October 22, 2026 05:56 AM GMT

Software | North America

Cyber Thoughts on PHP2Shell Incident

Cyber names rallied today in response to PHP2Shell incident, exposing a major vulnerability before a patch was available and causing many organizations to simply take down websites until a patch was available. Incident highlights risk environment stepping up in severity, keeping us bullish cyber.

Key Takeaways

- PHP vulnerabilities released today affected up to 70% of websites, prompting emergency patches, govt responses and precautionary website shutdowns.
- The fact that the vulnerability was released ahead of patches being available put core infrastructure at risk, w/ WAF investments being best interim protection.
- Investor conversations had turned more risk off into CQ3 earnings, as valuation moves have generally been ahead of expectations for upside on EPS reports.
- While we agree with that assessment on many names on a T+1 basis, headline risk like we saw today shows the importance of being involved in the names.
- PHP adds urgency to technical-debt refreshes and AI for Security in 2026; we expect Security for AI spending to become more meaningful in 2027.

Recurrent Cybersecurity Threat Headlines Point To Potential For Continued Outperformance Across Cyber Coverage. Over the past couple of weeks, investor conversations had turned more risk off cyber in the near term, seeing quick moves upward over the last 3 months as being difficult to justify against expected CQ3 cyber results that will show more gradual improvement (as we largely saw last quarter), sentiment we highlighted in Cyber Feedback: Expensive, But Necessary. While we similarly believe that T+1 reactions on some of the off cycle names could point to digestion, we think the PHP headlines today highlight the risk of being risk off or outright negative cyber into earnings. We continue to see the headline risk of the cyber environment as biased towards bullish cyber, particularly as more advanced models get tested. We continue to see upside opportunity across the platforms (more in our notes More Menlo or Atherton? What's Built Into PANW's Price and Safer in a Crowd? What's Built Into CRWD's Price) in addition to OKTA, SAIL, FTNT, CSCO, and FFIV. We would also highlight WAF (web access firewall) as a key protection ahead of patches being installed, a positive for NET, AKAM (both covered by Sanjit Singh), FFIV, CSCO.

What happened with PHP2Shell? On October 20th, the existence of 2 critical vulnerabilities with PHP leaked, after being discovered by security researchers at multiple organizations. PHP (PHP Hypertext Processor) is a widely used programming language for websites and applications (e.g. ~70% of websites), which could allow attackers to access sensitive information or execute malicious

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SOFTWARE

North America
Industry View **Attractive**

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commands on affected servers without logging in. The flaws sit in the software that runs PHP code, rather than in one company's systems, creating potential exposure across websites, enterprise applications and products that embed PHP. By sending specially crafted requests, attackers can exploit errors in how that software handles memory. In some configurations, these attacks could occur before the application's own code runs, meaning securely written application code does not remove the underlying exposure. The leak happened ahead of a planned patch release on the 22nd (which has subsequently been pulled forward). The time without a patch and the potential impact prompted the NSA to recommend taking systems offline where an immediate update was not feasible, while the Dutch cybersecurity agency and other government organizations temporarily took their websites offline as a precaution. PHP released emergency updates, and Cloudflare (covered by Sanjit Singh) deployed additional web application firewall protections and subsequently reported attack attempts, although its disclosure did not establish the extent of successful compromise. Importantly, interim protections do not replace fixing the underlying software. For enterprises, the challenge extends beyond finding the vulnerability to identifying every affected deployment, protecting systems while updates are implemented, and confirming that fixes have reached production.

While all of cyber moved, WAF to see the most potential upside in the near term. At the end of the day, the PHP2Shell patch is now available, reducing the risk of exploit if patches applied. However, in the interim, web access firewall (WAF) can help provide protection. A WAF operates at the HTTP/HTTPS layer and inspects incoming requests before they reach the PHP application. If attackers attempt to exploit a PHP vulnerability through malicious request parameters, headers, or payloads, a properly configured WAF may detect and block those requests, providing interim protection. AKAM (27% market share in 2024), NET (17% in 2024) and FFIV (10% in 2024) are the three biggest vendors of WAF.

