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Cybersecurity | North America

CQ3 Reseller Survey – Acceleration Continues As Threat Environment Grows

Reinforcement of themes evident on Q3 cyber reseller survey, with some signs of acceleration, continued technical debt refresh, AI for Security spend, with indications of Security for AI spend coming next year. Walked away more positive on PANW, CRWD, with NT tactical upside to be seen in VM names.

Key Takeaways

- Cyber spending showing evidence of acceleration with budget coming from outside of IT.
- Categories of spend largely follow with what we have seen YTD, technical debt and AI for Security (e.g. firewall refreshes, SOC automation, VM) being strongest.
- Evidence we will start to see Security for AI spend next year.
- For on cycle names, VM probably biggest surprise, with AI for Security investment continuing to drive NT upside with these names; QLYS most tactically positive.
- For off cycle names, platforms continue to show strength, SAIL saw biggest pickup in indications.

Refocused survey show sector tailwinds continuing. Our quarterly cyber survey has traditionally focused more on vendor level takeaways, down to products. Finding the product level takeaways less indicative at earnings, we focused more on sector takeaways with this survey, finding a couple of trends. **1) Cyber tailwinds continued to pick up in Q3, with average growth 13% vs. 11% and 10% the last 2 quarters,** Exhibit 2 . **2) While network security still most important, step up in data security shows that we are seeing early evidence of Security for AI spend beginning,** Exhibit 3 and Exhibit 4 , a positive for RBRK (not covered). **3) For on cycle names, firewall indications to be very strong, meaning those who guided to deceleration in Q4 (namely FTNT) are likely to see stronger than expected results, but we could continue to see strength with VM names** (QLYS, TENB, RPD) in the quarter, even if LT trends still remain challenging. **4) For off cycle names, platforms and identity names still best positioned (CRWD, PANW, OKTA, SAIL).**

Spending backdrop and sources of funding

Cybersecurity demand seeing acceleration at the tails, with technical-debt

MORGAN STANLEY & CO. LLC

Meta A Marshall
Equity Analyst
Meta.Marshall@morganstanley.com +1 212 761-0430

Ryan Lountzis
Equity Analyst
Ryan.Lountzis@morganstanley.com +1 212 761-3189

Lucas Cerisola
Research Associate
Lucas.Cerisola@morganstanley.com +1 212 761-9194

Abhishek S Murli
Research Associate
Abhishek.S.Murli@morganstanley.com +1 212 761-7388

SOFTWARE

North America
Industry View **Attractive**

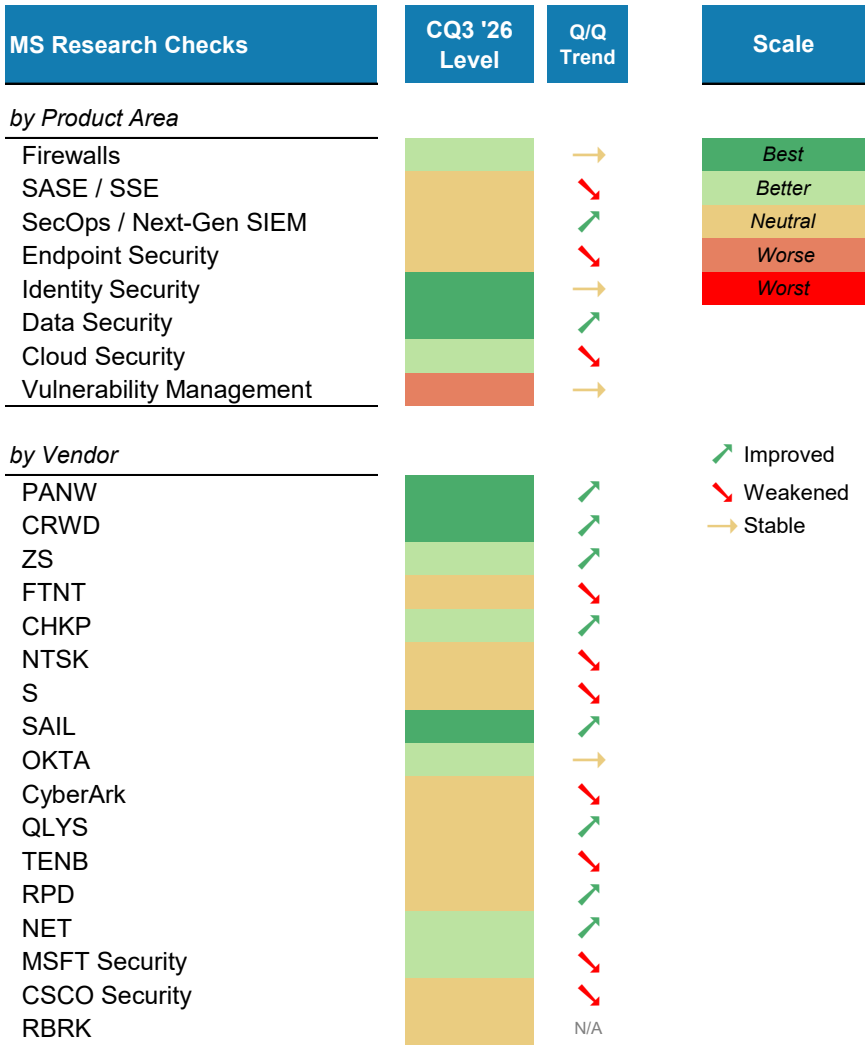
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replacement becoming a more prominent spending driver. In our **CQ3 reseller survey, average growth stepped up to 13% Y/Y growth, from 11% in Q2 and 10% in Q1.** 34% of respondents expect their overall security practice to grow 15%+ in CY26 (up from 18% of respondents in Q2), Exhibit 2. Modernization backs this acceleration with **94% of respondents described reducing technical debt as a major or moderate driver of security spending NTM** (up from 85% in Q2), Exhibit 8 .

AI budgets are becoming a more common source of security funding. A frequent question we get from investors is where is the accelerated cyber budget coming from. In our CQ3 survey, **78% of respondents said customers are finding funding for AI-security products in alternative AI budgets** (up from 55% in Q2), Exhibit 7 . On the other end, 22% pointed to vendor consolidation as the funding source (down from 45% in Q2), suggesting CIOs are leaning on more avenues to fund security investment beyond reallocating existing spend.

Exhibit 1: Cybersecurity Heat Map



Source: Morgan Stanley Research; RBRK is not covered by Morgan Stanley Research

Subsector Takeaways: Improvement Remains Selective. We have talked about three buckets of cyber spend: 1) Technical debt refreshes, 2) AI for Security, 3) Security for AI, with the pacing of spend being 1) and 2) largely being the drivers for this year with strong firewall, endpoint and VM, SOC automation spend and 3) largely coming in 2027, evidenced in anticipated identity / data / prompt security spend. We saw evidence of these spending patterns playing out in our Q3 survey, namely:

- **Firewall purchasing remains active, with continued evidence of pullforward:** 69% of respondents said customers accelerated firewall purchases ahead of expected price increases or supply constraints, up from 65% in Q2, while 16% said customers were buying more than two quarters early, up from 5% in Q2 (Exhibit 9). Within FTNT, 18% of resellers reported customers currently refreshing firewalls (down from 33% in Q2), while 64% reported planned refreshes (up from 48% in Q2), Exhibit 23 . Current or planned refresh activity remained broadly unchanged in aggregate, leaving substantial planned refresh interest but less clarity on the durability of demand. Refresh-cycle timing responses remain mixed across vendors, although PANW shows the clearest Q/Q shift toward shorter reported replacement intervals, with 22% of PANW resellers reported typical replacement cycles of less than 3 years (up from 17% in Q2), Exhibit 14 .
- **SASE vendor performance improves selectively**: PANW and Cloudflare showed stronger product performance, while Microsoft moderated. Among PANW resellers, 48% reported above-plan Prisma SASE performance, up from 24% in Q2. Cloudflare's Zero Trust/SASE offerings also improved, with 44% of its resellers above plan (up from 20% in Q2). Microsoft's SASE/SSE reading moved lower, with 25% above plan, down from 45% in Q2.
- **More customers are focused on SOC modernization, with CRWD showing the clearest SIEM improvement:** 28% of respondents identified SIEM/SOC as an area their customers are focused on modernizing (up from 23% in Q2), Exhibit 3 . Among CRWD resellers, 37% reported above-plan next-gen SIEM performance (up from 20% in Q2) Exhibit 18 , while 26% of PANW resellers reported above-plan XSIAM performance (broadly unchanged from 24% in Q2), Exhibit 15 . Lastly, Microsoft Sentinel moderated more significantly, with 19% of its resellers above plan (down from 48% in Q2), while 29% of Cisco resellers reported above-plan Splunk performance (versus 32% in Q2).
- **Endpoint Core product performance remains broadly stable to softer**. 37% of CRWD resellers reported above-plan EDR performance (unch from 37% in Q2). Microsoft Defender was somewhat softer, with 44% of Microsoft resellers reporting above-plan performance, down from 48% in Q2. S's overall-practice results also weakened, with 19% of resellers exceeding expectations (down from 35% in Q2), although this measures the broader vendor business rather than endpoint alone, Exhibit28 .
- **Data and Application Security: future spending priorities are strengthening faster than broad current vendor performance.** The survey noted in the NTM, 72% of respondents expect AI data security to attract some of the strongest customer spending (up from 55% in Q2), while 41% expect the same for AI application security (up from 28% in Q2), Exhibit 4 .

Microsoft Purview also had fewer beats, with 44% of Microsoft resellers reporting above-plan performance (down from 62% in Q2), although none reported below-plan results.

- **Agentic Identity spending is underway, but adoption timing and vendor results remain uneven**. 38% of resellers said customers are already spending on agentic-identity solutions (up from 33% in Q2), Exhibit 11 . However, 41% don't expect customers to begin spending until 2027 or later (up from 23% in Q2), leaving a substantial portion of the opportunity further out. Overall vendor results also diverged: 60% of SAIL resellers exceeded expectations (up from 38% in Q2) Exhibit 30 , 29% of OKTA resellers exceeded expectations (unch from 30% in Q2) Exhibit 29 , and 14% of CyberArk resellers exceeded expectations (down from 38% in Q2), Exhibit 16 .
- **VM vendors are meeting plans more consistently, without clear evidence of faster growth.** 70% of QLYS resellers met or exceeded expectations (up from 64% in Q2) Exhibit 31 , while 80% of RPD resellers met or exceeded expectations (up from 58% in Q2) Exhibit 33 . TENB also improved on this measure, with 82% of resellers meeting or exceeding expectations (up from 73% in Q2). However, only 9% of TENB resellers exceeded expectations (down from 27% in Q2), as more reported in-line performance Exhibit 35 .

We continue to favor PANW and CRWD as enterprises modernize their defenses and consolidate security spending, with OKTA offering focused exposure to identity modernization. Our survey reinforces the case for our Top Pick in PANW, with 56% of respondents identifying it as the biggest beneficiary of platform consolidation (up from 45% in Q2), Exhibit 5. Further, resellers continue to point to PANW as a key beneficiary of AI-related product spend, with 93% of PANW resellers also reported positive YoY AI-security product sales growth, up from 72% in Q2, adding current commercial evidence to the broader platform opportunity, Exhibit 8 . Prisma SASE results were more mixed, with stronger performance against plan but less widespread sales growth, and pricing responses still point to meaningful platformization discounts.

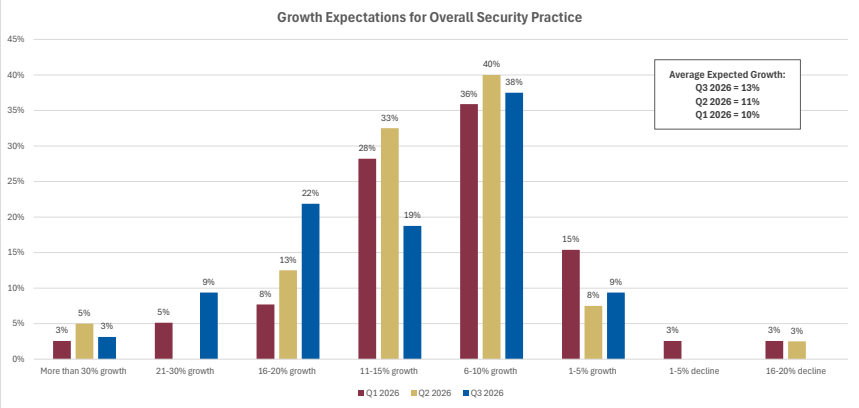
For CRWD, improving SIEM and cloud results highlight why we see further growth opportunity beyond endpoint replacement. Exposure management is another encouraging datapoint, with 33% of CRWD resellers reporting above-plan performance, up from 26% in Q2. These capabilities give CRWD more ways to grow within its installed base as customers look to improve detection and response across their environments, rather than simply replace individual tools.

On OKTA, the survey remains broadly stable, but we continue to like the combination of near-term identity modernization and longer-term agentic demand. As we discussed in our recent note following our trip to DC, enterprises need to establish which resources agents can access and how permissions can be withdrawn, creating an opportunity to extend existing identity controls across applications and providers. With that said, we expect agentic adoption to build gradually, with technical-debt replacement driving the more immediate spending opportunity.

SAIL stands out as an incremental positive beyond the core platforms. 60% of SAIL resellers exceeded expectations in Q3, up from 38% in Q2, while 10% missed expectations, down from 15% in Q2. At 0.39x EV/27e FCF/g vs. comparables at 0.66x, the challenge for SAIL has been ownership overhang. We believe with the stock hovering closer to offering price over the week, there is a catalyst for the ownership structure to change, providing a catalyst for new investors to get in.

Based on your pipeline, what is your best estimate for year-over-year revenue growth in 2026 for your overall security practice?

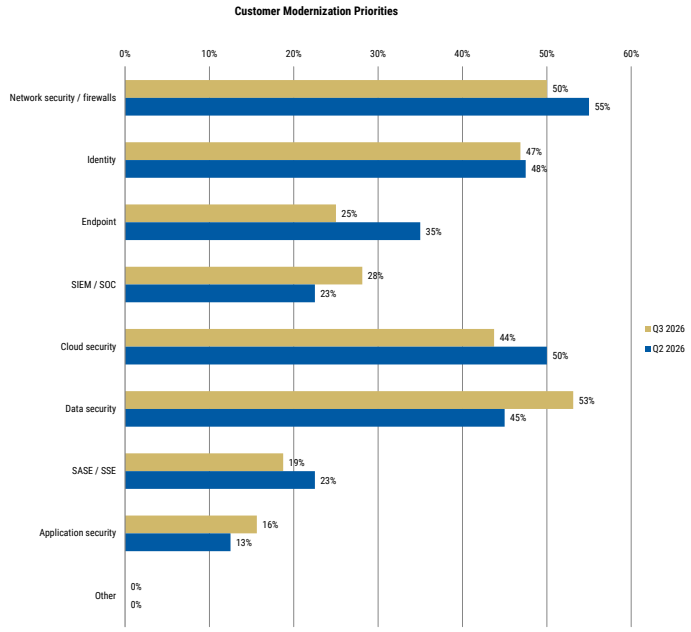
Exhibit 2: More Resellers Indicating Higher Growth Expectations for Overall Security Practice, with Average Growth Moving Up to 13% Y/Y from 11% in Q2 and 10% in Q1



Source: Morgan Stanley Research

Which areas are customers most focused on modernizing?

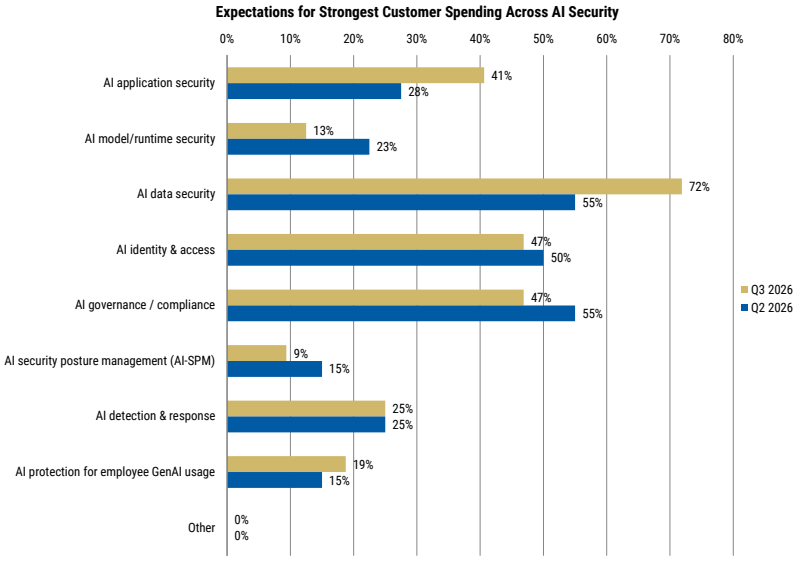
Exhibit 3: Data security indications step up the most, though network, identity still major priorities



Source: Morgan Stanley Research

Which AI security category do you expect to see the strongest customer spending over the next 12 months?

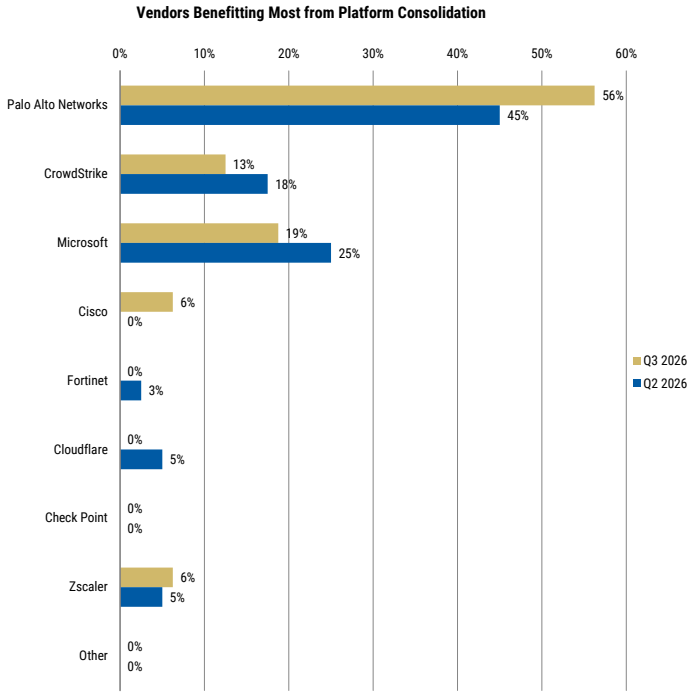
Exhibit 4: AI Data Security and AI Application Security Remain Key Areas of Spend NTM



Source: Morgan Stanley Research, n=32

Which vendor is benefiting the most from platform consolidation today?

