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**Sales Pulse Research Update****December 18, 2024****Sales Pulse Research - 2024 Winners, Losers, Surprises; Top Themes and Names going into 2025**

This note provides a brief review of our research during 2024 and the themes we are focusing on going into 2025. We look forward to any feedback you may provide regarding your priorities and / or suggestions.

**2024 - Winners, losers and surprises...**

Although Sales Pulse Research does not make Buy and Sell recommendations, we do provide directional views along with context and indications of our conviction. We have a high degree of confidence in the field views we pass on, but not always the impact on stocks. Still, we find the end of the year a good time to review our work with the goal of learning and improving. We have kept these views concise and they provide only a partial view of the ~85 research notes we sent out during the past year.

- Among our biggest winners - in Software and Cybersecurity we maintained positive, high conviction field views for **NOW and CYBR**, and had improving views for **CHKP** throughout the year. We were cautious on **PANW** early in the year and after their reset, passed on insight that we believe was helpful and positive, correctly putting their platform strategy into perspective. In a similar manner we believe we provided timely and helpful insight on **CRWD** after their “crash”, passing on field views that indicated that channels saw little interruption to their revenue growth.
- The mixed input we received on demand for Fortinet firewalls let us to be cautious early in the year, though the stock eventually performed better than we anticipated.
- Our checks indicated reduced priority for Vulnerability Management vendors and some slowdown for **RPD, TENB and QLYS**.
- We followed the AI stories of all the vendors we follow, to try to determine which AI offerings were truly useful and able to be monetized. We identified Code Assist (**MSFT, GITL, TEAM and FROG**), SOC Automation (**CRWD, PANW**) and Operational Automation (**NOW**) as functions starting to gain a meaningful ROI from AI features. We are obviously very early in the rollout of these features and this area is very much a work in progress.
- One of the negative themes we identified going into the year was the challenges faced by distributors as more business was directed through CSP marketplaces. These proved to be part of the headwinds that caused underperformance for **ARW, NSIT and CDW**.
- The storage market continued to be difficult for us. We believe our data points were directionally right, but we struggled with matching performance against expectations.
- In networking, we uncovered channel views that indicated that demand was still soft as a result of inventory in the channel and/or at customer premises, for both telco and enterprise end users impacting **CSCO, JNPR and EXTR**.

- We also passed on views on the continuing delays for BEAD funding and the benefit that is anticipated for access vendors.
- We passed on mixed views on Observability and Analytics vendors as they navigated a cautious spending while releasing new AI functionality that is promising but difficult to understand when it will be impactful. Among the vendors in these segments we maintained positive views on **DDOG** through the year.
- And in UC/CC/CP we believe we provided useful channel views that were often overshadowed by investors concern about challenges by Microsoft and by the impact that AI will have on seat count.

**2025 - Top themes - Areas where we believe there will be change, disruption and opportunity in the new year include:**

- AI related
  - AI applications move to the edge - driving infrastructure builds outside the current data centers - to the benefit of **Ciena, Arista, Crown Castle** among others
  - AI networking transition to ethernet vs. infiniband, benefiting **Arista, Cisco, Juniper, Extreme** and others.
  - Continuing to develop our views of AI use cases that deliver strong ROI and vendor monetization, vs hype across the industry - **Salesforce, IBM, Oracle, Snowflake, MongoDB, Teradata, Data Dog, Dynatrace** and smaller vendors like **Jfrog, Elastic, Couchbase, GitLab, Confluent and Informatica**.
  - AI use cases that are not delivering ROI despite strong sales efforts by vendors. Some SI contacts expect headwinds (at least temporary) for renewals for vendors including **Salesforce and ServiceNow**.
  - Agentic AI - refers to a new class of artificial intelligence (AI) systems that possess autonomous decision-making capabilities, allowing them to take actions, adapt to changing situations, and learn from their experiences with minimal human intervention. We expect to see these capabilities emerge as part of security and operational solutions that we follow.
  - AI-Driven Development - Low-code/no-code platforms powered by AI enabling broader participation in app development; automation across DevOps pipelines for faster, more reliable software delivery.
- In Cyber security, areas of growing priority include SOC automation (**PANW, CRWD**) and a related area, Next Generation SIEM (**CSCO, CRWD, PANW, GOOG, MSFT, S,...**); Further maturity / slower growth in VM, FW, SASE.
- Non-human identity is growing much faster than human identities and is expected to be a significant driver of growth. Also, as we have discussed in recent notes, Data Loss Prevention (DLP), is again gaining priority and needs new, modern solutions.
- Enterprise infrastructure refresh.. Although AI drove infrastructure revenue for Nvidia, it did not drive refresh and/or new growth for enterprise, on-prem infrastructure. We expect that to change during 2025. Already we have been hearing of repatriation, commitment to refresh of PCs and other on-prem

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- devices (**DELL, HPE, CSCO, CIEN, ANET, EXTR, JNPR, NTN, NTAP, PSTG**). PC growth will also strengthen due to EoL of Windows 10.
- Network investment should rebound, driven by data center switching for AI, and upgrades to 400G and 800G, and the start of the Wi-Fi 7 upgrade cycle.
  - More vendors bypass distribution and sell via the CSP marketplace or direct (negative for **CDW, Insight, Arrow, ...**)
  - BEAD (Broadband, Equity, Access and Deployment) has moved slowly and frustrated investors in **Calix, Clearfield, Adtran** and others. Despite delays, this program will drive meaningful revenue. We continue to follow progress and will look for opportunities to invest before the real infection begins.
  - Acceleration of the fall out from Broadcom's acquisition of VMware to the benefit of **IBM RedHat, Nutanix** and CSPs.
  - UC/CC/CP - Will a reduction in seat count negate increased ARPU from AI features? How will continued M&A impact this market? This same question was on our research list going into 2024. So far, advanced CC features are keeping ARPU elevated, ranging from \$75 - \$250 per seat, without significant reduction in seat count. And, providers still benefit from migration off of Metaswitch and Broadsoft platforms, as well as Avaya. Beneficiaries are **NICE, FIVN, RNG, OOMA, CXDO**.
  - Vendors benefitting from the rapid growth in DevOps / DevSecOp. This is another theme that is a repeat from last year. It is still early in this market. **Confluent, GTLB and DDOG** have proven that they can innovate quickly and provide effective, scalable solutions. Going into 2025, some SIs see these vendors as sustaining high growth. Consolidation in the DevOps space is expected in 2025 and rumors around a **GTLB** acquisition or private equity take out abound; especially with **DataDog** having cash on hand for strategic portfolio expansion in DevOps and Cybersecurity.
  - Edge Computing Expansion for real-time data processing in IoT, autonomous systems, and smart devices.
  - Quantum Computing on the rise - Early enterprise adoption in areas like optimization, cryptography, and molecular modeling.

**Anticipated IPOs in our Universe of Coverage - Wiz, Island, DataBricks, Genesys,...**

As always, we are happy to discuss in more detail,

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