- **Cloudflare Well Positioned as WAF Becomes More Critical in a Faster-Moving Threat Environment.** We see the PHP2Shell incident as a positive read-through for Cloudflare's AppSec business, highlighting the value of sitting inline with internet traffic and being able to rapidly deploy protections across the network before customers can patch underlying vulnerabilities (in certain instances). In the case of PHP2Shell, Cloudflare developed WAF protections ahead of public disclosure and deployed them by default across both free and paid customers, providing protection roughly nine hours before the vulnerability became public (see *Cloudflare Deploys Protections Against PHP2Shell Vulnerability*). More broadly, Cloudflare continues to expand the capabilities of its WAF, recently introducing full-transaction detection that correlates incoming requests with application responses to determine whether an exploit was successful and can block sensitive responses before they reach an attacker (see *Full Transaction Detection for Cloudflare WAF*). **We see these capabilities as increasingly relevant as AI accelerates vulnerability discovery and enables more adaptive attacks, reinforcing the strategic value of Cloudflare's global network and inline position across application traffic.**
- **AI-Driven Threats Create a New Growth Opportunity for Akamai's WAF Business.** While WAF has historically been viewed as a mature security

category, Akamai is seeing renewed enterprise demand as AI dramatically accelerates vulnerability discovery and exploitation. Management has highlighted how increasingly sophisticated AI models are enabling attackers to identify and exploit zero-day vulnerabilities faster than enterprises can remediate them, making WAF an increasingly critical layer of defense. Akamai's ability to rapidly deploy updated firewall rules across its global edge network helps protect applications during the patching window, which can extend weeks for complex enterprise environments. This urgency is already translating into customer activity, with management citing emergency projects to move entire application portfolios behind Akamai's WAF, including a $14M security upgrade at a global bank and expansions with major automotive and e-commerce customers. WAF remains Akamai's largest Security product and a key contributor to the segment's growth. **We believe Akamai's established enterprise footprint, extensive edge infrastructure and continued innovation across its broader application and API security platform position it to capture incremental security spending as AI-driven threats intensify.**

PHP Highlights The Urgency Of Modernizing Existing Infrastructure. We highlighted three buckets of cyber spend: 1) technical-debt refreshes, 2) AI for Security and 3) Security for AI, with the PHP vulnerability adding urgency to the first two. The broader implication points to enterprises needing to strengthen protection of the technology they already operate, regardless of how far along they are in deploying AI, as they need to be in a position to address not just known attacks, but the incoming barrage of zero-day vulnerabilities like the announcement today. Identifying a vulnerability is only the starting point, as organizations need to locate affected systems, implement fixes and protect operations while updates are rolled out. As existing infrastructure appears unable to support adequate protection or timely remediation, we see greater pressure for enterprises to modernize, consistent with the takeaways from our recent trip to DC (see note, The DC Download: Cybersecurity Implications From Our AI and National Security Conference). Additionally, faster vulnerability discovery and exploit development increase the demands on security teams, strengthening the case for AI to accelerate investigation, detection and response, pointing to the opportunity for SOC automation. ***We continue to expect technical-debt refreshes and AI for Security to drive the more immediate spending opportunity across firewalls, endpoint, vulnerability management and security operations in 2026. Security for AI adds a further source of demand as enterprises expand their own AI deployments, with spending on agent identities, data protection and prompt security already emerging but expected to become more meaningful in 2027***.

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.

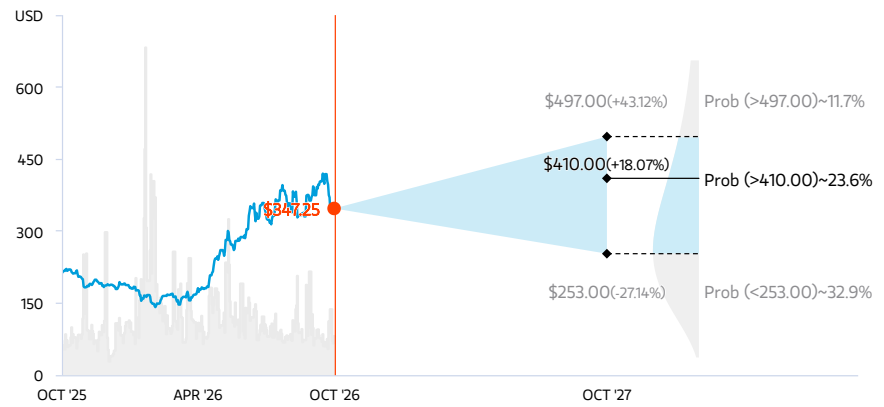
Consensus Price Target Distribution $190.00 $400.15 $525.00