Exhibit 5: PANW Best Positioned to Benefit From Platform Consolidation Today

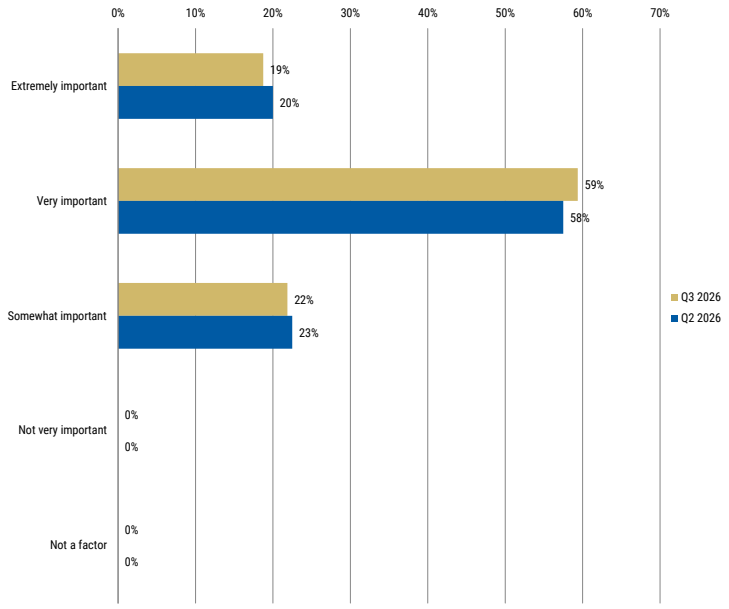


Source: Morgan Stanley, n=32

Sector Exhibits Continued

How important is vendor consolidation in customer purchasing decisions today?

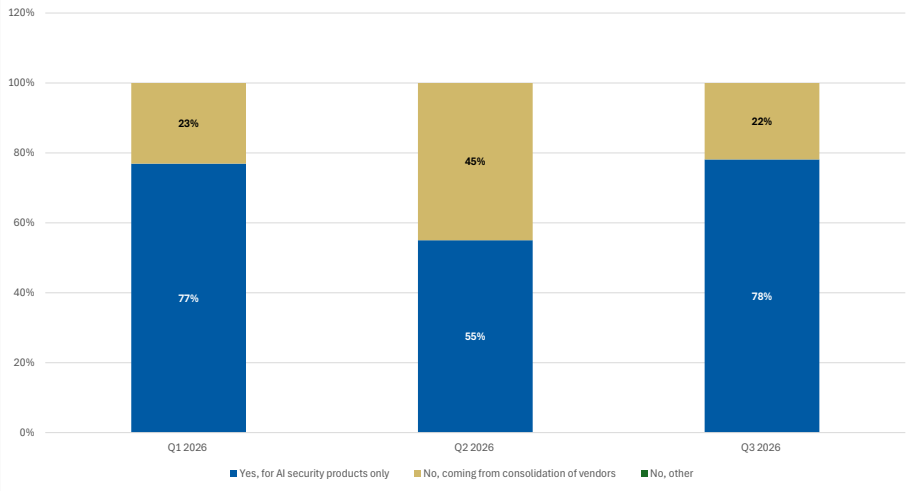
Exhibit 6: Resellers Continue To Point To Importance of Vendor Consolidation In Purchasing Decisions



Source: Morgan Stanley Research, n=32

Are customers finding budget for security in alternative AI budgets?

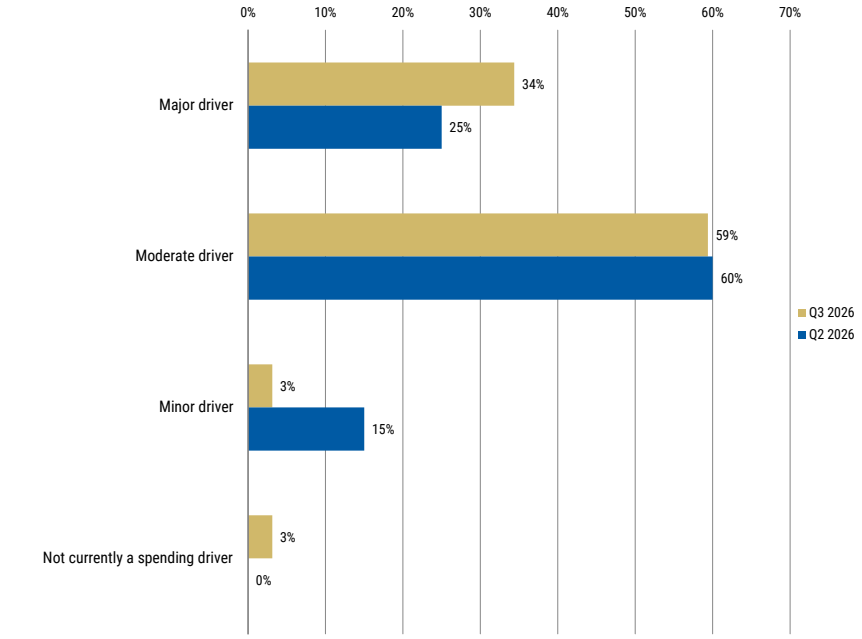
Exhibit 7: 78% of Resellers Reported Customers Acquiring Alternative AI Budgets for AI-Security Budgets



Source: Morgan Stanley Research

To what extent is reducing technical debt a driver of your customers' security spending over the next 12 months?

Exhibit 8: Resellers Point to Technical Debt Reduction as Major Driver of Security Spending NTM



Source: Morgan Stanley, n=32

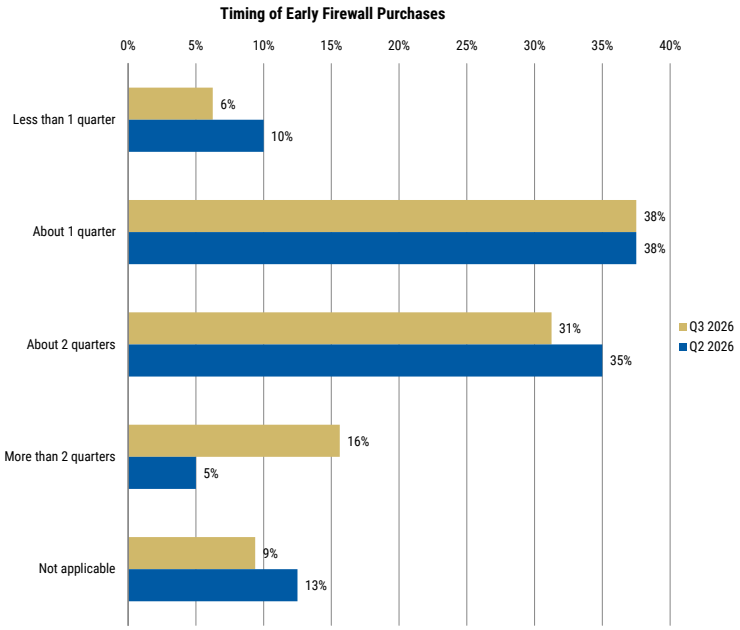
Exhibit 9: More Customers Accelerating Firewall Purchases Ahead of Expected Price Increases or Supply Constraints



Source: Morgan Stanley Research

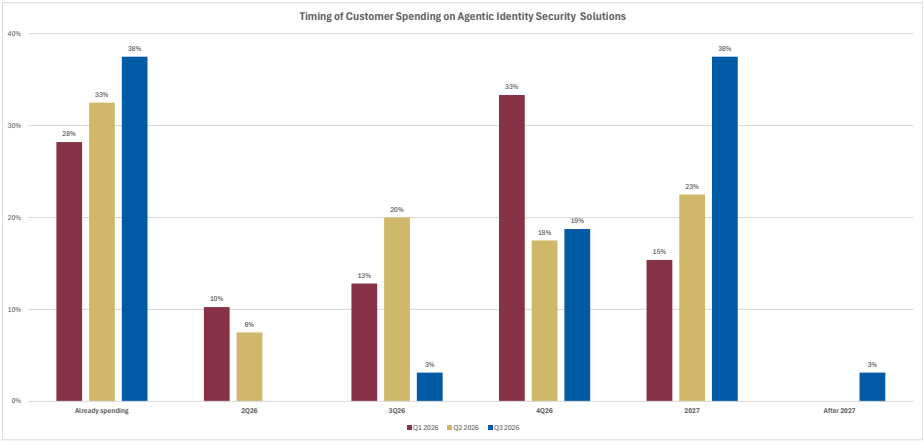
If customers are purchasing earlier than normal, how far ahead are they buying?

Exhibit 10: Resellers Note More Customers Purchasing Firewall Faster Than Expected



Source: Morgan Stanley Research, n=32

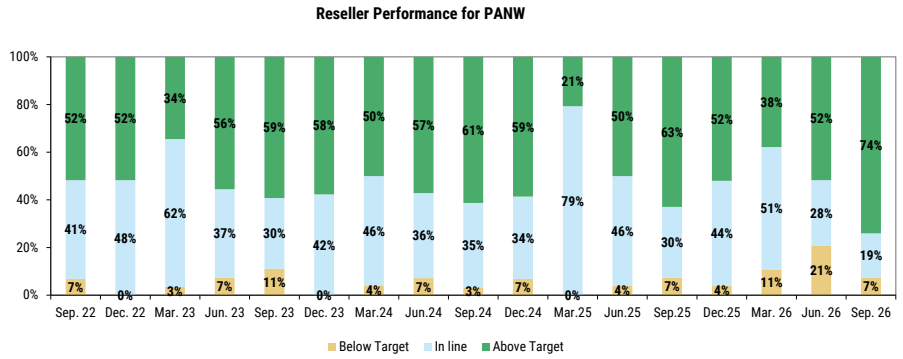
Exhibit 11: Resellers Point To An Increase In Customers Spending On Agentic Identity Solutions



Source: Morgan Stanley Research, n=32

Palo Alto Networks (PANW, OW, $410 PT)

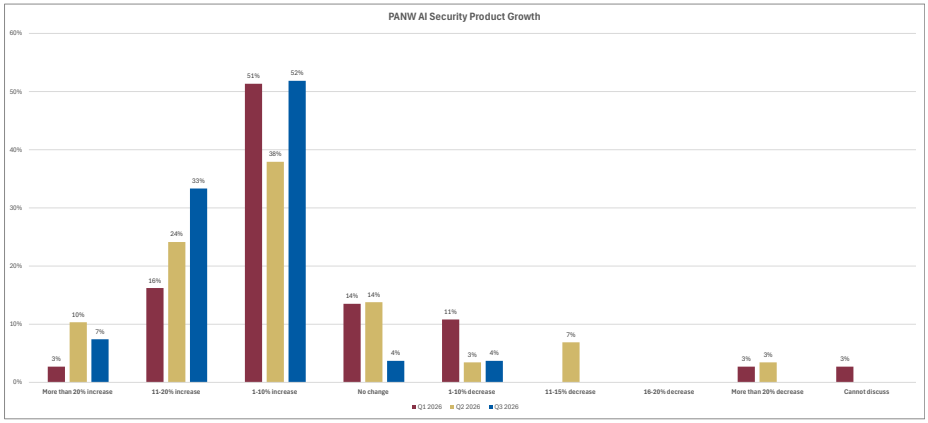
Exhibit 12: Our September Survey Shows 93% of Resellers In line or Above Target, a Strong Uptick QoQ



Source: Morgan Stanley Research, n=27

By how much did your TOTAL Palo Alto Networks AI Security product sales grow in Q3 2026 on a year-over-year basis compared to Q3 2025?

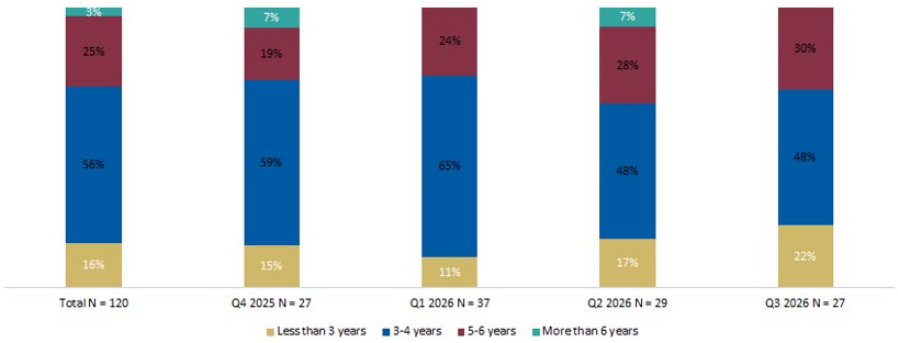
Exhibit 13: Q3 Survey Points To More Resellers Indicating Strong Growth In PANW AI Products



Source: Morgan Stanley Research, n=27

Across your customer base, what is the typical replacement cycle (in years) for Palo Alto Networks hardware firewall units?

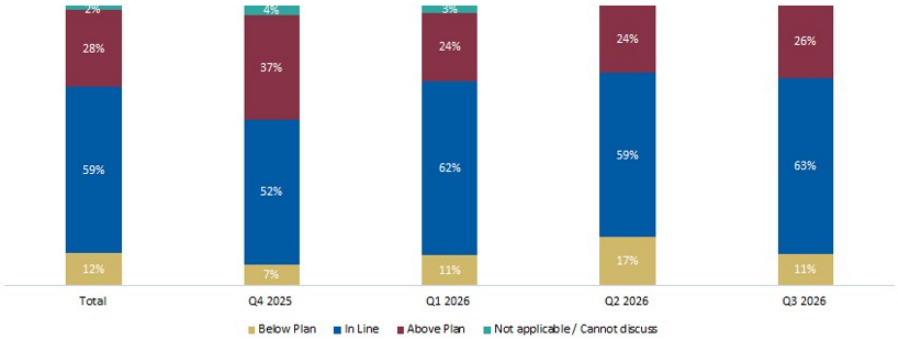
Exhibit 14: Resellers Point To Modest Uptick In Customers Noting Earlier Firewall Refresh Cycles For PANW



Source: Morgan Stanley Research, n=27

How was product level performance for Palo Alto Networks Cortex XSIAM (SIEM/XDR) in Q3 2026?

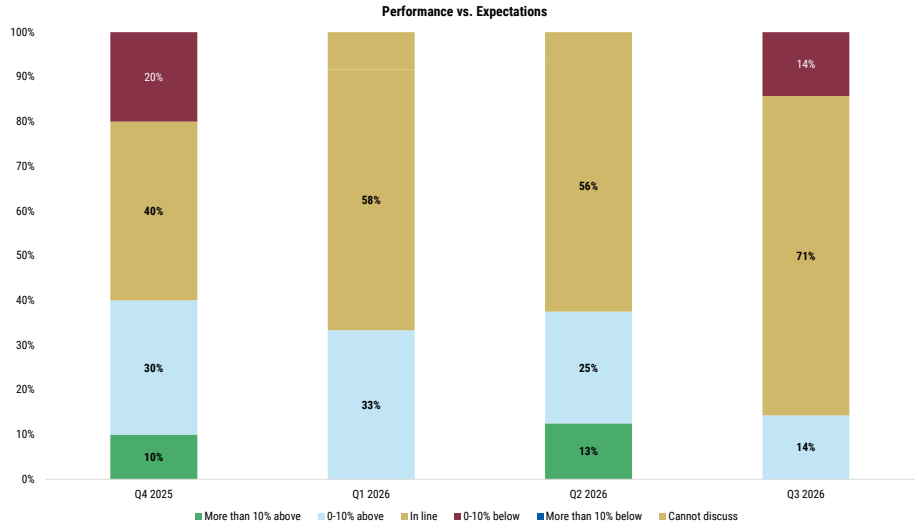
Exhibit 15: Resellers Pointing To Modest Improvement In Cortex XSIAM Performance



Source: Morgan Stanley Research, n=27

How did your practice track for CyberArk in Q3 2026 relative to expectations entering the quarter?

