding modules and platform expansion. Most of the new logo opportunity is in the SMB space, characterized as \$50M+ companies on a global basis. The sales motion to address this opportunity relies on a channel strategy via VAR/resellers, MSSP/MSP, MDR, Dell (crwd), Pax8 (Disti focused on this specific market). The pie charts that indicate ~48% of the market is still using legacy AV don't represent the F2000/G2000/Large Enterprise market. This opportunity is in the SMB market.

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9.26.23 – SPR Update – CRWD Fal.Con – Impressive attendance; AI and TAM

Key Takeaways:

- CrowdStrike's Far.Con event last week was well attended, up 100% YoY. We spoke with many end users and channel partners. Enthusiasm and customers satisfaction was very high.
- The company announced more new products than at any other time in company history. The Charlotte AI demo was a deal changer! CRWD claiming with AI, the SOC process goes from 8 hours to <8 minutes.
- CRWD's focus is on three overall opportunities, **Cloud Security, Identity, and Logscale Next-Gen SIEM.**
- It was notable that every end user we talked to loved CRWD, praised tech support, were very pleased with the modules they are using, and trusted the

company and believed CRWD will deliver on the new products, and associated expectations. They trust George Kurtz will do what he says.

- CrowdStrike described how they will grow from \$2.9B to \$10B over the next 5-7 yrs. They see a large, growing world-wide TAM that includes many users who have yet to move to next gen EPP. Our view has been that the market is more penetrated, but our view is primarily seen through US based enterprise channels.
- Crowdsrike had a huge focus on **LogScale**. Only 3% of CRWD customers have adopted Logscale. Legacy SIEM is costly and complex. XDR and SIEM budgets will converge. They compared Logscale to the legacy AV space which CRWD disrupted and claim that legacy SIEM will be disrupted by LogScale.

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9.5.23 – SPR Update – SPR Update: UCaaS/CCaaS/CPaaS – (RNG, EGHT, NICE, ZM, RNG, FIVN, AVYA, VG, LVOX)

UC/CC/CP - OUTLOOK AND TRENDS:

- August was Earnings Call month for all of the above. Most players had lowered guidance for the year and for their respective Quarters. Most met, or slightly exceeded the basic Revenue and Earnings targets, but fell short on some key elements that obviously caused investors to pull back. In addition, some cautioned on following Quarter or Fiscal Year Revenue.
- Key elements that worried investors were; missing on expected new account growth particularly in enterprise as well as being slow to significantly monetize AI. For those companies that are not pure play CC, investors see that UC has become commoditized and that MSFT is taking the lion's share of that segment, limiting upside revenue growth and margins.
- AI growth and monetization of features is bringing an expansion in the Addressable Market for SP's in the next 5 years. Generative AI is key, with NICE and FIVN continuing to lead.
- Growth of AI may mean a reduction in seat counts in the long term, as the complex capabilities AI brings will be at the expense of the need for some human interaction. But, increased revenues for advanced features will raise ARPU from the sub-\$200 range to the \$300-\$400 range in some cases. The long-term future will bring consumption-based pricing in lieu of seat-based pricing models for high-end capabilities.

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8.28.23 -SPR Update – Incremental Channel Views – NSSC, Dell, Storage, NTNX, CIEN

Key Takeaways:

- Feedback on the storage market is mixed, similar to the past two quarters. Ransomware is seen as a significant driver of new projects, upgrades and growth in some areas.
- Channels continue to point out strong execution by **Pure**; noting Pure as a Service, aggressive sales execution and product enhancements..
- **Dell** channels have less confidence in Dell making top line goals but see continued trimming of Dell’s organization and believe that they are making every effort to grow their bottom line.
- Input on **Nutanix** indicates high levels of activity, opportunities with new, large prospects and continued growth but we have not yet picked up indications of the further acceleration that may result from the VMware takeout.
- In **Napco's** pre-announcement we saw evidence of the slowing in their growth rate that our field contacts had been expecting. At this time we think the most useful insight that our field contacts can add is that dealers expect growth rates for Napco and other suppliers going forward to be in line with industry growth rates of 6% - 8%.
- **CIEN** - Channels confirm continued weakness in order flow as end users “digest” orders that were previously pulled forward. Contacts now believe that orders are not likely to pick up before the end of this calendar year.

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