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)

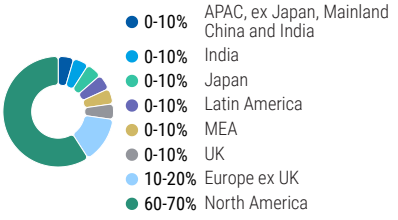
KEY EARNINGS INPUTS

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



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

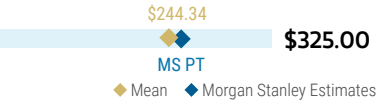
Risk Reward – CrowdStrike Holdings Inc (CRWD.O)

Broad Security Platform Driving Long-Term Share Gains

PRICE TARGET $254.00

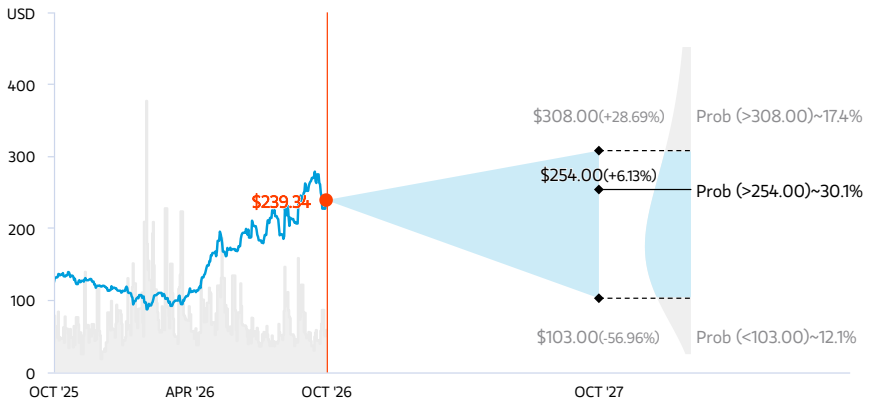
Our $254 PT is based on 64X CY30e FCF of $5.44B, discounted back at 12%. This multiple implies ~36X EV/CY27 Sales, a premium to Large Cap SaaS/Security peers.

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

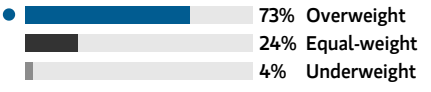
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OVERWEIGHT THESIS

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)

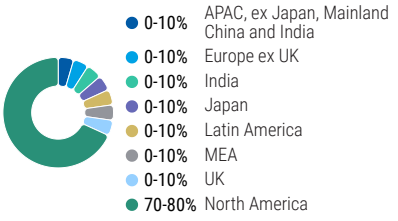
KEY EARNINGS INPUTS

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



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

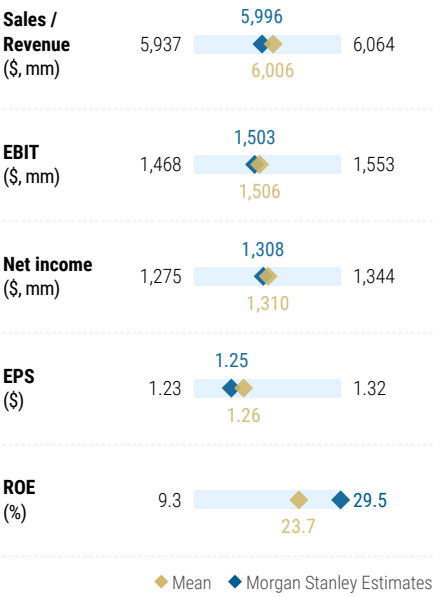
OWNERSHIP POSITIONING

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

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MS ESTIMATES VS. CONSENSUS

FY Jan 2027e



Source: Refinitiv, Morgan Stanley Research

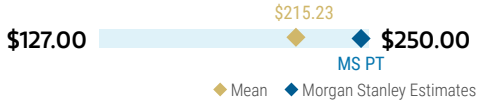
Risk Reward – Okta, Inc. (OKTA.O)