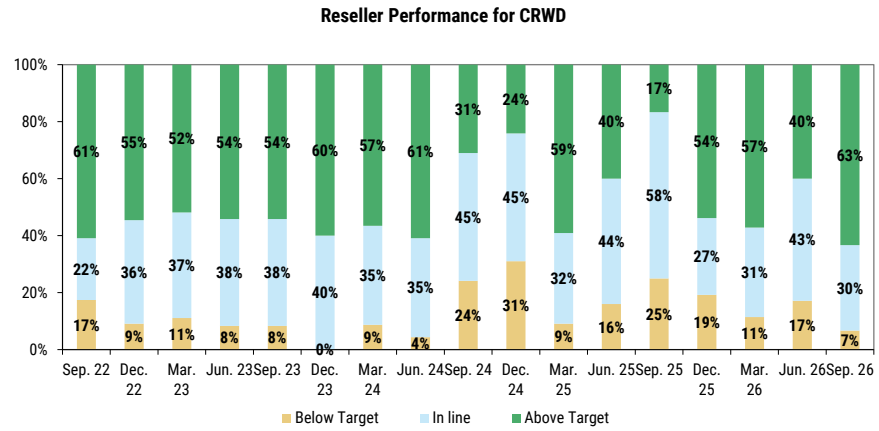
Exhibit 16: Fewer CyberArk Resellers Exceeded Expectations in Q3



Source: Morgan Stanley Research, n=14

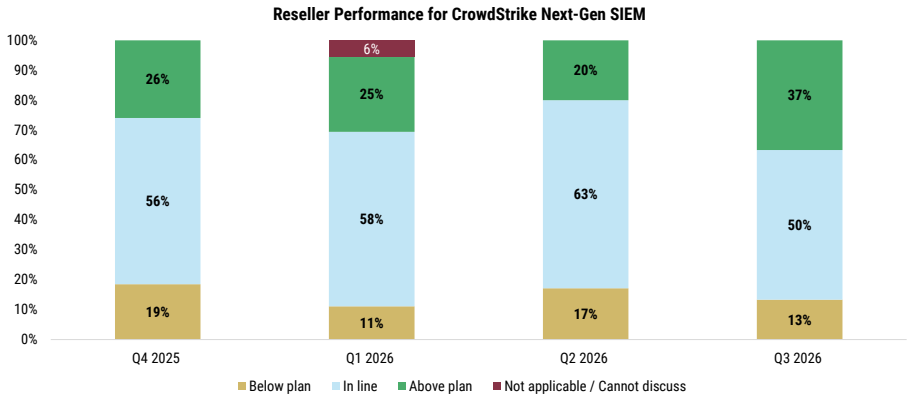
CrowdStrike (CRWD, OW, $254 PT)

Exhibit 17: 93% of Resellers Note In-Line To Above Target Performance For CRWD, Up From 83% In Q2



Source: Morgan Stanley Research, n=30

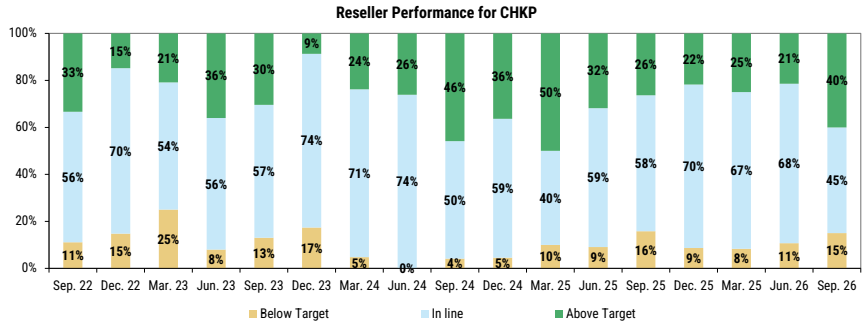
Exhibit 18: Resellers Point To Continued Performance For CRWD Next-Gen SIEM



Source: Morgan Stanley Research, n=30

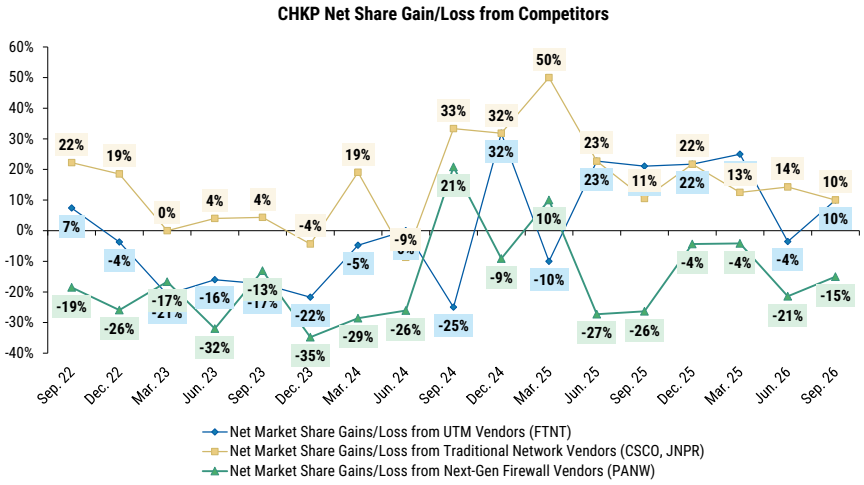
Check Point (CHKP, EW, $133 PT)

Exhibit19: Our September Survey Shows a Slight Downtick in Resellers In line or Above Target Versus Last Quarter



Source: Morgan Stanley Research, n=20

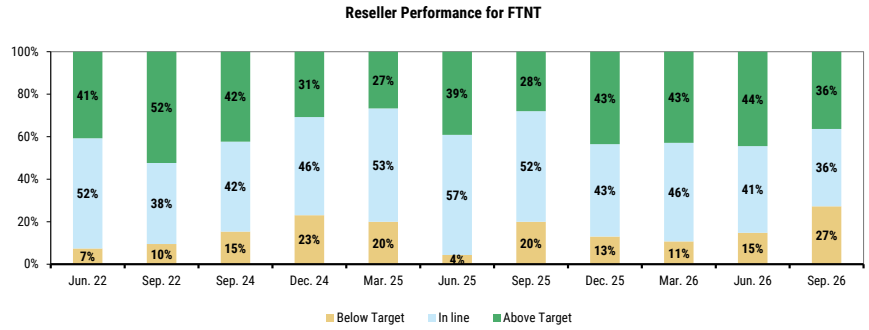
Exhibit 20: Partners Noted Fairly Consistent Share Gains/Losses Against Next-Gen Vendors & Next-Gen Vendors UTM , While Still Seeing Tougher Dynamics Against Traditional Vendors



Source: Morgan Stanley Research, n=20

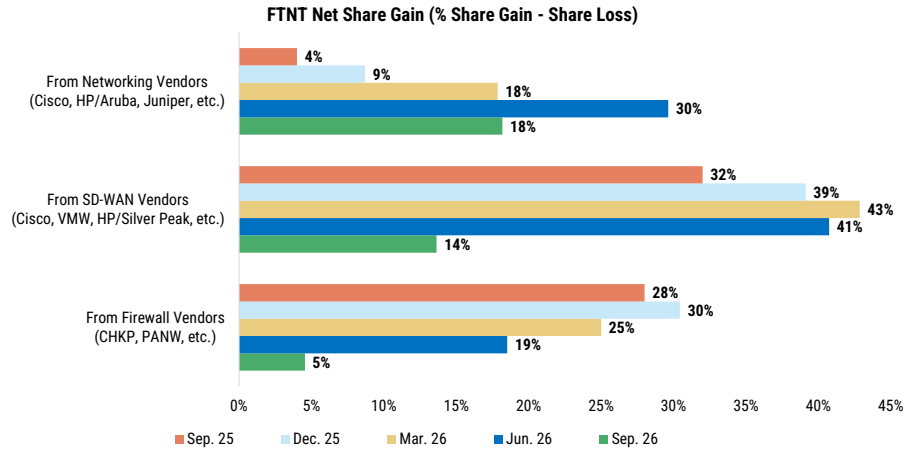
Fortinet (FTNT, EW, $136 PT)

Exhibit 21: Our September Survey Shows 73% of Resellers In line or Above Target



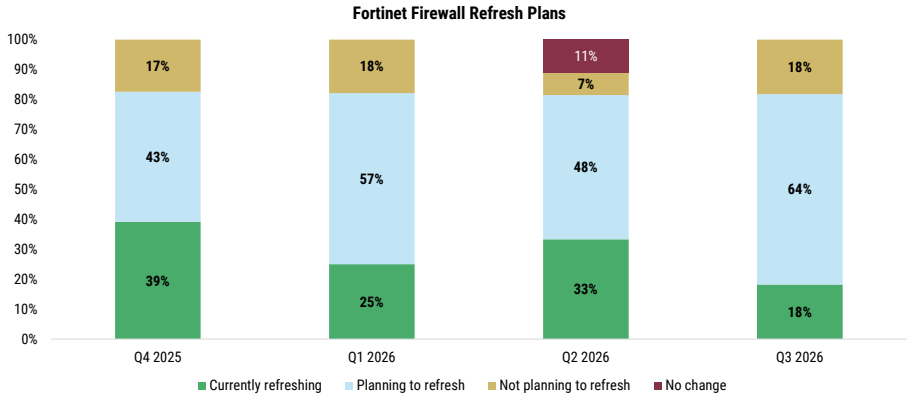
Source: Morgan Stanley Research, n=22

Exhibit 22: FTNT Net Share Gain vs Key Competitors By Category



Source: Morgan Stanley Research, n=22

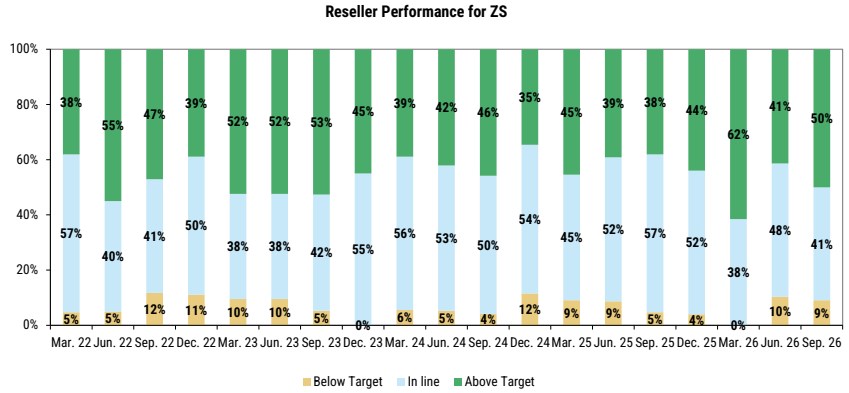
Exhibit 23: FTNT Firewall Refresh Intentions Remain Broadly Stable, Although Those Currently Refreshing Ticked Down QoQ



Source: Morgan Stanley Research, n=22

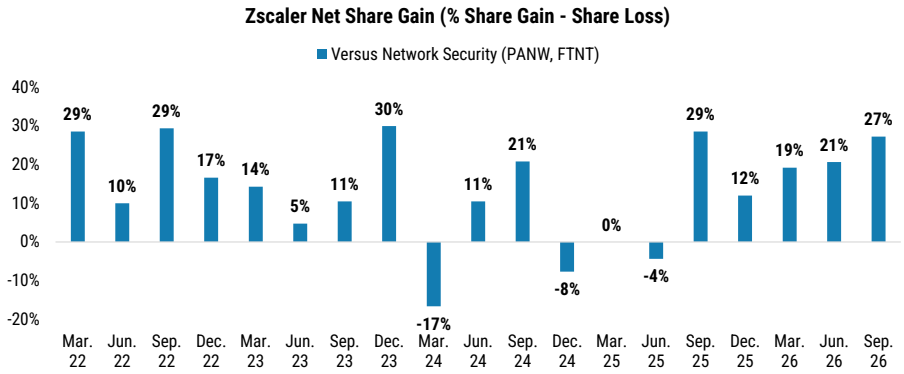
Zscaler (ZS, EW, PT $185)

Exhibit24: Our September Survey Shows Reseller Performance Upticked QoQ For Resellers Above/Inline Plan



Source: Morgan Stanley Research, n=22

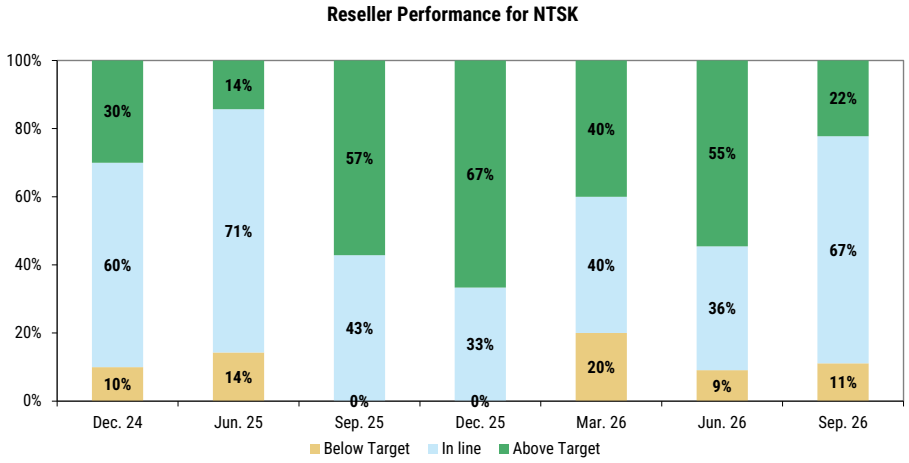
Exhibit 25: Reseller Survey Shows Positive Net Share Gain Trends vs Network Security Peers



Source: Source: Morgan Stanley Research, n=22

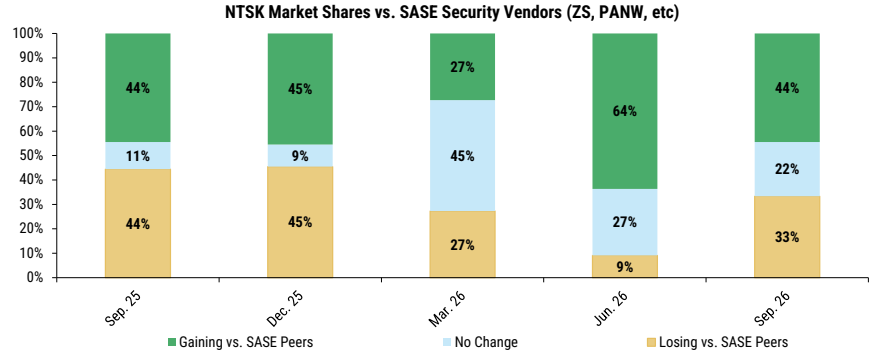
Netskope (NTSK, OW, PT $16)

Exhibit 26: Our September Survey Shows 89% of Resellers In line or Above Target



Source: Morgan Stanley Research, n=9* Excluded March 2025 Survey Results due to n <5

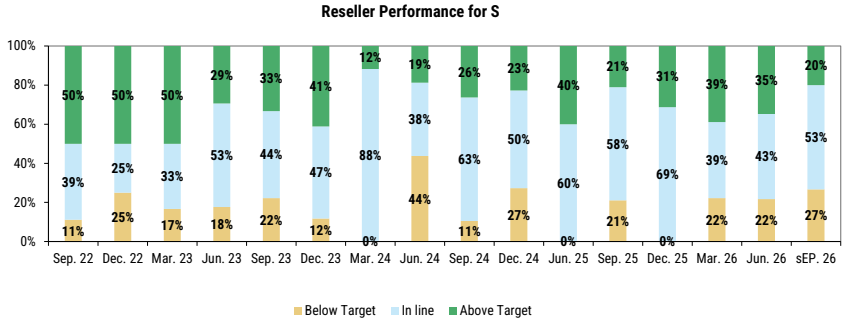
Exhibit 27: Our September Survey Shows NTSK Seeing Traction in Share Gains vs. SASE Security Peers



Source: Morgan Stanley Research; N=9

SentinelOne (S, EW, PT $23)

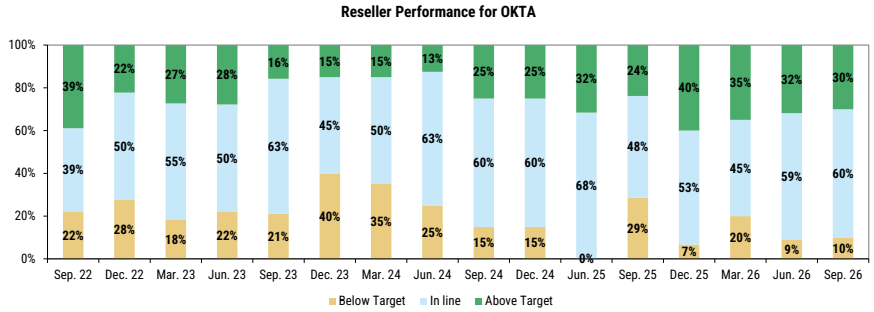
Exhibit28: Our September Survey Shows 73% of Resellers In line or Above Target, In line QoQ



Source: Morgan Stanley Research, n=16

Okta (OKTA, OW, PT $245)

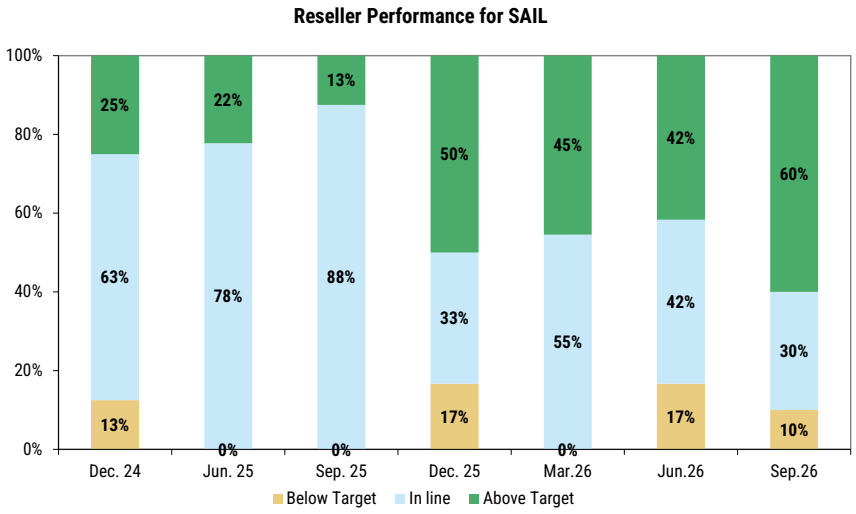
Exhibit 29: Our September Survey Shows 90% of Resellers with Performance In line or Above Target, A Slightly Decrease Relative to our June Survey



Source: Morgan Stanley Research, n=21 * Excluded March 2025 Survey Results due to n<5*

SailPoint Inc (SAIL, OW, $22)

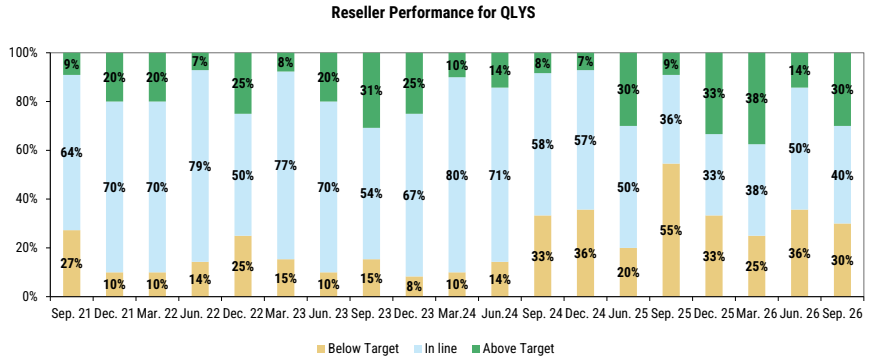
Exhibit 30: Our Septembeer Survey Showed 90% of Resellers Coming in Above or In-line with Expectations



