Morgan Stanley | RESEARCH

UPDATE

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Cybersecurity / Networking | North America

Thinking Through Closed- vs. Open-Weights Model Adoption Impacts on Cyber / Networking

Along with our thematic teams note this morning discussing closed- vs open-weights model adoption scenarios, we lay out how we see the scenarios unfolding in terms of cyber/ networking beneficiaries. Enterprise cyber/networking vendors benefit more in open-weights adoption, optical more in closed.

Key Takeaways

- In general, more traffic / agents / data from AI adoption is a positive for the networking / cyber ecosystem.
- However, believe cloud heavy names more likely to benefit in closed-weights world, enterprise names more likely to benefit in closed-weights world.

Please see our Global Thematics note today: Weighing In: Open-Weights Models & 3 States of the World.

All AI adoption is good, but believe beneficiaries change based on closed- vs. open-weight models adopted. AI adoption by enterprises is overall a positive for both cyber and networking. There are more traffic (networking / network security), there are more agents (identity security), there are more data centers (more optical / networking). This is in addition to just hackers being more enabled with AI capabilities, which brings the cost of attacks to essentially zero, a catalyst for cyber all together. However, ***we would view closed-model adoption better for ecosystems where there are parallel US / China supply chains (like optical), vs. open-model adoption would be much better for traditional enterprise vendors given more concentration of compute / intelligence outside of the model labs and on-premise.***

Cybersecurity thoughts. In general, the more AI is adopted, the more traffic / identities and data that needs to be secured. That biases us towards saying that open-weights models adoption is better for the cyber ecosystem. Additionally, given the overhang / concern about AI-natives offering their own cybersecurity services, the more that the ecosystem stays open, the more that security is being offered by traditional cyber vendors. However, as we have seen in recent weeks with the capabilities of the AI-natives (see our Hugging Face note), closed-model adoption offers plenty of risks, which ultimately benefit cyber spend.

Networking / optical thoughts. For closed-weights models, we tend to believe that more of the compute and services will be offered by the frontier labs. As a result, those names that have the most cloud exposure are set to benefit (e.g. LITE, COHR,

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Industry View	Attractive

ANET). With open-weights models, more of the compute likely to take place at the edge, there is going to need to be more orchestration / services bought separately by enterprises, making traditional enterprise names beneficiaries (e.g. CSCO, FFIV). Additionally, with open-weights models potentially being more global, sectors like optical, where there is a separate supply chain for US/China, adds additional complexity and bias towards closed-weights models being better for optical.

Exhibit 1: AI Adoption Is A Benefit to Both Cyber / Networking Across Scenarios, but Specific Beneficiaries Differ Slightly in Closed- vs. Open-Weights Adoption

	Closed Models Win	Hybrid	Open Models Win
	More Compute in Cloud		More Compute at Edge
Cyber			PANW, CRWD, ZS, NTSK, OKTA, SAIL, VNRS
Networking	LITE, COHR, ANET		CSCO, FFIV

Source: Morgan Stanley Research.

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ServiceNow Inc (NOW.N)	O (09/24/2025)	$111.23
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Okta, Inc. (OKTA.O)	O (12/02/2024)	$141.93
Palo Alto Networks Inc (PANW.O)	O (10/10/2017)	$331.83
Qualys Inc (QLYS.O)	U (02/09/2021)	$144.75
Rapid7 Inc (RPD.O)	U (07/21/2026)	$9.65
SailPoint Inc (SAIL.O)	O (09/02/2025)	$16.77
SentinelOne, Inc. (S.N)	E (12/02/2024)	$19.06
Tenable Holdings Inc (TENB.O)	E (12/02/2024)	$32.64
Varonis Systems, Inc. (VRNS.O)	E (01/26/2026)	$39.95
Zscaler Inc (ZS.O)	E (04/22/2026)	$151.20
Ryan Lountzis		
CoreWeave (CRWV.O)	E (04/22/2025)	$71.77
Nebius Group NV (NBIS.O)	E (01/15/2026)	$190.41
Sanjit K Singh		
Akamai Technologies, Inc. (AKAM.O)	O (01/12/2026)	$115.18
Appian Corp (APPN.O)	E (04/30/2026)	$26.96
C3.ai (AI.N)	U (01/04/2021)	$9.18
Cloudflare Inc (NET.N)	O (12/02/2024)	$278.98
Datadog, Inc. (DDOG.O)	O (01/12/2026)	$267.97
DigitalOcean Holdings Inc (DOCN.N)	O (01/16/2025)	$117.50
Dynatrace Inc (DT.N)	E (02/13/2024)	$44.32
Elastic NV (ESTC.N)	E (07/21/2026)	$65.79
GitLab Inc (GTLB.O)	E (01/12/2026)	$34.51
JFrog Ltd. (FROG.O)	E (07/21/2026)	$79.79
MongoDB Inc (MDB.O)	O (04/12/2023)	$337.48
Oracle Corporation (ORCL.N)	E (01/15/2019)	$129.87
PagerDuty, Inc. (PD.N)	U (07/21/2026)	$10.58
Palantir Technologies Inc. (PLTR.O)	E (02/04/2025)	$123.06
Snowflake Inc. (SNOW.N)	O (06/24/2025)	$293.28
UiPath Inc (PATH.N)	E (09/07/2022)	$12.76

Stock Ratings are subject to change. Please see latest research for each company.
* Historical prices are not split adjusted.