A Secular Winner in SaaS Security Making a Comeback

PRICE TARGET $245.00

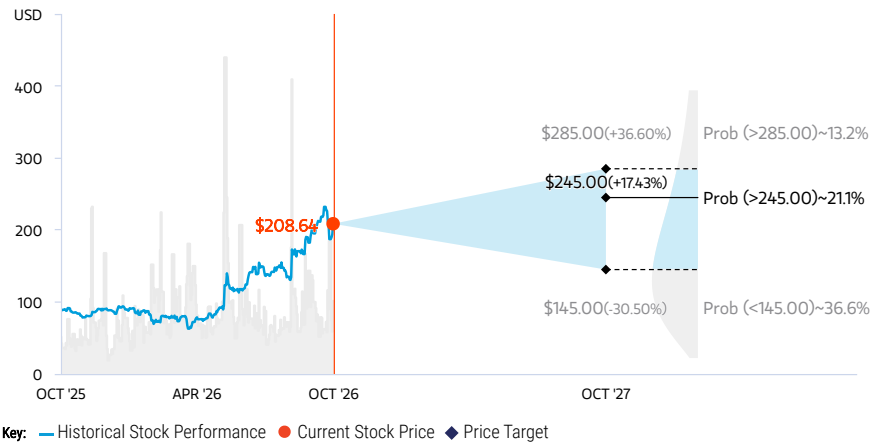
Based on 41x Base Case CY27e FCF and implying ~12X EV/CY27e sales, roughly in line with the broader Security group to account for reaccelerating growth profile and potential upside from AI-related product opportunity

Consensus Price Target Distribution



Source: Refinitiv, Morgan Stanley Research

RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)



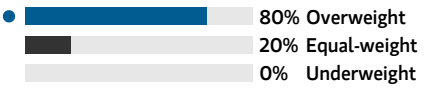
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OVERWEIGHT THESIS

- 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)

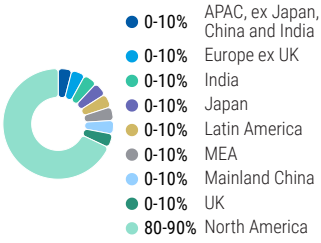
KEY EARNINGS INPUTS

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

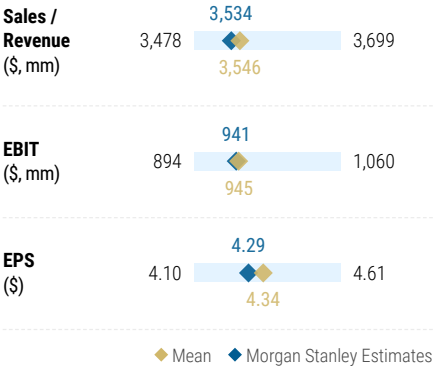
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HF Sector Net Exposure	30.6%

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MS ESTIMATES VS. CONSENSUS

FY Jan 2028e



Source: Refinitiv, Morgan Stanley Research

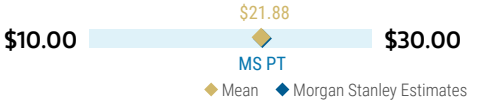
Risk Reward – SailPoint Inc (SAIL.O)

Setting SAIL on Growing the Identity Security Market

PRICE TARGET $22.00

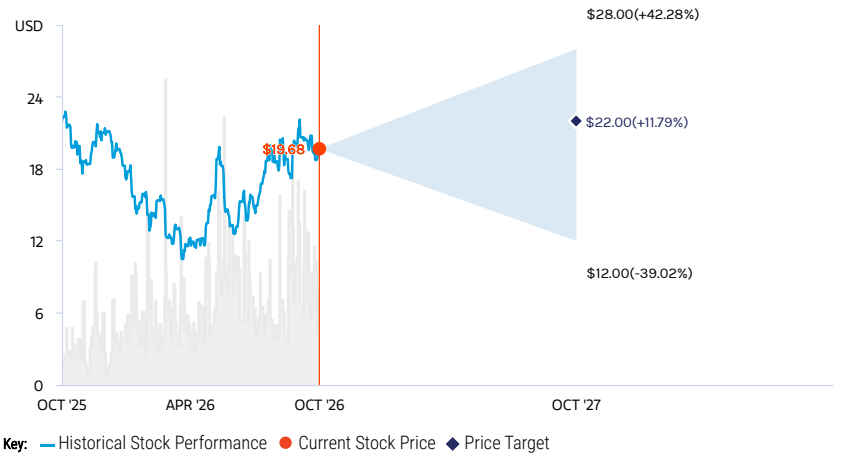
Our $22 price target is based upon 25x our Base Case 2030 FCF, implying ~8x EV/CY27 sales, a modest discount to the Security comp group average. We discounted back to 2027 with a 12.2% WACC.