Source: Morgan Stanley Research, n=10 * Excluded March 2025 Survey Results due to n<5

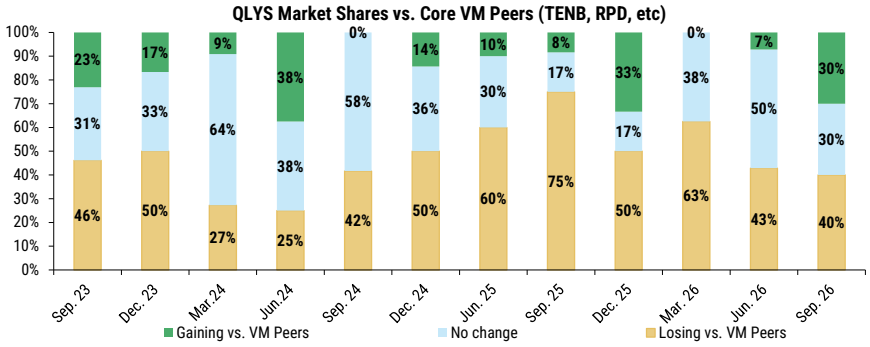
Qualys (QLYS, UW, $130 PT)

Exhibit 31: Our September Survey Shows 70% of Resellers In line or Above Target, Representing an Uptick Relative to the Past Few Quarters Average



Source: Morgan Stanley Research, n=10* Excluded March 2025 Survey Results due to n<5 *

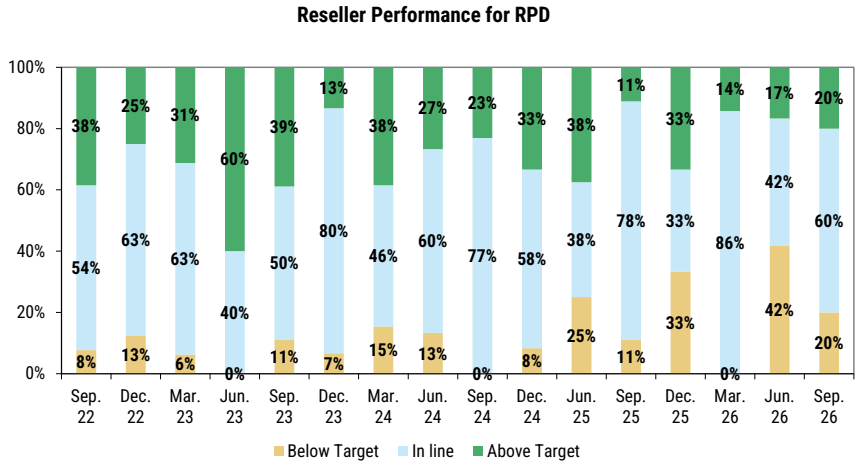
Exhibit 32: Our September Survey Pointed to Slightly In Line Share Gains to Other Vulnerability Management Providers



Source: Morgan Stanley Research, n=10* Excluded March 2025 Survey Results due to n<5 *

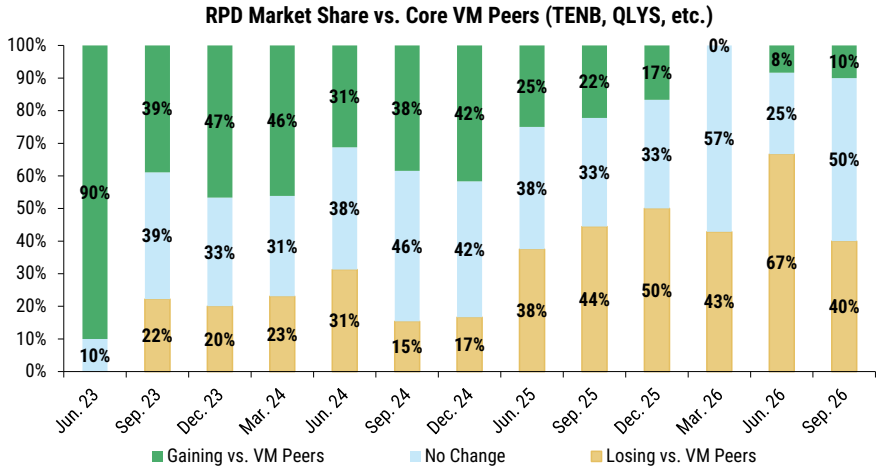
Rapid7 (RPD, UW, $9 PT)

Exhibit 33: Our September Reseller Survey Results Showed an Uptick in Respondents Reporting Performance In-Line to Above Expectations



Source: Morgan Stanley Research, n=10* Excluded March 2025 Survey Results due to n<5 *

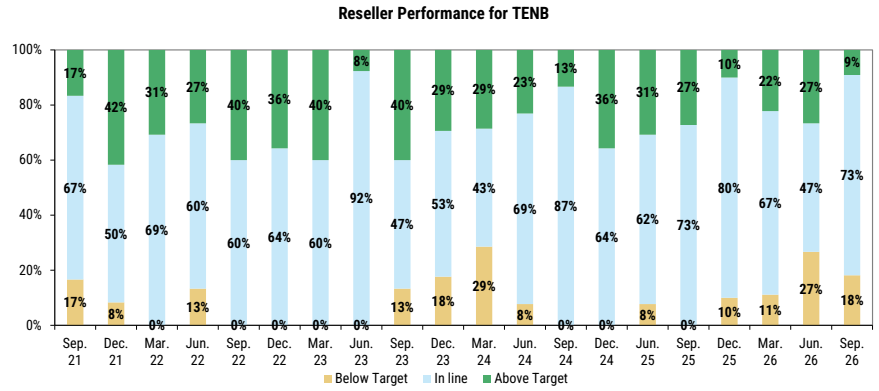
Exhibit 34: Our September Reseller Survey Results Suggested Incremental Competitive Pressures for Rapid7



Source: Morgan Stanley Research, n=10* Excluded March 2025 Survey Results due to n<5 *

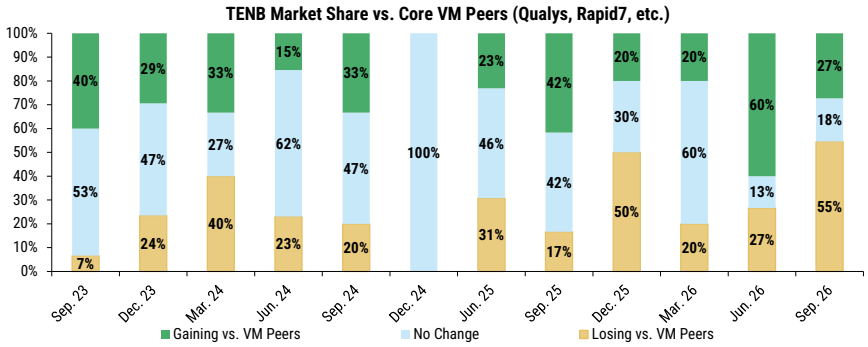
Tenable (TENB, EW, $35 PT)

Exhibit 35: Our September Reseller Survey Results for Tenable Uptick with 82% of Respondents vs 73% Last Quarter Reporting Performance In-Line to Above Expectations



Source: Source: Morgan Stanley Research, n=11* Excluded March 2025 Survey Results due to n<5 *

Exhibit 36: Our September Reseller Survey Suggested Incremental Competitive Pressures Dynamics For Tenable



Source: Morgan Stanley Research, n=11* Excluded March 2025 Survey Results due to n<5 *

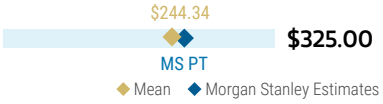
Risk Reward – CrowdStrike Holdings Inc (CRWD.O)

Broad Security Platform Driving Long-Term Share Gains

PRICE TARGET $254.00

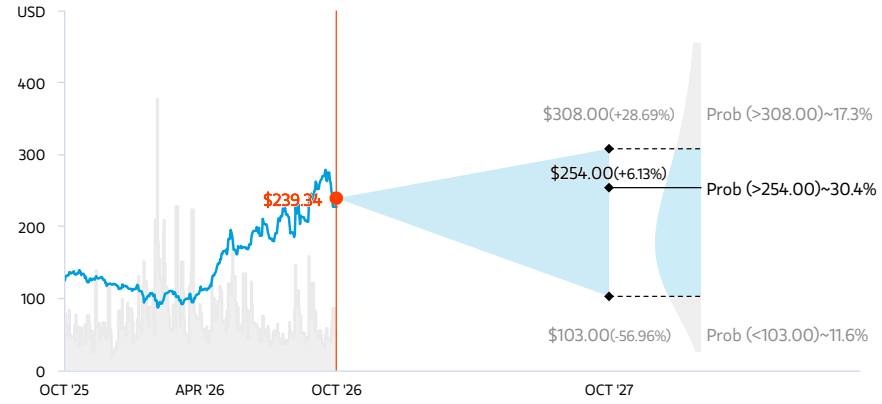
Our $254 PT is based on 64X CY30e FCF of $5.44B, discounted back at 12%. This multiple implies ~36X EV/CY27 Sales, a premium to Large Cap SaaS/Security peers.

Consensus Price Target Distribution



Source: Refinitiv, Morgan Stanley Research

RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)



Key: Historical Stock Performance ● Current Stock Price ◆ Price Target

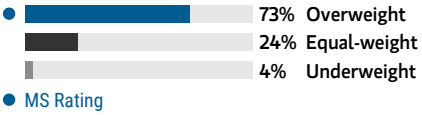
Source: Refinitiv, Morgan Stanley Research, Morgan Stanley Institutional Equities Division. The probabilities of our Bull, Base, and Bear case scenarios playing out were estimated with implied volatility data from the options market as of 21 Oct 2026. All figures are approximate risk-neutral probabilities of the stock reaching beyond the scenario price in either three-months' or one-years' time. View explanation of Options Probabilities methodology here

OVERWEIGHT THESIS

CrowdStrike has quickly risen to market leadership as a next-gen SaaS security platform. Continued share gain in the core endpoint market, in addition to growing uptake of emerging modules (SIEM, identity protection, cloud security) and favorable AI positioning should help to sustain 20%+ topline longer term.

With the broader platform garnering traction, GenAI gaining momentum, and improvements in EBIT, we see durable 25%+ FCF CAGR over the next 3 years. We believe the stock's premium valuation is justified given potential topline re-acceleration, improving margin profile, and highly defensible moat across multiple areas of the security stack, driving our OW thesis.

Consensus Rating Distribution



Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

Secular Growth: *Positive*

View descriptions of Risk Rewards Themes here

BULL CASE $308.00

65X CY30e FCF of $6.56B, discounted back at 12%

-ARR reaches $14.9B in CY30, a 24% 5-yr CAGR

-Rev. grows to $13.1B in CY30, a 23% 5-yr CAGR

-Op. Margins improve from 22% in CY23 to 41% in CY30, yielding $6.56B in FCF

-Apply 65x EV/CY30 FCF mult (1.3x EV/CY27 FCF growth adjusted), discounted back at 12%, to get to our $308 bull case valuation

BASE CASE $254.00

64X CY30e FCF of $5.48B, discounted back at 12%

-ARR reaches $13.9B in CY30, a 22% 5-yr CAGR

-Rev. grows to $12.2B in CY30, a 21% 5-yr CAGR

-Op. Margins improve from 22% in CY23 to 37% in CY30, yielding $5.48B in FCF

-Apply 64x EV/CY30 FCF mult (1.6x EV/CY27 FCF growth adjusted), discounted back at 12%, to get to our $254 valuation

BEAR CASE $103.00

40X CY30e FCF of $3.4B, discounted back at 12%

-ARR reaches $11.3B in CY30, a 17% 5-yr CAGR

-Rev. grows to $9.9B in CY30, a 16% 5-yr CAGR

-Op. Margins improve from 22% in CY23 to 31% in CY30, yielding $3.4B in FCF

-Apply 40x EV/CY30 FCF mult (2.3x EV/CY27 FCF growth adjusted), discounted back at 12%, to get to our $103 bear case valuation

Risk Reward – CrowdStrike Holdings Inc (CRWD.O)

KEY EARNINGS INPUTS

Drivers	Jan 2026	Jan 2027e	Jan 2028e	Jan 2029e
ARR YoY Growth (%)	23.8	25.8	24.7	0.0
Customer Count Growth (%)	17.2	16.0	14.8	0.0
Net Revenue Retention Rate (%)	115.0	116.2	116.2	0.0
Gross Margin (%)	78.2	79.0	79.8	80.6
Operating Margin (%)	21.7	25.1	27.2	30.2

INVESTMENT DRIVERS

Upcoming earnings

GLOBAL REVENUE EXPOSURE



- 0-10% APAC, ex Japan, Mainland China and India
- 0-10% Europe ex UK
- 0-10% India
- 0-10% Japan
- 0-10% Latin America
- 0-10% MEA
- 0-10% UK
- 70-80% North America

Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies here

MS ALPHA MODELS

4/5 BEST	24 Month Horizon	3/5 MOST	3 Month Horizon

Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- Stronger than expected endpoint security demand remains elevated due to rising cyber threats
- TAM expansion opportunities (XDR, Identity, Cloud Workload Protection) materialize faster than expected

RISKS TO DOWNSIDE

- Competition makes new customer acquisition tougher
- Lower cost alternatives commoditize CRWD's premium pricing
- Softer hiring environment pressures upsell activity

OWNERSHIP POSITIONING

Inst. Owners, % Active	48.4%	
HF Sector Long/Short Ratio	2.2x	
HF Sector Net Exposure	30.6%	

Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure – Short Exposure).

MS ESTIMATES VS. CONSENSUS

FY Jan 2027e

Sales / Revenue ($, mm)	5,937	5,996	6,064
		6,006	
EBIT ($, mm)	1,468	1,503	1,553
		1,506	
Net income ($, mm)	1,275	1,308	1,344
		1,310	
EPS ($)	1.23	1.25	1.32
		1.26	
ROE (%)	9.3	29.5	
		23.7	

◆ Mean ◆ Morgan Stanley Estimates

Source: Refinitiv, Morgan Stanley Research

Risk Reward – Palo Alto Networks Inc (PANW.O) Top Pick

Security Platform Consolidator

PRICE TARGET $410.00

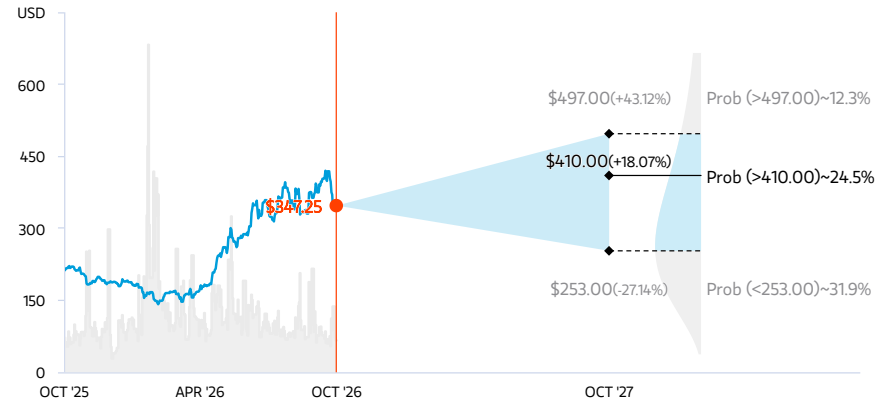
Based on 47x Base Case 2028e FCF per share of $8.30; this multiple is a premium to similarly growing large cap software peers.

Consensus Price Target Distribution $190.00 $400.15 $525.00 MS PT

Mean Morgan Stanley Estimates

Source: Refinitiv, Morgan Stanley Research

RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)



Key: Historical Stock Performance Current Stock Price Price Target

Source: Refinitiv, Morgan Stanley Research, Morgan Stanley Institutional Equities Division. The probabilities of our Bull, Base, and Bear case scenarios playing out were estimated with implied volatility data from the options market as of 21 Oct 2026. All figures are approximate risk-neutral probabilities of the stock reaching beyond the scenario price in either three-months' or one-years' time. View explanation of Options Probabilities methodology here

OVERWEIGHT THESIS

- Palo Alto Networks offers a disruptive platform, well positioned to address the evolving threat landscape and consolidate a fragmented security market. We believe Palo Alto Networks will continue to differentiate itself from its peers as it proves out a broader TAM around a Next-Gen Security Platform (and executing to that opportunity).
- With strong secular positioning and the drive towards higher operating margins, we remain confident in the company's ability to sustain durable FCF growth over the next 3 years.

Consensus Rating Distribution

77% Overweight
21% Equal-weight
2% Underweight

MS Rating

Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

Secular Growth: *Positive*

View descriptions of Risk Rewards Themes here

BULL CASE $497.00

55x Bull Case 2027e FCF per share of $8.62

Consolidating the Broader Security Market. Total revenue grows at a 19% CAGR from 2026-26 and reaches ~$18.1B by CY28 on stronger Next-Gen Security sales and firewall refresh. Operating margins move to ~33% by CY28 with FCF margin of ~40.5%. PANW trades at a 55x EV/FCF multiple in CY28.

BASE CASE $410.00

47x Base Case 2028e FCF per share of $8.30

Sustaining Above Market Growth. PANW sustains low-teens topline CAGR, with revenue reaching ~$17.5B by CY28. Operating margins improve to ~31% by CY28 through higher gross margin and S&M leverage and FCF margin is ~40% in CY28. PANW sustains 47x EV/FCF in CY28, a premium multiple compared to similarly growing large cap software peers.

BEAR CASE $253.00

30x Bear Case 2028e FCF per share of $7.74

Slowing Growth. Prolonged macro slowdown and slower firewall demand persists, while new product traction stalls. Total revenue growth slows with limited operating leverage and duration headwinds driving FCF margin down. PANW trades at 30x EV/FCF on CY28.

Risk Reward – Palo Alto Networks Inc (PANW.O)

KEY EARNINGS INPUTS

Drivers	Jul 2026	Jul 2027e	Jul 2028e	Jul 2029e
Product & Licensing Revenue YoY Growth (%)	26.5	15.0	8.0	8.0
Total Billings YoY Growth (%)	28.5	12.8	12.4	0.0
Non Firewall Billings YoY Growth (%)	35.8	32.3	13.8	0.0
Free Cash Flow Margin (%)	35.8	38.0	20.6	36.0

INVESTMENT DRIVERS

- Firewall refresh picks up in 2025/26
- New product introductions and greater subscription attach
- Faster adoption of next-gen security offerings (Prisma Cloud, Prisma SASE, Cortex)

GLOBAL REVENUE EXPOSURE



- 0-10% APAC, ex Japan, Mainland China and India
- 0-10% India
- 0-10% Japan
- 0-10% Latin America
- 0-10% MEA
- 0-10% UK
- 10-20% Europe ex UK
- 60-70% North America

Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies here

MS ALPHA MODELS

5/5 BEST	24 Month Horizon	5/5 MOST	3 Month Horizon

Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- Stronger firewall refresh cycle and higher subscription attach rates
- Faster uptake of new Cloud-based Next-Gen Security solutions such as Cortex (AI-Powered Security Analytics) and Prisma SASE

RISKS TO DOWNSIDE

- Slowing firewall refreshes could drive a greater than expected impact to PANW's top line growth
- An increasingly competitive environment could necessitate additional S&M spending, limiting margin leverage.

OWNERSHIP POSITIONING

Inst. Owners, % Active	49.3%	
HF Sector Long/Short Ratio	2.2x	
HF Sector Net Exposure	30.6%	

Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure – Short Exposure).

MS ESTIMATES VS. CONSENSUS

FY Jul 2027e

Sales / Revenue ($, mm)	13,796	14,142 / 14,155	14,604
EBITDA ($, mm)	3,766	4,970	5,942
Net income ($, mm)	3,413	3,533 / 3,532	3,873
EPS ($)	4.08	4.18 / 4.18	4.57

◆ Mean ◆ Morgan Stanley Estimates

Source: Refinitiv, Morgan Stanley Research

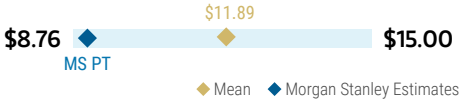
Risk Reward – Rapid7 Inc (RPD.O)

Needs to Prove New Product Innovations Can Gain Traction

PRICE TARGET $9.00

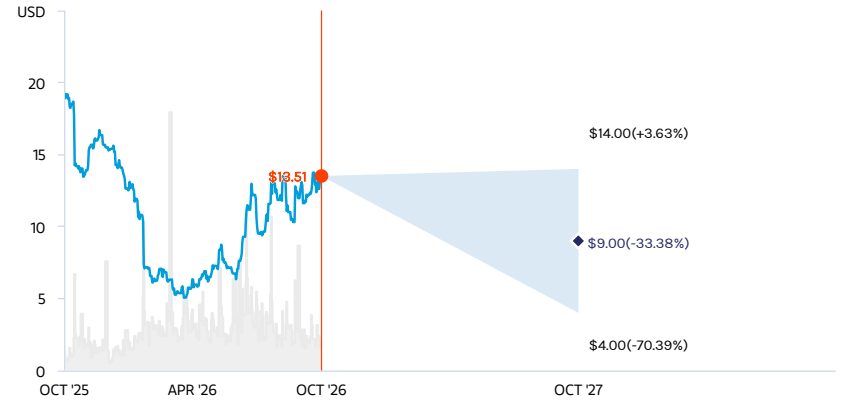
Based off of 5x Base Case 2027e FCF of $132M, a discount to security peers given current mix of business and ex growth conditions on VM business.

Consensus Price Target Distribution



Source: Refinitiv, Morgan Stanley Research

RISK REWARD CHART



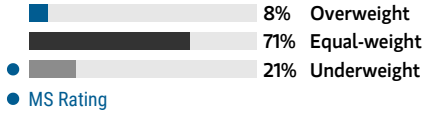
Key: Historical Stock Performance Current Stock Price Price Target

Source: Refinitiv, Morgan Stanley Research

UNDERWEIGHT THESIS

Rapid7 has evolved from core Vulnerability Management into broader security ops platform, which includes VM, security analytics, threat intelligence, cloud security and others. While we're enthusiastic on this evolved vision, we think expansion into large but highly competitive markets and increased M&A is likely to limit margin expansion, with operating profitability already below peers. While 1.4x EV/CY27 Sales valuation is undemanding, more consistent execution is required before seeing a return to double-digit growth again.

Consensus Rating Distribution



Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

Contrarian:	*Negative*
Self-help:	*Positive*

View descriptions of Risk Rewards Themes here

BULL CASE $14.00

8x Bull Case 2027e FCF of $145M

Products Solidify into Leading Next-Gen Security Platform. Market expansion of customer base + improved cross sell of existing customers drives significant product growth. RPD's customer base reaches ~12K in CY27. Cumulative product per customer grows in the mid teens and total revenue reaches $877M by CY27. Op. margins start to expand to ~17% from CY26e declines, with FCF margin of 16.5%. 8x EV/CY27 FCF of $145M yields $14.

BASE CASE $9.00

5x Base Case 2027e FCF of $133M

Strong Execution in Core Markets. RPD's customer growth is relatively flat in its core markets, staying at ~12K in CY27. RPD continues to increase upsells within its base as cumulative revenue per customer grows mid teens, and total revenue reaches $825M by CY27. Operating margins move to 16.5% in CY27 and FCF margin to 16.1%. 5x EV/CY27 FCF of $133M, yields PT of $7

BEAR CASE $4.00

3x Bear Case 2027e FCF of $114M

Stronger Competition Slows Growth. Competition within core markets from larger vendors displaces RPD's market share. Upsells into the existing customer base slows and total rev. reaches $778M by CY27. Op. margins deteriorate and FCF margin declines to 15% in CY27. 3x EV/CY27 FCF of $114M yields $4 PT.

Risk Reward – Rapid7 Inc (RPD.O)

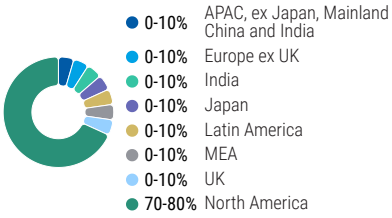
KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
ARR Revenue Growth -YoY (%)	0.0	(3.0)	(0.5)	1.5
Billings Growth - YoY (%)	1.0	(1.6)	0.6	1.2
Operating Margin (%)	15.8	14.7	16.5	17.6

INVESTMENT DRIVERS

- VM demand accelerates due to new regulation / growing asset footprint
- New customer wins
- Increased penetration of existing customers.

GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies here

RISKS TO PT/RATING

RISKS TO UPSIDE

- VM demand accelerates due to new regulation / growing asset footprint
- New customer wins
- Increased penetration of existing customers.

RISKS TO DOWNSIDE

- Increased competition from large competitors, particularly in new markets.
- Limited growth in markets outside of vulnerability management and limited adoption of new subscription offerings
- Investments in the new product portfolio could drive more muted margin leverage.

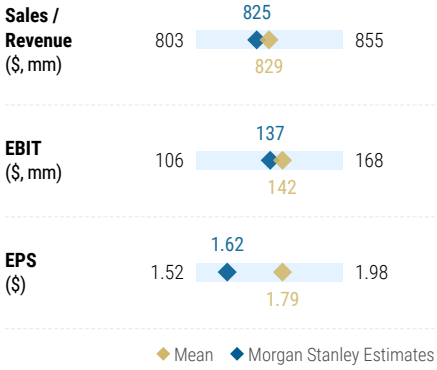
OWNERSHIP POSITIONING

Inst. Owners, % Active	42.8%
HF Sector Long/Short Ratio	2.2x
HF Sector Net Exposure	30.6%

Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure – Short Exposure).

MS ESTIMATES VS. CONSENSUS

FY Dec 2027e



Source: Refinitiv, Morgan Stanley Research

Risk Reward – Check Point Software Technologies Ltd. (CHKP.O)

Steady Organic GAAP EPS Growth

PRICE TARGET $133.00

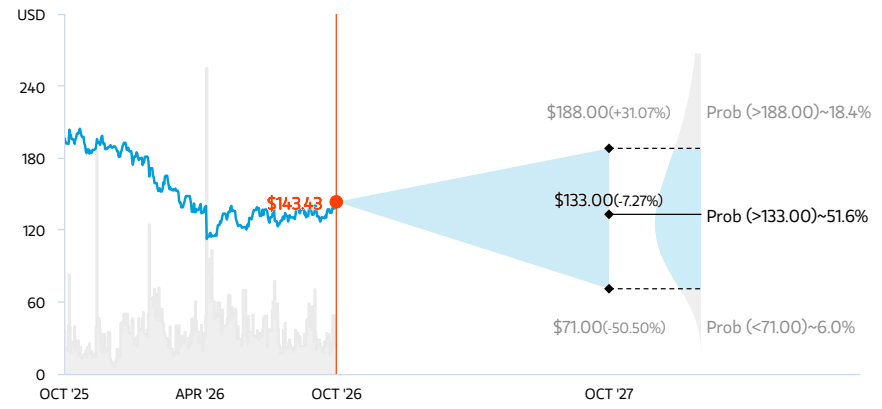
12x FY27e EPS of $11.08 in FY27, inline with low growth software names.

Consensus Price Target Distribution $105.00 $145.97 MS PT $197.42

Source: Refinitiv, Morgan Stanley Research

◆ Mean ◆ Morgan Stanley Estimates

RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)



Key: —Historical Stock Performance ● Current Stock Price ◆ Price Target

Source: Refinitiv, Morgan Stanley Research, Morgan Stanley Institutional Equities Division. The probabilities of our Bull, Base, and Bear case scenarios playing out were estimated with implied volatility data from the options market as of 21 Oct 2026. All figures are approximate risk-neutral probabilities of the stock reaching beyond the scenario price in either three-months' or one-years' time. View explanation of Options Probabilities methodology here

EQUAL-WEIGHT THESIS

■ We see limited downside to Check Point's top line growth beyond FY26, once Check Point gets past ongoing GTM changes, as firewall demand has stabilized and the company's expanding product portfolio beyond core network security drives higher recurring revenue mix. We expect mid-single digit revenue growth for FY27/FY28, while EBIT margins are expected to be <40% due to FX/M&A impacts and product/sales investments.

■ Valuation is not demanding at ~12X CY27e EPS (incl. cash). Our $133 PT and Equal-weight rating is based on 8X CY27 EPS (ex-cash), inline with lower growth software peers.

Consensus Rating Distribution

36% Overweight
64% Equal-weight
0% Underweight
● MS Rating

Source: Refinitiv, Morgan Stanley Research

BULL CASE $188.00

15x Bull FY27e EPS of $12.51

Stronger Appliance Refresh and Subscription Attach. Healthy firewall refresh and higher subscription attach enable CHKP to gain share in the network security market. CHKP maintains roughly mid-to-high single digit organic billings growth in FY24 through FY27, despite increasing competition. Durable revenue growth helps offset S&M and R&D investments, keeping op. margins of ~44% by FY27. FY27e EPS is $12.51. CHKP trades at 15X CY27e EPS, roughly inline with low growth peers.

BASE CASE $133.00

12x Base FY27e EPS of $11.08

Investing to Maintain Growth. Increased competition and GTM changes limit billings growth. Greater spend in R&D and S&M to respond to competitive pressures, while also facing FX and M&A impacts, offset increasing software subscription and pricing increases, resulting in op. margins moving lower to <40% in FY27. FY27 EPS is $11.08 and CHKP trades at 12X EPS — inline with low growth software names.

BEAR CASE $71.00

7x Bear FY27e EPS of $10.18

Growth Stalls. Increasing competition in core network security from both lower end UTM vendors and larger network equipment vendors combined with low traction in cloud solutions limits growth opportunities. Increasing price competition compounds gross margin pressures from challenged supply chains, and operating margins decrease to <38% by FY27. CHKP trades at 7x CY27 EPS, below low growth hardware peers.

Risk Reward – Check Point Software Technologies Ltd. (CHKP.O)

KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
Total Billings YoY Growth (%)	9.3	4.5	4.0	4.0
Product & Licensing Revenue YoY Growth (%)	7.9	(5.4)	(1.0)	1.8
Subscription Revenue YoY Growth (%)	10.4	12.2	8.5	7.1
Operating Margin % (%)	40.9	39.0	39.0	39.0

INVESTMENT DRIVERS

- Inflection in the up-sell of incremental blades into the installed base.
- Faster uptake of non-Firewall solutions such as Harmony and CloudGuard.
- New solutions like Horizon picking up traction.

GLOBAL REVENUE EXPOSURE



0-10% APAC, ex Japan, Mainland China and India
0-10% India
0-10% Japan
0-10% Latin America
0-10% UK
10-20% MEA
30-40% Europe ex UK
30-40% North America

Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies here

MS ALPHA MODELS

2/5 **BEST**	24 Month Horizon	2/5 **MOST**	3 Month Horizon

Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- Firewall refreshes could sustain longer and stronger than our base case assumptions, driving better top-line growth for Check Point.
- Increased S&M and R&D spend could drive better than expected new customer acquisition.
- With ~$3.0B in cash on the balance sheet, additional acquisitions to accelerate growth are a risk.

RISKS TO DOWNSIDE

- Share losses accelerate in CY25/CY26 vs peers who are outspending on S&M.

OWNERSHIP POSITIONING

Inst. Owners, % Active	65.5%	
HF Sector Long/Short Ratio	2.2x	
HF Sector Net Exposure	30.6%	

Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure – Short Exposure).

MS ESTIMATES VS. CONSENSUS

FY Dec 2026e

Sales / Revenue ($, mm)	2,770	2,801	2,810 / 2,830
EBITDA ($, mm)	1,000	1,126	1,147 / 1,184
Net income ($, mm)	1,036	1,076	1,077 / 1,101
EPS ($)	10.05	10.44	10.44 / 10.63

◆ Mean ◆ Morgan Stanley Estimates

Source: Refinitiv, Morgan Stanley Research

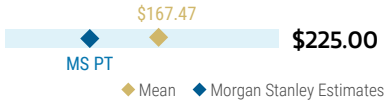
Risk Reward – Fortinet Inc. (FTNT.O)

Improving Firewall Refresh Despite Slower Than Expected Software Attach

PRICE TARGET $136.00

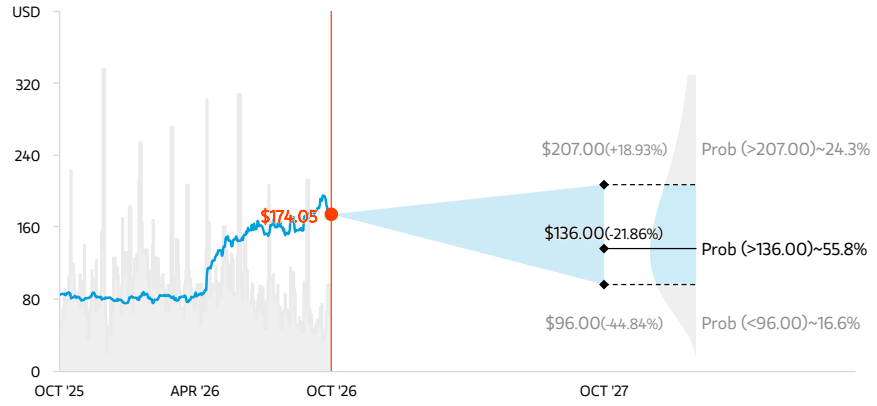
Based off of 32x our CY27e Base Case FCF of $3,057M, a premium to software peers

Consensus Price Target Distribution



Source: Refinitiv, Morgan Stanley Research

RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)



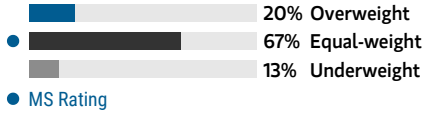
Key: Historical Stock Performance ● Current Stock Price ◆ Price Target

Source: Refinitiv, Morgan Stanley Research, Morgan Stanley Institutional Equities Division. The probabilities of our Bull, Base, and Bear case scenarios playing out were estimated with implied volatility data from the options market as of 21 Oct 2026. All figures are approximate risk-neutral probabilities of the stock reaching beyond the scenario price in either three-months' or one-years' time. View explanation of Options Probabilities methodology here

EQUAL-WEIGHT THESIS

- Key positioning within the secular trend of networking and security consolidation. The ongoing Firewall cycle has improved, driving improving growth and potential upside to current consensus expectations.
- At 32X CY27e FCF, a premium to large cap software peers, current valuation takes into account the better product revenue cycle, offset by limited improvement in subscription revenue growth.

Consensus Rating Distribution



Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

Secular Growth: *Positive*

View descriptions of Risk Rewards Themes here

BULL CASE $207.00

45x Bull Case CY27e FCF of $3,345M

Security Fabric sees broad adoption in the enterprise. Revenue growth remains strong, as firewall demand becomes more durable in FY25-27, growing at 14% CAGR thru 2027. EBIT margins improve to 36.0% by FY27, getting us to FCF of $3,345M by FY27. Fortinet trades at 45X FCF, which gets us to $207.

BASE CASE $136.00

32x Base Case CY27e FCF of $3,057M

Steady Share Gains Long Term. Total billings grow ~18% in FY26 and at a ~13% CY25-27 CAGR. Operating margins grow modestly from 27.3% in FY22 to 34.0% in FY27 based on higher recurring services mix. Applying a 32X multiple gets us to our price target of $136, a premium to large cap software peers.

BEAR CASE $96.00

25x Bear Case 2026e FCF $2,737M

Higher Competition and Macro Challenges Slow Growth. Competition and ability to meet market demand leads to revenue deceleration to high-single digit CAGR thru 2027. Operating margin expansion is less than expected. The stock trades at 25x FCF of $2,737M in CY27, which gets us to $96.