Consensus Price Target Distribution



Source: Refinitiv, Morgan Stanley Research

RISK REWARD CHART



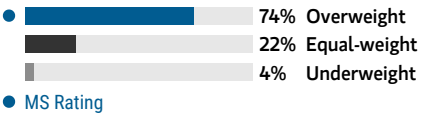
Key: Historical Stock Performance ● Current Stock Price ◆ Price Target

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



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

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

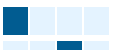
RISKS TO UPSIDE

- 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

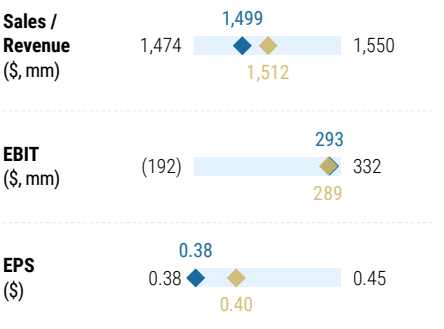
OWNERSHIP POSITIONING

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

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

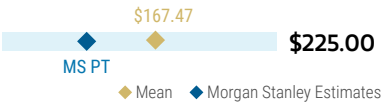
Risk Reward – Fortinet Inc. (FTNT.O)

Improving Firewall Refresh Despite Slower Than Expected Software Attach

PRICE TARGET $136.00

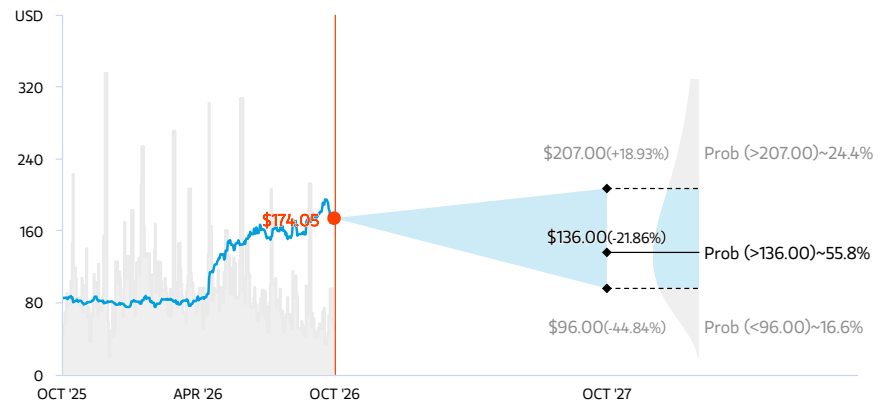
Based off of 32x our CY27e Base Case FCF of $3,057M, a premium to software peers

Consensus Price Target Distribution



Source: Refinitiv, Morgan Stanley Research

RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)



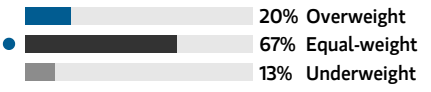
Key: Historical Stock Performance ● Current Stock Price ◆ Price Target

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



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

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

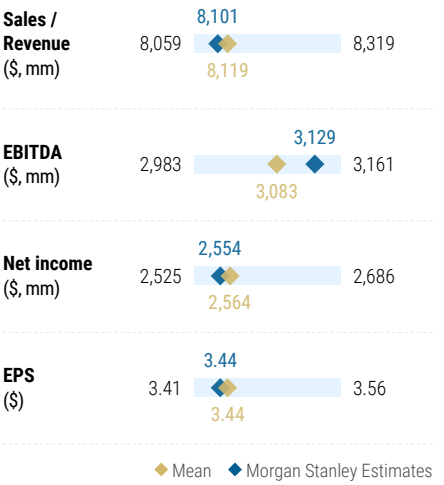
OWNERSHIP POSITIONING

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

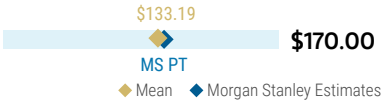
Risk Reward – Cisco Systems Inc (CSCO.O)

Stock Can See Further Multiple Expansion from Cloud / Ent AI Investment Cycle

PRICE TARGET $135.00

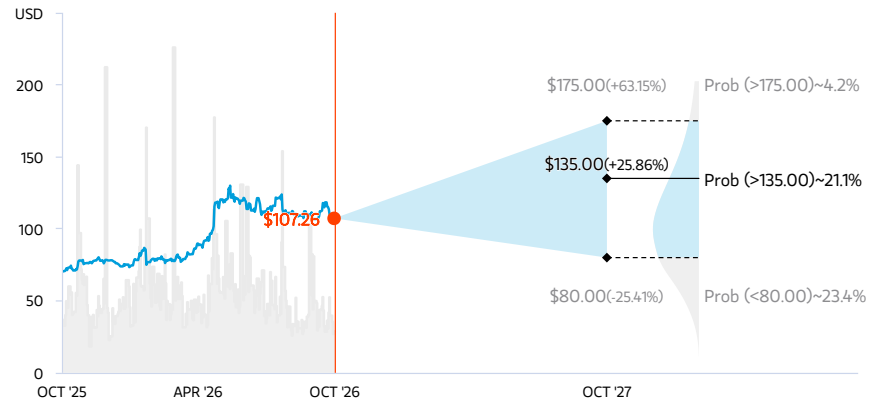
26x CY27e EPS, upper end of historical trading range

Consensus Price Target Distribution



Source: Refinitiv, Morgan Stanley Research

RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)



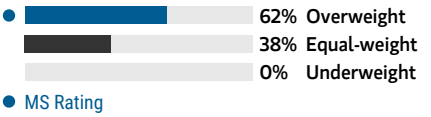
Key: Historical Stock Performance ● Current Stock Price ◆ Price Target

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

- Networking has positive market growth dynamics, like the Cat 9K refresh, which helps offset headwinds from share losses.
- Splunk acquisition offers meaningful opportunities for bull case eventually, but minimal expectations for the near term.
- Cloud AI business could help multiple if contribute meaningfully to growth.

Consensus Rating Distribution



Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

New Data Era: *Positive*

View descriptions of Risk Rewards Themes here

BULL CASE $175.00

32x CY27 bull case EPS ($5.50)

Becomes a more material participant in AI; enterprise investment cycle allows for acceleration to continue. 10%+ of company growth from AI, able to benefit in outsized way from capacity, able to participate in multi-year investment cycle on the enterprise business, no material pullforward. Trades more in-line with AI names vs. traditional range.

BASE CASE $135.00

26x CY27e EPS ($5.25)

AI cycle help company sustain HSD growth for multiple years. AI business continues to gain share, enterprise business sees some benefit from AI investment, but pullforward in 1H limits upside to FY27. Trades at a premium to long term range given AI gains.

BEAR CASE $80.00

20x CY27 bear case EPS ($4)

Trades more in line with historical averages as pullforward offsets AI share gains. Enterprise faces headwinds in FY27 from macro headwinds, offsetting gains on the AI side, growth slows to MSD. Valuation falls to historical averages given margin headwinds.

Risk Reward – Cisco Systems Inc (CSCO.O)

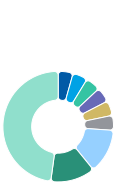
KEY EARNINGS INPUTS

Drivers	Jul 2025	Jul 2026e	Jul 2027e	Jul 2028e
Revenue Growth Y/Y (%)	5.3	11.8	14.9	4.9
Operating Margin (%)	34.4	34.8	35.0	36.5
EPS Growth Y/Y (%)	1.9	13.9	17.5	9.4
FCF Growth Y/Y (%)	30.1	(3.9)	8.1	51.3

INVESTMENT DRIVERS

- Can CSCO successfully transition to a software and services oriented business?
- Does the move to the cloud adversely impact CSCO's traditional enterprise market?
- Can it achieve incremental margin improvement as business turns more software & services?