Risk Reward – Fortinet Inc. (FTNT.O)

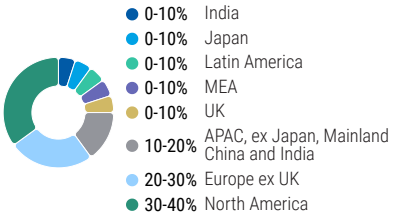
KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
Total Billings YoY Growth (%)	15.6	25.0	7.7	0.0
Product & Licensing Revenue YoY Growth (%)	16.2	30.7	3.8	6.7
Subscription Revenue YoY Growth (%)	13.2	13.5	14.4	10.0
Operating Margin % (%)	35.5	36.1	35.1	34.5

INVESTMENT DRIVERS

- Upcoming Firewall refresh cycle
- Increasing demand for solutions that converge networking with security

GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies here

MS ALPHA MODELS

4/5 BEST	24 Month Horizon	1/5 MOST	3 Month Horizon

Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- Stronger than expected SD-WAN, OT and Security Fabric adoption could drive estimates/ multiples higher
- Continued share buybacks could bolster investor sentiment

RISKS TO DOWNSIDE

- Slowing firewall refreshes, challenging supply chain, and increased competition could drive substantially lower growth
- Architectural changes in the security infrastructure could reduce the necessity for network firewalls

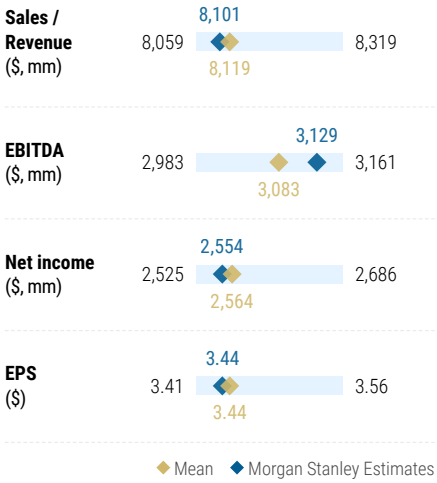
OWNERSHIP POSITIONING

Inst. Owners, % Active	39.8%
HF Sector Long/Short Ratio	2.2x
HF Sector Net Exposure	30.6%

Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure – Short Exposure).

MS ESTIMATES VS. CONSENSUS

FY Dec 2026e



Source: Refinitiv, Morgan Stanley Research

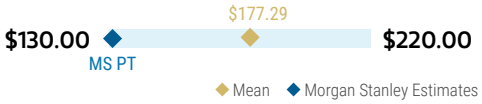
Risk Reward – Qualys Inc (QLYS.O)

Growth and Margin Pressure Create Unfavorable Risk-Reward

PRICE TARGET $130.00

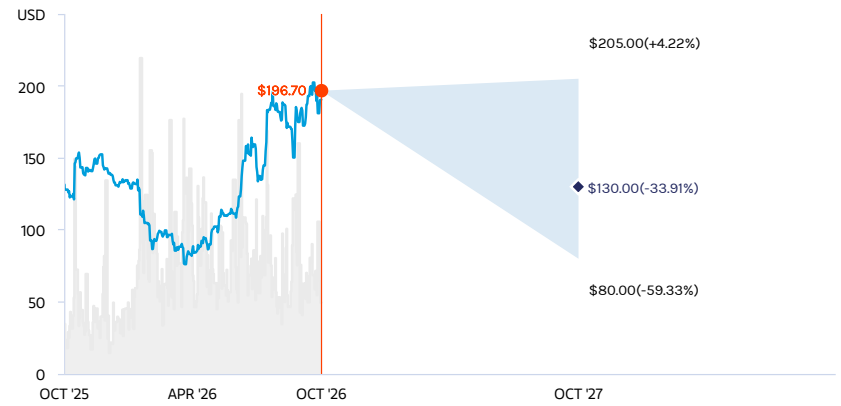
12x Base Case 2027e FCF of $323M

Consensus Price Target Distribution



Source: Refinitiv, Morgan Stanley Research

RISK REWARD CHART



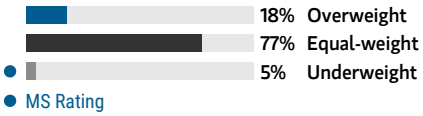
Key: Historical Stock Performance ● Current Stock Price ◆ Price Target

Source: Refinitiv, Morgan Stanley Research

UNDERWEIGHT THESIS

Qualys has struggled to maintain pace with overall market growth in recent years, but has succeeded more recently in upselling its core Vulnerability Management, Detection & Response solution into the existing install base. However, with VMDR now in a meaningful portion of the existing base & new customer growth lacking, we expect a less favorable growth trajectory. Concurrently, we expect higher opex growth to be a drag on margins, ultimately limiting FCF growth. As such, we remain Underweight.

Consensus Rating Distribution



Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

Secular Growth: *Positive*

View descriptions of Risk Rewards Themes here

BULL CASE $205.00

17x Bull Case 2027e FCF of $357M

Sustaining Slightly Above Market Growth. New customer adoption and further penetration into the base drives revenue CAGR of 15% between 2025 and 2027. Total revenue reaches $888M in CY27. FCF margins of 40% in CY27 to produce $357M in FCF and a 17x EV/FCF multiple yields $205.

BASE CASE $130.00

12x Base Case 2027e FCF of $323M

Growth Decelerates to Mid-Single Digits. Revenue grows at a ~9% CAGR ('25-27e), as QLYS further penetrates its base and revenue reaches $789M. Op margins decline to ~42% by CY27, as increased investments in the business are needed to support top-line growth. FCF margin of ~41% in CY27 and a 12x EV/FCF multiple yields our $130 price target, a discount to security peers on account of perception of growth prospects for VM/EM.

BEAR CASE $80.00

7x Bear Case 2027e FCF of $310M

Accelerating Market Share Loss; Secularly Challenged from AI. Competition from next gen vendors increases, while new product traction stalls. Revenue growth of 4% from CY25-CY27, as the new customer adds slow and expansion of existing customer becomes more muted. Total revenue reaches $719M in CY27. FCF margins of 43% in CY27 to produce $309M in FCF and a 7x EV/FCF multiple yields $80.

Risk Reward – Qualys Inc (QLYS.O)

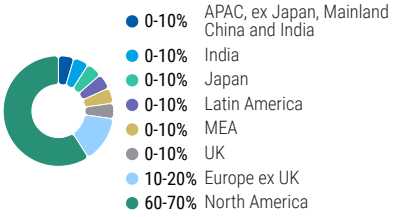
KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
Revenue Growth - YoY (%)	10.1	9.8	7.3	5.7
Billings Growth - YoY (%)	8.2	9.8	7.6	5.4
Operating Margin (%)	45.1	43.8	42.2	41.9
Free Cash Flow ($, mm)	304	304	323	6

INVESTMENT DRIVERS

- New customer wins and higher growth driven by sales investments.
- Increased existing customer penetration, including ramping adoption of additional products.
- International expansion.

GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies here

MS ALPHA MODELS

2/5 BEST	24 Month Horizon	3/5 MOST	3 Month Horizon

Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- Vulnerability management demand could meaningfully accelerate due to threat environment and/or data protection regulation.
- Traction with new products could accelerate faster than expected.
- Greater S&M and R&D efficiency could drive margins higher than our base case.

RISKS TO DOWNSIDE

- Security spending meaningfully decelerates.
- Increased competition from competitors and limited growth in markets outside of VM.

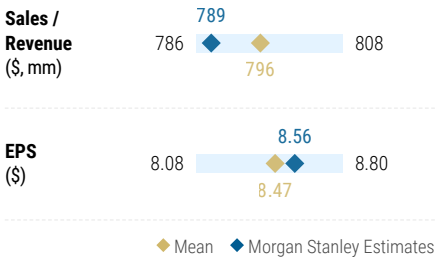
OWNERSHIP POSITIONING

Inst. Owners, % Active	35.6%
HF Sector Long/Short Ratio	2.2x
HF Sector Net Exposure	30.6%

Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure – Short Exposure).

MS ESTIMATES VS. CONSENSUS

FY Dec 2027e



Source: Refinitiv, Morgan Stanley Research

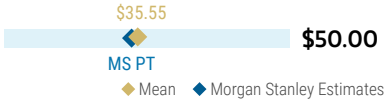
Risk Reward – Tenable Holdings Inc (TENB.O)

Category Leader & Share Gainer In Slowing Market With Limited Margin Upside

PRICE TARGET $35.00

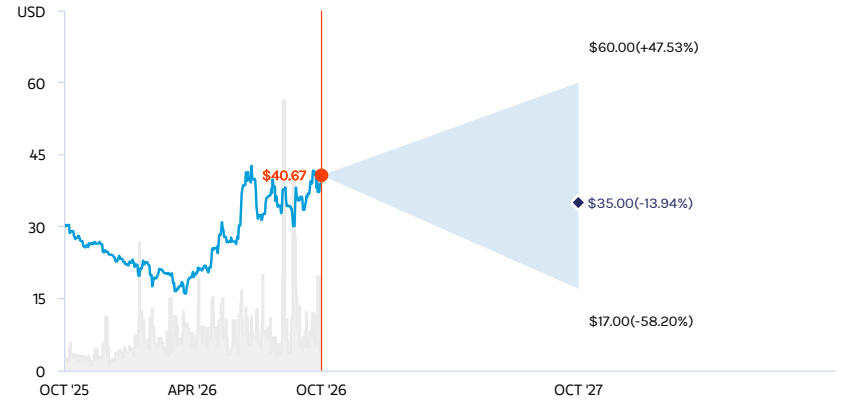
13x CY27e FCF of $296M, adding back ~$245M of net cash. At $35/share, our PT implies ~4x EV/CY27 Sales, or ~0.6x adjusted for growth, a inline with SMid Cap median.

Consensus Price Target Distribution



Source: Refinitiv, Morgan Stanley Research

RISK REWARD CHART



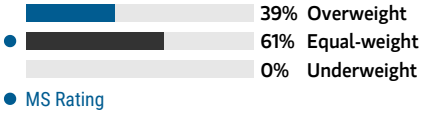
Key: Historical Stock Performance Current Stock Price Price Target

Source: Refinitiv, Morgan Stanley Research

EQUAL-WEIGHT THESIS

Despite being the clear category leader within its core Vulnerability Management market, we view Tenable as fairly valued and see downside risk to forward FCF estimates - making us Equal-Weight shares. This is driven by 1) pricing pressure in their core Vulnerability Management market, 2) significant exposure to the US public sector, which could be at risk under the new administration, and 3) limited upside to margins near term due to pricing pressure and the need for increased investments to drive growth.

Consensus Rating Distribution



Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

Secular Growth: *Negative*
Self-help: *Positive*

View descriptions of Risk Rewards Themes here

BULL CASE $60.00

20x Bull Case 2027e FCF of $353M

Leader within an Expanding VM Market. TENB continues to gain share in VM, with early signs of traction outside traditional IT assets and new products. Revenue grows at a ~7% CAGR thru CY27 and OM expands to 26% in CY27 as operating leverage flows through the model. FCF margins reach 29% in CY27, implying $353M of FCF. Applying a 20x EV/FCF multiple and adding $319M in CY27 net cash/share yields $60 bull case.

BASE CASE $35.00

13x Base Case 2027e FCF of $296M

Vulnerability Management Share Gainer. TENB continues to gain share in vulnerability management, with early signs of traction outside traditional IT assets and new products. Revenue grows at an 7% CAGR thru CY27 and OM expand to 25% in CY27 as operating leverage flows through the model. FCF margins are expand to 26% in CY27, implying $296M of uFCF. Applying a 13x EV/FCF multiple and adding $245M in CY27 net cash, yields a $35 PT.

BEAR CASE $17.00

6x Bear Case 2027e FCF of $304M

Formidable Peers Limit Pace of Growth. Overall revenue grows at a 5% CAGR through CY27, with op margins reaching only 23% and FCF margins reach 29% by CY27 as revenue slows, implying $304M of FCF. Applying a 6x EV/FCF multiple and adding $240M in CY27 net cash/share yields $17 bear case.



Risk Reward – Tenable Holdings Inc (TENB.O)

KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
Total Revenue Growth (%)	11.0	7.8	5.5	4.8
Current Billings Growth (%)	8.2	7.4	7.5	6.5
Op Margins (%)	21.9	24.2	24.6	25.2
Free Cash Flow ($, mm)	277	292	296	343

INVESTMENT DRIVERS

- Pricing pressure in core Vulnerability Management market
- Significant exposure to the US Public sector, at risk under new administration
- Limited upside to margins near term due to pricing pressure and need for increased investments to drive growth

GLOBAL REVENUE EXPOSURE



0-10% APAC, ex Japan, Mainland China and India
0-10% India
0-10% Japan
0-10% Latin America
0-10% MEA
0-10% UK
10-20% Europe ex UK
50-60% North America

Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies here

MS ALPHA MODELS

1/5 BEST	24 Month Horizon	3/5 MOST	3 Month Horizon

Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- Stronger traction of the Tenable One bundle
- Broader security spending accelerates materially;
- Increasing customer willingness to deploy VM for modern IT assets;
- Sales productivity gains come faster than expected;
- Security software M&A activity picks up.

RISKS TO DOWNSIDE

- Slower business activity due to macro pressures
- Increased competition
- Slow adoption outside of core VM
- Pullback in S&M spend sacrifices share gains

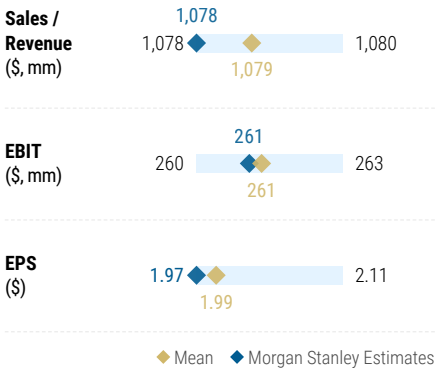
OWNERSHIP POSITIONING

Inst. Owners, % Active	43.9%	
HF Sector Long/Short Ratio	2.2x	
HF Sector Net Exposure	30.6%	

Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure – Short Exposure).

MS ESTIMATES VS. CONSENSUS

FY Dec 2026e



Source: Refinitiv, Morgan Stanley Research

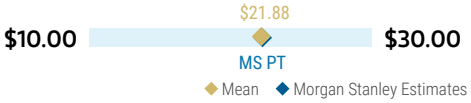
Risk Reward – SailPoint Inc (SAIL.O)

Setting SAIL on Growing the Identity Security Market

PRICE TARGET $22.00

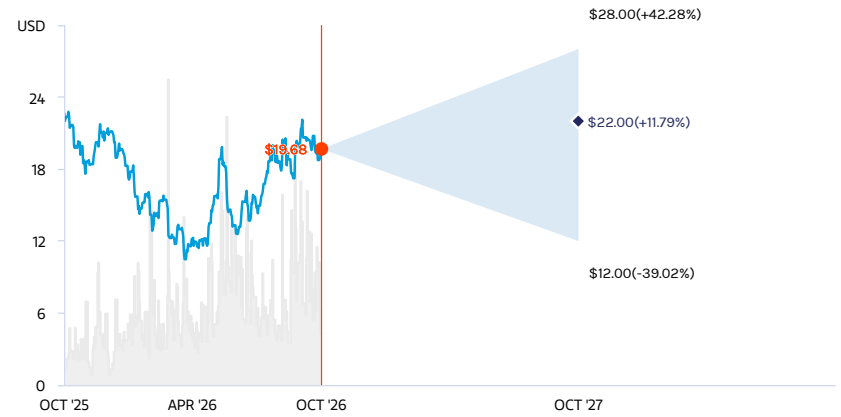
Our $22 price target is based upon 25x our Base Case 2030 FCF, implying ~8x EV/CY27 sales, a modest discount to the Security comp group average. We discounted back to 2027 with a 12.2% WACC.

Consensus Price Target Distribution



Source: Refinitiv, Morgan Stanley Research

RISK REWARD CHART



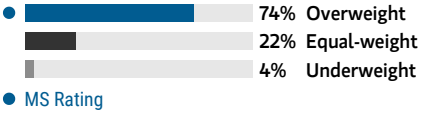
Key: Historical Stock Performance Current Stock Price Price Target

Source: Refinitiv, Morgan Stanley Research

OVERWEIGHT THESIS

SailPoint is a leading provider of Identity Governance and Administration (IGA), setting and enforcing policies around who has access to the applications and data across an enterprise. The company's Identity Security Cloud offering provides an all-in-one solution for enterprises to better secure employees, non-employees, and machines (non-human identities). The company has multiple avenues to support 20%+ topline growth spanning SaaS migration tailwinds, a multi-billion dollar legacy replacement opportunity, and expansion beyond core IGA.