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% Mainland China
- 10-20% Europe ex UK
- 10-20% UK
- 50-60% 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

- Security portfolio reaccelerates.
- Recurring portion of business causes more meaningful mix shift.
- Cat 9K refresh contributes meaningfully to growth.
- Hyperscale wins.
- AI capex continues to be revised up.

RISKS TO DOWNSIDE

- Prolonged macro slowdown.
- Share losses accelerate.
- Difficulty seeing continued operating leverage.
- Splunk integration challenges.
- Meaningful pullforward into FY26.

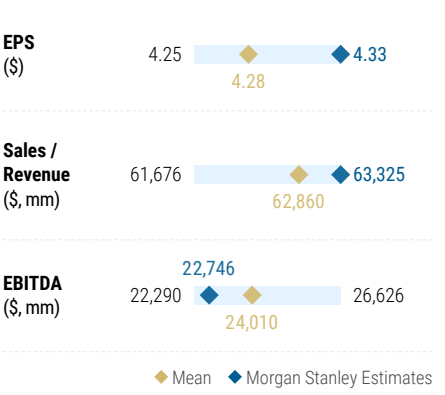
OWNERSHIP POSITIONING

Inst. Owners, % Active	47.8%
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 2026e



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

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Within the last 12 months, Morgan Stanley managed or co-managed a public offering (or 144A offering) of securities of Akamai Technologies, Inc., Autodesk, Axon Enterprise Inc, Bandwidth Inc, Check Point Software Technologies Ltd., Cloudflare Inc, CoreWeave, DigitalOcean Holdings Inc, Dynatrace Inc, Intuit, Navan Inc, Nebius Group NV, Salesforce, Inc., SentinelOne, Inc., ServiceNow Inc, Snowflake Inc., Tenable Holdings Inc.

Within the last 12 months, Morgan Stanley has received compensation for investment banking services from Akamai Technologies, Inc., Autodesk, Axon Enterprise Inc, Bandwidth Inc, Blackline Inc, CCC Intelligent Solutions Holdings Inc, Check Point Software Technologies Ltd., Cloudflare Inc, CoreWeave, DigitalOcean Holdings Inc, GoDaddy Inc, HubSpot, Inc., Intuit, Microsoft, Navan Inc, Nebius Group NV, NICE Ltd., Octave Intelligence Plc, Salesforce, Inc., SentinelOne, Inc., ServiceNow Inc, Snowflake Inc., Tenable Holdings Inc, Workday Inc, Zeta Global Holdings Corp.

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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.

Analyst Stock Ratings

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.

Not-Rated (NR). Currently the analyst does not have adequate conviction about the stock's total return relative to 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.

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.

Analyst Industry Views

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.
Cautious (C): The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.
Benchmarks for each region are as follows: North America - S&P 500; Latin America - relevant MSCI country index or MSCI Latin America Index; Europe - MSCI Europe; Japan - TOPIX; Asia - relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

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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.

INDUSTRY COVERAGE: Telecom & Networking Equipment

COMPANY (TICKER)	RATING (AS OF)	PRICE* (10/21/2026)
Meta A Marshall		
Arista Networks (ANET.N)	O (10/31/2023)	$184.33
Axon Enterprise Inc (AXON.O)	O (12/03/2024)	$402.60
Ciena Corporation (CIEN.N)	E (10/10/2025)	$361.34
Cisco Systems Inc (CSCO.O)	O (04/08/2024)	$107.26
Coherent Corp (COHR.N)	E (12/13/2023)	$237.53
Corning Inc (GLW.N)	E (06/13/2024)	$134.92
F5 Inc (FFIV.O)	E (04/12/2022)	$458.59
Keysight Technologies Inc (KEYS.N)	O (07/13/2026)	$341.35

Lumentum Holdings Inc (LITE.O)	E (05/12/2021)	$850.70
Motorola Solutions Inc (MSI.N)	O (12/17/2025)	$467.50
Zebra Technologies Corporation (ZBRA.O)	E (12/02/2024)	$391.00

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