Consensus Rating Distribution



Source: Refinitiv, Morgan Stanley Research

BULL CASE $28.00

Based off of 27x Bull Case 2030e FCF of $753M

Multi-Product Story Comes to Fruition. IGA market share expands to ~37% in 2028 and ARR grows to ~$3.1B in CY30, representing a 24% CAGR from CY23-CY30. Operating margins improve to 27% in CY30, with further leverage via S&M and R&D efficiencies and a growing SaaS-based business. FCF margin reaches 27% in CY30. SAIL trades at 27x EV/FCF, yielding a $28 price, with a 12.2% WACC

BASE CASE $22.00

Based off of 25x Base Case 2030e FCF of $640M

Share Gains in IGA and SaaS Transition Tailwinds Drive Durable Growth. IGA market share expands to ~35% in 2028 and ARR grows to $2.9B in CY30, representing a 23% CAGR from CY23-CY30. Operating margins improve to 25% in CY30, with further opportunity for leverage via S&M and R&D efficiencies and a growing SaaS-based business. FCF margin reaches 25% in CY30. SAIL trades at 25x EV/FCF, yielding a $22 price, with a 12.2% WACC

BEAR CASE $12.00

Based off of 16x Bear Case 2030e FCF of $520M

Minimal Share Gains and Lack of Second Act Drive Weaker Growth. IGA market share expands to ~32% in 2028 and ARR grows to $2.5B in CY30, representing a 20% CAGR from CY23-CY30. Operating margins improve to 23% in CY30, with lack of additional leverage stemming from softer topline growth. FCF margin reaches 23% in CY30. SAIL trades at 16x EV/FCF, yielding a $12 price, with a 12.2% WACC

Risk Reward – SailPoint Inc (SAIL.O)

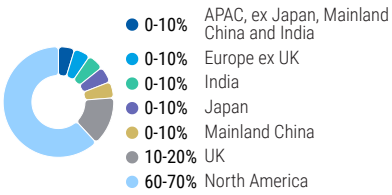
KEY EARNINGS INPUTS

Drivers	Jan 2026	Jan 2027e	Jan 2028e	Jan 2029e
Total Annual Recurring Revenue ($, mm)	1,125	1,380	1,651	2,015
SaaS Annual Recurring Revenue ($, mm)	746	982	1,235	1,590
Total Revenue ($, mm)	1,071	1,270	1,499	1,778
Operating Income ($, mm)	194	242	293	393

INVESTMENT DRIVERS

- $2B+ legacy on-premise replacement opportunity across the IGA landscape
- SaaS migration tailwinds via existing Maintenance ARR base
- Expansion into new or adjacent categories such as Machine Identity or Data Governance

GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies here

MS ALPHA MODELS

3/5 BEST	24 Month Horizon	3/5 MOST	3 Month Horizon

Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- Meaningful success in adjacent markets including Machine Identity or Data Governance
- SaaS migrations accelerate more than anticipated
- Enterprises replace on-premise IGA solutions at a faster rate relative to history, driving robust pipeline conversion potential

RISKS TO DOWNSIDE

- Lack of success outside of core IGA market
- Federal-related exposure drives incremental headwinds
- Maintenance base migrates at a slower pace

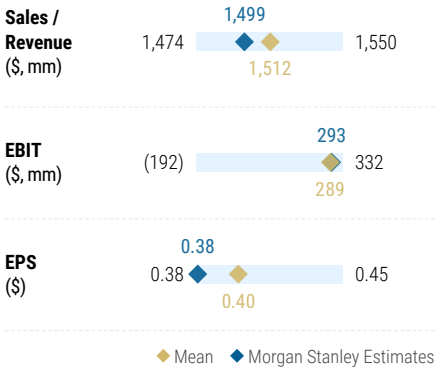
OWNERSHIP POSITIONING

Inst. Owners, % Active	94.9%
HF Sector Long/Short Ratio	2.2x
HF Sector Net Exposure	30.6%

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MS ESTIMATES VS. CONSENSUS

FY Jan 2028e



Source: Refinitiv, Morgan Stanley Research

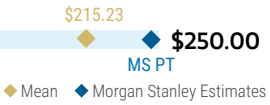
Risk Reward – Okta, Inc. (OKTA.O)

A Secular Winner in SaaS Security Making a Comeback

PRICE TARGET $245.00

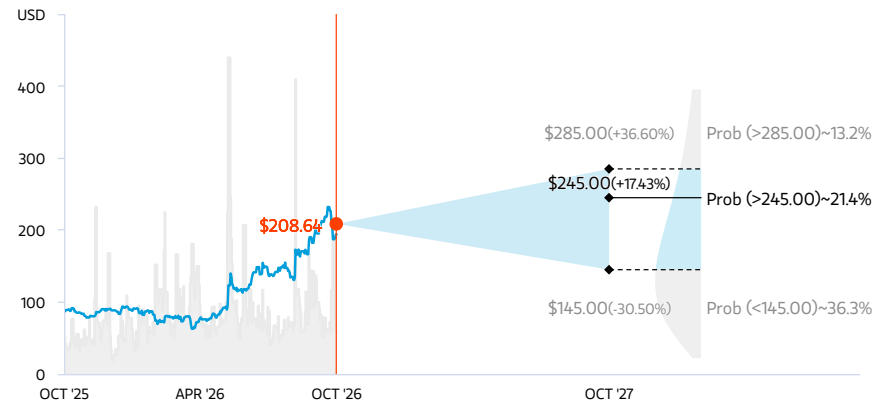
Based on 41x Base Case CY27e FCF and implying ~12X EV/CY27e sales, roughly in line with the broader Security group to account for reaccelerating growth profile and potential upside from AI-related product opportunity

Consensus Price Target Distribution



Source: Refinitiv, Morgan Stanley Research

RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)



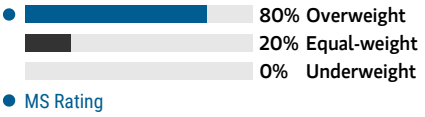
Key: Historical Stock Performance ● Current Stock Price ◆ Price Target

Source: Refinitiv, Morgan Stanley Research, Morgan Stanley Institutional Equities Division. The probabilities of our Bull, Base, and Bear case scenarios playing out were estimated with implied volatility data from the options market as of 21 Oct 2026. All figures are approximate risk-neutral probabilities of the stock reaching beyond the scenario price in either three-months' or one-years' time. View explanation of Options Probabilities methodology here

OVERWEIGHT THESIS

- OKTA remains a long-term share gainer in Identity and Access Management, a large and rapidly growing market opportunity tied to key secular themes such as Cloud adoption and an increasingly hybrid workforce. With >$40 billion estimated TAM, we see long runway of growth and modest share gain.
- Stabilizing topline growth and improving profitability should drive 15-20% FCF CAGR over the next few years, closing the significant valuation gap vs SaaS/security peers.

Consensus Rating Distribution



Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

Secular Growth: *Positive*

View descriptions of Risk Rewards Themes here

BULL CASE $285.00

46x Bull Case 2027e FCF of $1,094M

Expanding Market Opportunity. Okta maintains its position as a leader in identity and access management within the traditional use cases, while also seeing meaningful traction in the external customer use case. This drives a 2-yr revenue CAGR of 13% to reach $3.7B in CY27. FCF margin reaches 29% by CY27, driving FCF of $1,094M. OKTA trades at 46x EV/FCF in CY27, yielding a $285 CY27 valuation (~13x EV/CY27 Sales).

BASE CASE $245.00

41x Base Case 2027e FCF of $1,037M

Leading Share Gainer in Identity Management. Okta continues to be the leading share gainer in identity and access management market, with a total revenue 2-yr CAGR of 10% to reach $3.5B by CY27. FCF margins reach 29%, driving CY27 FCF of $1,037M. OKTA trades at 41x EV/FCF in CY27, yielding a $245 share price in CY27 (~12x EV/CY27 Sales).

BEAR CASE $145.00

23x Bear Case 2027e FCF of $1,008M

Competitive Pressures Limit Pace of Growth. Competition from larger vendors impedes OKTA's growth and drives higher deceleration in topline. Rev. growth slows to 9% CAGR from CY25e-CY27e, reaching total rev. of $3.4B by CY27. FCF margin reaches 29% by CY27, driving FCF of $1,008M. OKTA trades at 23x EV/FCF in CY27, yielding a $145 CY27 valuation (~7X EV/CY27 Sales).

Risk Reward – Okta, Inc. (OKTA.O)

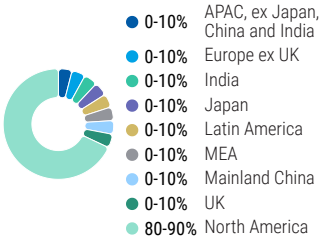
KEY EARNINGS INPUTS

Drivers	Jan 2026	Jan 2027e	Jan 2028e	Jan 2029e
Total Billings YoY Growth (%)	10.3	13.0	9.0	8.5
Dollar Net Retention (%)	94.0	94.0	94.0	94.0
Operating Margin % (%)	26.2	25.9	26.6	27.3

INVESTMENT DRIVERS

- Faster than expected share gain in identity management security market
- Stable to improving Net Retention Rate
- Improving sales productivity as sales reps ramp on newer offerings

GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies here

MS ALPHA MODELS

3/5 BEST	24 Month Horizon	5/5 MOST	3 Month Horizon

Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

1) Stronger upsell traction with Auth0; 2) Emerging opportunity around securing external users (customers, partners) comes into fruition faster than expected; 3) Material pickup in activity around emerging governance and PAM use cases.

RISKS TO DOWNSIDE

1) Broader security spending slows materially; 2) increased competition from larger vendors like Microsoft; 3) execution issues take longer than expected to resolve

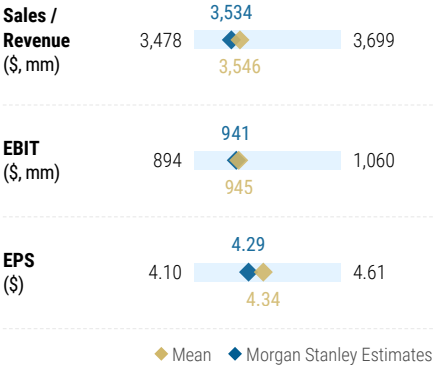
OWNERSHIP POSITIONING

Inst. Owners, % Active	55.8%
HF Sector Long/Short Ratio	2.2x
HF Sector Net Exposure	30.6%

Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure – Short Exposure).

MS ESTIMATES VS. CONSENSUS

FY Jan 2028e



Source: Refinitiv, Morgan Stanley Research

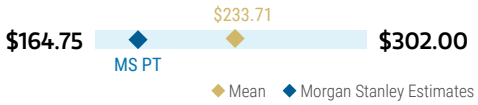
Risk Reward – Zscaler Inc (ZS.O)

Modernizing Security Architectures For The Cloud... But Intensifying Competition

PRICE TARGET $185.00

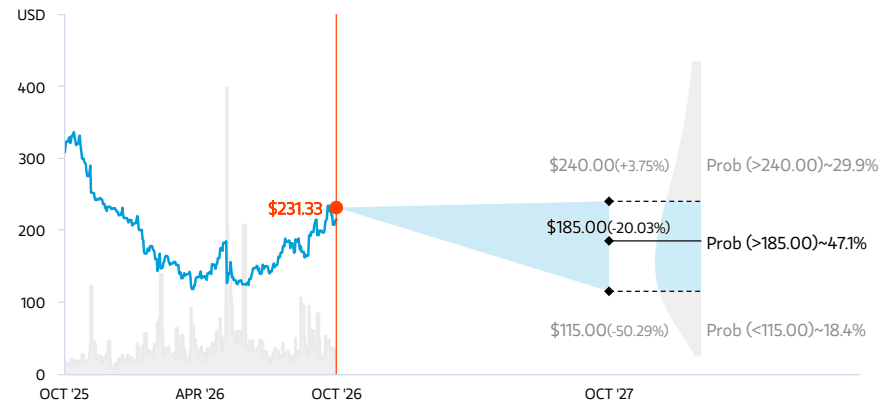
Derived from 35x CY28 FCF, a slight premium to Security software peers, given durability of SASE spend vs other more cyclical areas within Security, discounted back at a 12.1% discount rate.

Consensus Price Target Distribution



Source: Refinitiv, Morgan Stanley Research

RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)



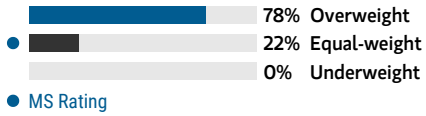
Key: Historical Stock Performance ● Current Stock Price ◆ Price Target

Source: Refinitiv, Morgan Stanley Research, Morgan Stanley Institutional Equities Division. The probabilities of our Bull, Base, and Bear case scenarios playing out were estimated with implied volatility data from the options market as of 21 Oct 2026. All figures are approximate risk-neutral probabilities of the stock reaching beyond the scenario price in either three-months' or one-years' time. View explanation of Options Probabilities methodology here

EQUAL-WEIGHT THESIS

- Zscaler's cloud-native security solution is well positioned to help enterprises modernize their network security architectures.
- Zscaler should benefit from better sales rep productivity nearer-term
- Zscaler's longer-term secular growth story remains strong, especially as the company continues to build more of a platform offering across multiple areas of the security stack beyond core network security over the next few years. However, these newer areas remain nascent relative to the total business and are unlikely to drive growth in the near-term, while the core business has seen growth decelerate in recent quarters as well. Altogether, these factors suggest limited growth upside in the NT.

Consensus Rating Distribution



Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

Secular Growth: *Positive*

View descriptions of Risk Rewards Themes here

BULL CASE $240.00

40x Bull Case CY28 FCF of $1,445M

Zscaler garners a leading market position within web security and captures more of the full network security stack (>$20B in annual spend today). This drives revenue CAGR of 25% through CY28, with operating margin expanding to 25% on greater revenue scale. Applying a 40x multiple to our estimated CY28 FCF of $1.45B yields our bull case DCF value of $240, after discounting back at 12.1% WACC.

BASE CASE $185.00

35X Base Case CY28 FCF of $1,242mm

Our base case for ZS assumes that the company grows at a 21% CAGR over the next 5 years to reach revenue of $4.8B in CY28. Slightly improving unit economics drive op margins from 18% in CY23 to 24% in CY28e and FCF of $1.24B. Applying a 35X EV/FCF multiple against our CY28 estimate and discounting back at 12.1% drives our $185 Base Case.

BEAR CASE $115.00

21X Bear Case CY28 FCF of $1,218M

Zscaler faces intensifying competition from larger network security vendors, while the company's efforts to expand meaningfully in network security fail to materialize. Growth slows faster than expected to 21% rev CAGR through CY28, and Zscaler exits CY28 with 23% operating margin. Given the lower growth profile, ZS trades at 21x EV/FCF in CY28, yielding $115/share, assuming a 12.1% discount rate.

Risk Reward – Zscaler Inc (ZS.O)

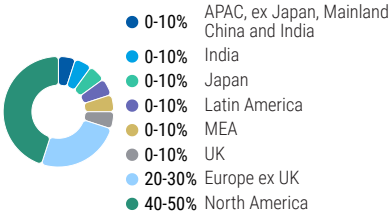
KEY EARNINGS INPUTS

Drivers	Jul 2026	Jul 2027e	Jul 2028e	Jul 2029e
Revenue YoY (%)	25.4	17.0	15.5	15.5
Billings YoY (%)	22.4	0.0	0.0	0.0
Operating Margin (%)	22.9	23.7	24.2	24.7
Free Cash Flow Margin (%)	23.2	23.5	24.5	25.5

INVESTMENT DRIVERS

- Share gains in broader network security market
- Net dollar retention from existing customers
- Sales productivity as new sales hires ramp

GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies here

MS ALPHA MODELS

3/5 BEST	24 Month Horizon	4/5 MOST	3 Month Horizon

Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- ZS sees accelerating customer adds and traction with its Transformational suites which includes the replacement of network firewalls;
- Faster than expected traction with newer modules for Cloud Workload Protection (ZCP).

RISKS TO DOWNSIDE

- Increased competitive pressure from larger vendors, particularly Palo Alto Networks
- Long sales cycles due to transformational nature of ZS offering

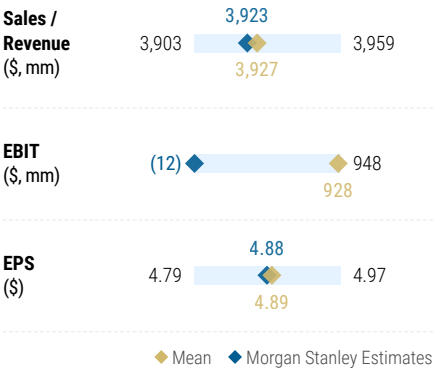
OWNERSHIP POSITIONING

Inst. Owners, % Active	44.8%
HF Sector Long/Short Ratio	2.2x
HF Sector Net Exposure	30.6%

Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure – Short Exposure).

MS ESTIMATES VS. CONSENSUS

FY Jul 2027e



Source: Refinitiv, Morgan Stanley Research

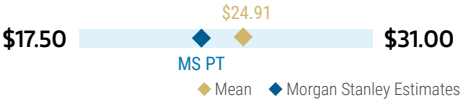
Risk Reward – SentinelOne, Inc. (S.N)

Balanced Risk-Reward for Share Gainer in a Crowded Market

PRICE TARGET $23.00

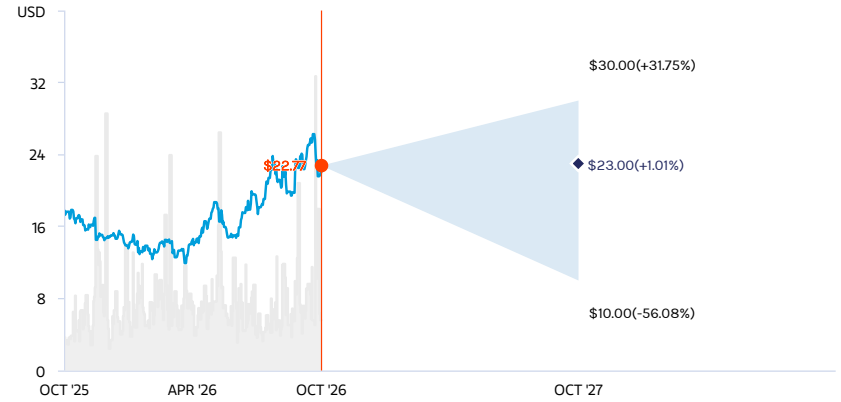
Our $23 PT is based on 57x EV/CY27e FCF of $148M, discounted back at 12%. Our PT implies EV/CY27 Sales/G multiple of 0.27x, below peers due to lower profitability profile.

Consensus Price Target Distribution



Source: Refinitiv, Morgan Stanley Research

RISK REWARD CHART



Key: Historical Stock Performance Current Stock Price Price Target

Source: Refinitiv, Morgan Stanley Research

EQUAL-WEIGHT THESIS

- SentinelOne should be a long term share gainer addressing large and growing markets in Endpoint, Cloud and Identity Security, but faces tough competition from larger platform vendors.
- Risk-reward looks balanced at valuation of ~3.8X EV/CY26 sales and 0.20X growth adjusted, below peers, given lower margins and execution risk.

Consensus Rating Distribution



Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

Secular Growth: *Positive*

View descriptions of Risk Rewards Themes here

BULL CASE $30.00

60x EV/CY27e FCF of $192M discount back at 12%

-Total customers reach 22.1k in CY27, a 15% 3-yr CAGR

-ARR reaches $1.8B in CY27, a 23% 3-yr CAGR

-Rev. grows to $1.6B in CY27, a 24% 3-yr CAGR

-Op. Margins improve from (19)% in CY23 to 12% in CY27, yielding $192M in FCF

-Apply 60x EV/CY27 FCF mult to get to our $21 bull valuation (6.2x EV/CY26 Sales or 0.26x EV/S/G).

BASE CASE $23.00

57x EV/CY27e FCF of $148M, discount back at 12%

-Total customers reach 20.8k in CY27, a 14% 3-yr CAGR

-ARR reaches $1.5B in CY27, a 19% 3-yr CAGR

-Rev. grows to $1.4B in CY27, a 20% 3-yr CAGR

-Op. Margins improve from (19)% in CY23 to 12% in CY27, yielding $148M in FCF.

-Apply 57x EV/CY27 FCF mult to get to our $23 valuation (5.2x EV/CY27 Sales or 0.27x EV/S/G).

BEAR CASE $10.00

27x EV/CY27e FCF of $114M discount back at 12%

-Total customers reach 18.5k in CY27, a 10% 3-yr CAGR

-ARR reaches $1.4B in CY27, a 15% 3-yr CAGR

-Rev. grows to $1.2B in CY27, a 16% 3-yr CAGR

-Op. Margins improve from (19)% in CY22 to 10% in CY27, yielding $117M in FCF

-Apply 27x EV/CY27 FCF mult to get to our $10 bear valuation (2.1x EV/CY27 Sales or 0.14x EV/S/G).

Risk Reward – SentinelOne, Inc. (S.N)

KEY EARNINGS INPUTS

Drivers	Jan 2026	Jan 2027e	Jan 2028e	Jan 2029e
ARR YoY Growth (%)	21.6	18.9	16.8	14.9
Customer Count Growth (%)	14.8	13.0	12.8	12.5
Net Revenue Retention Rate (%)	110.0	110.0	110.0	110.0
Gross Margin (%)	78.6	77.3	77.6	77.6
Operating Margin (%)	3.5	10.5	12.5	14.5

INVESTMENT DRIVERS

- Upcoming earnings

GLOBAL REVENUE EXPOSURE



0-10% APAC, ex Japan, Mainland China and India
0-10% Europe ex UK
0-10% India
0-10% Japan
0-10% Latin America
0-10% MEA
0-10% UK
70-80% North America

Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies here

MS ALPHA MODELS

3/5 BEST	24 Month Horizon	5/5 MOST	3 Month Horizon

Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- Stronger adoption of newer add-on modules.
- Faster than expected traction into large enterprise segment.
- Faster than expected ramp to positive profitability.

RISKS TO DOWNSIDE

- Increased competitive pressure, particularly from CrowdStrike and Microsoft.
- Difficulty moving up market.

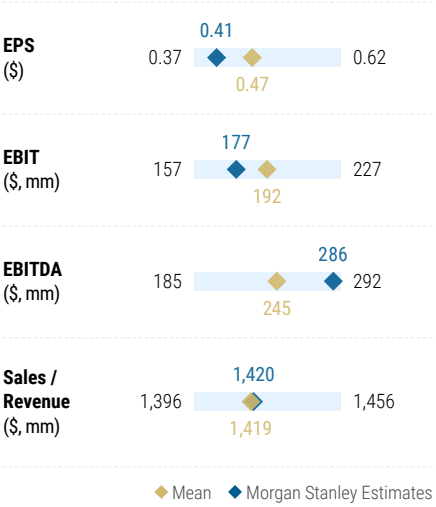
OWNERSHIP POSITIONING

Inst. Owners, % Active	45.9%
HF Sector Long/Short Ratio	2.2x
HF Sector Net Exposure	30.6%

Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure – Short Exposure).

MS ESTIMATES VS. CONSENSUS

FY Jan 2028e



Source: Refinitiv, Morgan Stanley Research

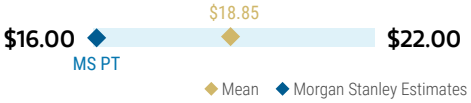
Risk Reward – Netskope, Inc. (NTSK.O)

Modern Architecture for the Converged Edge, but Need To Prove Out Sales Ramp

PRICE TARGET $16.00

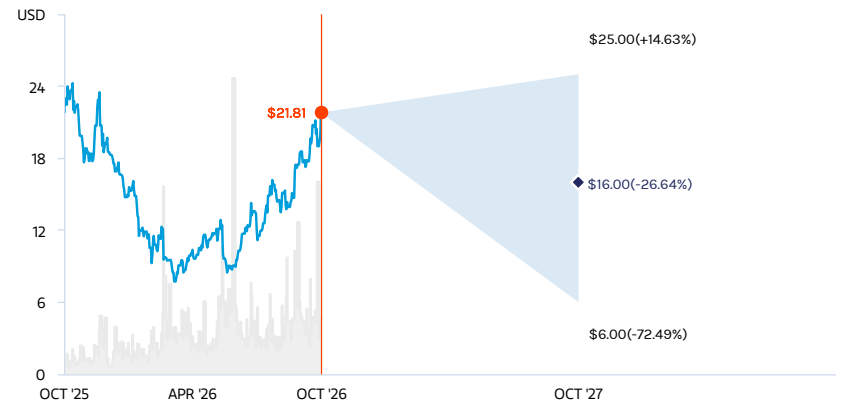
Applying a 25x multiple on our 2030 FCF drives our $16 price target, which discounted back at 12%, implies an EV/CY27 sales multiple of ~6.5X, or ~0.28X growth-adjusted. This is a slight discount to primary peer ZS, which we view as reasonable given Netskope's 1) potential higher topline growth and 2) improving margin profile, despite the company's smaller revenue scale.

Consensus Price Target Distribution



Source: Refinitiv, Morgan Stanley Research

RISK REWARD CHART



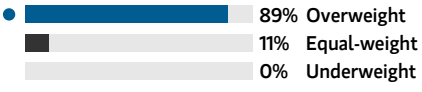
Key: Historical Stock Performance Current Stock Price Price Target

Source: Refinitiv, Morgan Stanley Research

OVERWEIGHT THESIS

- Netskope's cloud-native security solution is well positioned to help enterprises modernize their security, network and analytics architectures.
- Netskope should benefit from better sales rep productivity nearer-term, following Chief Revenue Officer (CRO) transition in C2H24.
- Netskope has a strong secular growth longer-term, especially as the company continues to benefit from prior investments in the NewEdge Network and Zero Trust Engine, while also building more of a platform offering across multiple areas of the security stack beyond core SASE over the next few years.
- Netskope has mechanical leverage in its operating model and should see an improving margin profile over the next few years.

Consensus Rating Distribution



Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

Secular Growth: *Positive*
Technology Diffusion: *Positive*

View descriptions of Risk Rewards Themes here

BULL CASE $25.00

27x CY30 EV/FCF (9x CY27 EV/Sales)

Stronger than expected share gain & upsell motion fuels revenue growth and operating margin expansion, which flows down to FCF. Our bull case assumes a 23% ARR CAGR between 2024-30 to reach ~$2.1bn in 2030, and a 23% revenue CAGR to ~$1.9bn. This fuels improving operating margin, which expands from (34%) in 2024 to 26% in 2030, yielding $550mn in FCF. We apply 27X EV/FCF in CY30, discounted back at ~12%, to arrive at $25 bull case, implying 9X EV/CY27 Sales (~0.3X growth).

BASE CASE $16.00

25x CY30 EV/FCF (6.5x CY27 EV/Sales)

Our base case assumes ARR grows at a 18% CAGR from 2024-2030 and reaches ~$1.7bn scale by 2030. Revenue growth follows, enabling ~$1.5bn revenue in 2030. Efficiencies in COGS, S&M and R&D drive operating margins to +22% by CY30 from (34%) in 2024, yielding $371mn in free cash flow. We apply a 25X EV/FCF multiple in CY30, discounted back at ~12%, to arrive at our $16 price target. This implies a 6.5X EV/CY27 Sales multiple (~0.28X growth-adjusted).

BEAR CASE $6.00

16x CY30 EV/FCF (2x CY27 EV/Sales)

In an increasingly competitive environment, customer acquisition slows and Netskope struggles to drive expansion at existing customers, causing ARR growth to slow to ~15% CAGR between 2024-30. Revenues follow at an 16% CAGR, reaching ~$1.3bn. Slower growth impacts operating margins which improve from (34%) in 2024 to 17% in 2030, yielding $188mn in FCF. We apply 16X EV/FCF in CY30, discounted back at ~12%, to arrive at $6 bear case value, implying 2X EV/CY27 Sales (~0.1X growth).

Risk Reward – Netskope, Inc. (NTSK.O)

KEY EARNINGS INPUTS

Drivers	Jan 2026	Jan 2027e	Jan 2028e	Jan 2029e
ARR YoY Growth (%)	31.2	24.8	18.5	17.5
Net Revenue Retention Rate (%)	116.0	114.5	112.0	112.0
Gross Margin (%)	74.9	77.0	79.5	82.0
Operating Margin (%)	(15.7)	(9.0)	1.3	7.9
Non-GAAP EPS ($)	(0.85)	(0.15)	0.12	0.35

INVESTMENT DRIVERS

- Share gains in broader network security market
- Net dollar retention from existing customers
- Sales productivity as new sales hires ramp

GLOBAL REVENUE EXPOSURE



- 0-10% APAC, ex Japan, Mainland China and India
- 0-10% India
- 0-10% Japan
- 0-10% MEA
- 0-10% Mainland China
- 0-10% UK
- 10-20% Europe ex UK
- 50-60% North America

Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies here

RISKS TO PT/RATING

RISKS TO UPSIDE

- NTSK sees accelerating customer adds and traction with its Netskope One platform across security, networking and analytics;
- Faster than expected traction with newer modules beyond core SASE/SSE

RISKS TO DOWNSIDE

- Increased competitive pressure from larger vendors, particularly ZS and PANW
- Long sales cycles due to transformational nature of NTSK offering
- Sales ramp not as productive as expected

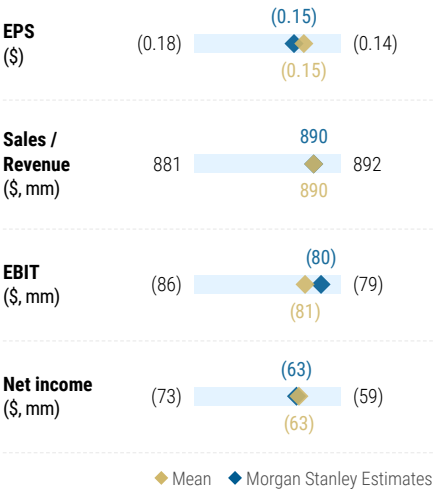
OWNERSHIP POSITIONING

Inst. Owners, % Active	69.2%
HF Sector Long/Short Ratio	2.2x
HF Sector Net Exposure	30.6%

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MS ESTIMATES VS. CONSENSUS

FY Jan 2027e



Source: Refinitiv, Morgan Stanley Research

Risk Reward Reference links

1. View explanation of Options Probabilities methodology - Options_Probabilities_Exhibit_Link.pdf

2. View descriptions of Risk Rewards Themes - RR_Themes_Exhibit_Link.pdf

3. View explanation of regional hierarchies - GEG_Exhibit_Link.pdf

4. View explanation of Theme/Exposure methodology - ESG_Sustainable_Solutions_External_Link.pdf

5. View explanation of HERS methodology - ESG_HERS_External_Link.pdf

Disclosure Section

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The following analysts hereby certify that their views about the companies and their securities discussed in this report are accurately expressed and that they have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report: Meta A Marshall.

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Global Stock Ratings Distribution

(as of September 30, 2026)

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	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Services Clients (MISC)	
Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1599	43%	455	48%	28%	783	44%
Equal-weight/Hold	1563	42%	394	42%	25%	763	43%
Not-Rated/Hold	2	0%	1	0%	50%	1	0%
Underweight/Sell	570	15%	96	10%	17%	227	13%
Total	3,734		946			1774	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

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Overweight (O). The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Equal-weight (E). The stock's total return is expected to be in line with the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

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Underweight (U). The stock's total return is expected to be below the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Unless otherwise specified, the time frame for price targets included in Morgan Stanley Research is 12 to 18 months.

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Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

In-Line (I): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.
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COMPANY (TICKER)	RATING (AS OF)	PRICE* (10/21/2026)
Adam Wood		
Adobe Inc. (ADBE.O)	U (07/21/2026)	$255.06
Atlassian Corporation PLC (TEAM.O)	O (01/13/2020)	$225.51
Intuit (INTU.O)	E (07/21/2026)	$335.61
Microsoft (MSFT.O)	O (07/21/2026)	$532.95
Salesforce, Inc. (CRM.N)	E (07/21/2026)	$241.78
Samsara Inc (IOT.N)	E (03/23/2023)	$43.24
ServiceNow Inc (NOW.N)	O (09/24/2025)	$153.12
Shopify Inc (SHOP.O)	O (04/19/2024)	$174.29
Workday Inc (WDAY.O)	U (07/21/2026)	$202.96
Chris Quintero		
BILL Holdings Inc (BILL.N)	E (06/10/2025)	$49.01
Blackline Inc (BL.O)	E (07/21/2026)	$31.56
Box Inc (BOX.N)	E (05/21/2024)	$41.97
CCC Intelligent Solutions Holdings Inc (CCC.O)	++	$7.64
Descartes Systems Group Inc (DSGX.O)	O (01/15/2026)	$92.39
DocuSign Inc (DOCU.O)	E (01/16/2024)	$81.48
Manhattan Associates Inc. (MANH.O)	O (10/11/2026)	$235.83
Navan Inc (NAVN.O)	O (11/24/2025)	$26.62
ServiceTitan Inc (TTAN.O)	O (01/20/2026)	$82.32
SPS Commerce Inc (SPSC.O)	U (07/21/2026)	$89.38
Vertex Inc. (VERX.O)	E (07/21/2026)	$14.67
Via Transportation Inc (VIA.N)	O (01/20/2026)	$34.59
Elizabeth Porter, CFA		
Amplitude Inc. (AMPL.O)	O (01/15/2026)	$16.52
Asana Inc (ASAN.N)	U (05/20/2025)	$11.07
Autodesk (ADSK.O)	O (08/23/2024)	$244.84
Bandwidth Inc (BAND.O)	E (10/16/2026)	$46.82
Figma Inc (FIG.N)	E (08/25/2025)	$22.98
Five9 Inc (FIVN.O)	E (10/10/2022)	$35.29
Freshworks Inc (FRSH.O)	E (10/18/2021)	$14.83
GoDaddy Inc (GDDY.N)	E (07/19/2021)	$108.22
HubSpot, Inc. (HUBS.N)	O (03/21/2023)	$249.90
Klaviyo, Inc (KVYO.N)	O (04/29/2026)	$20.19
Liveramp Holdings Inc (RAMP.N)	E (01/13/2025)	$38.20
monday.com Ltd (MNDY.O)	O (08/12/2025)	$100.15
NICE Ltd. (NICE.O)	E (07/21/2026)	$114.95
Octave Intelligence Plc (OCTV.O)	E (09/17/2026)	$21.16
RingCentral Inc (RNG.N)	E (08/08/2023)	$82.42
Sprinklr Inc (CXM.N)	E (07/19/2021)	$6.42
Sprout Social Inc (SPT.O)	E (11/17/2020)	$12.70
Toast, Inc. (TOST.N)	O (12/16/2021)	$32.54
Twilio Inc (TWLO.N)	O (02/24/2025)	$266.68
Wix.Com Ltd (WIX.O)	E (07/21/2026)	$78.74
Zeta Global Holdings Corp (ZETA.N)	E (08/01/2024)	$34.11
Zoom Communications (ZM.O)	E (10/11/2022)	$99.44
ZoomInfo Technologies Inc (GTM.O)	E (02/01/2024)	$4.21
Meryl R Thomas, CFA		
Lightspeed Commerce Inc. (LSPD.N)	E (02/18/2021)	$10.94

Meta A Marshall		
Check Point Software Technologies Ltd. (CHKP.O)	E (10/16/2023)	$143.43
CrowdStrike Holdings Inc (CRWD.O)	O (03/10/2026)	$239.34
Fortinet Inc. (FTNT.O)	E (07/21/2026)	$174.05
Gen Digital Inc. (GEN.O)	E (06/07/2024)	$24.12
Netskope, Inc. (NTSK.O)	O (10/13/2025)	$21.81
Okta, Inc. (OKTA.O)	O (12/02/2024)	$208.64
Palo Alto Networks Inc (PANW.O)	O (10/10/2017)	$347.25
Qualys Inc (QLYS.O)	U (02/09/2021)	$196.70
Rapid7 Inc (RPD.O)	U (07/21/2026)	$13.51
SailPoint Inc (SAIL.O)	O (09/02/2025)	$19.68
SentinelOne, Inc. (S.N)	E (12/02/2024)	$22.77
Tenable Holdings Inc (TENB.O)	E (12/02/2024)	$40.67
Varonis Systems, Inc. (VRNS.O)	++	$48.69
Zscaler Inc (ZS.O)	E (04/22/2026)	$231.33
Ryan Lountzis		
CoreWeave (CRWV.O)	E (04/22/2025)	$61.82
Nebius Group NV (NBIS.O)	E (01/15/2026)	$171.57
Sanjit K Singh		
Akamai Technologies, Inc. (AKAM.O)	O (01/12/2026)	$90.27
Appian Corp (APPN.O)	E (04/30/2026)	$48.73
C3.ai (AI.N)	U (01/04/2021)	$11.79
Cloudflare Inc (NET.N)	O (12/02/2024)	$307.22
Datadog, Inc. (DDOG.O)	O (01/12/2026)	$273.09
DigitalOcean Holdings Inc (DOCN.N)	O (01/16/2025)	$101.48
Dynatrace Inc (DT.N)	O (08/25/2026)	$64.78
Elastic NV (ESTC.N)	E (07/21/2026)	$98.81
GitLab Inc (GTLB.O)	E (01/12/2026)	$55.45
JFrog Ltd. (FROG.O)	E (07/21/2026)	$96.30
MongoDB Inc (MDB.O)	O (04/12/2023)	$390.75
Oracle Corporation (ORCL.N)	E (01/15/2019)	$129.13
PagerDuty, Inc. (PD.N)	U (07/21/2026)	$17.06
Palantir Technologies Inc. (PLTR.O)	E (02/04/2025)	$201.72
Snowflake Inc. (SNOW.N)	O (06/24/2025)	$322.73
UiPath Inc (PATH.N)	E (09/07/2022)	$13.71

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

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