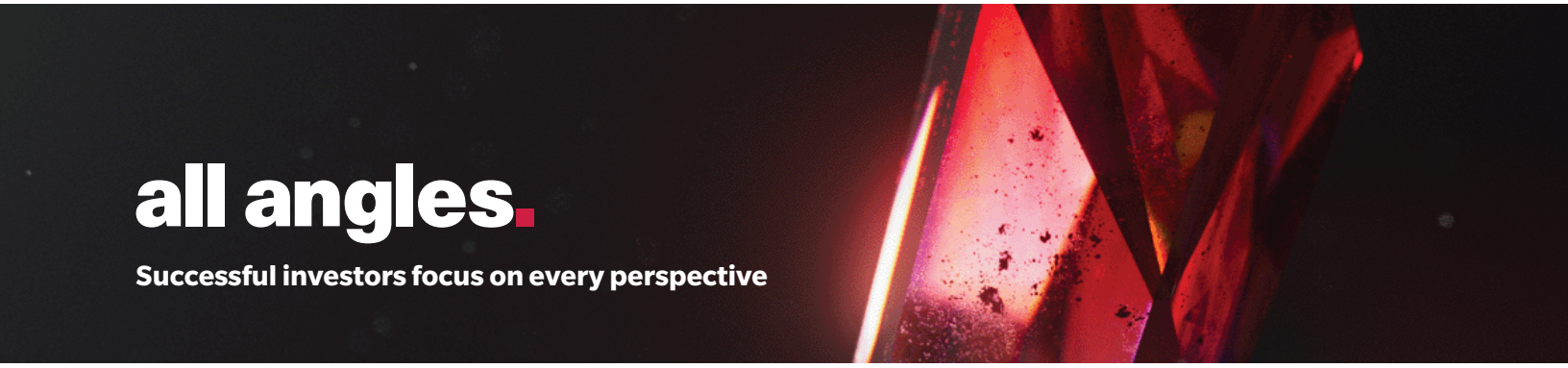
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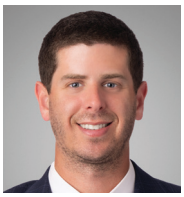
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PODCAST

Investing in the Future of Cybersecurity

Key takeaways

- **Agentic AI accelerates the cybersecurity investment cycle.** Adoption of AI agents pulls cybersecurity into broader enterprise technology spending and creates new revenue opportunities for cyber vendors.
- **Network and identity security are the two core investment themes.** Rising demand for network visibility and continuous identity governance creates two connected investment opportunities.
- **Industry growth does not remove the need for stock selection discipline.** A great company in a great industry does not necessarily make a great stock.

Artificial intelligence is changing cybersecurity from both directions. Enterprises are deploying autonomous agents that act across their systems. At the same time, attackers are using the same technology to move faster and at lower cost. We believe this is one of the most significant shifts in cybersecurity in years, following earlier investment waves driven by the move to the cloud, zero trust security, and remote working. For investors, however, a strong market is not the same as a strong stock.

Agentic AI accelerates the cybersecurity investment cycle

AI is changing the threat environment in two ways. First, it makes attacks faster and cheaper to launch, increasing both their volume and their potential severity. Second, agents are a new source of risk in their own right. An employee logs in, completes a task, and logs off. An agent may be in constant contact with internal databases, cloud networks, and third-party websites. Each one needs to be identified, monitored, and governed.

In our view, much of this spending is incremental rather than a reallocation of existing security budgets. If agents increase both the level and severity of risk, enterprises must spend more to manage it. Pricing is evolving too. Vendors are exploring consumption- or outcome-based models, such as charging per agent, per task, or by the volume of agent traffic on a network.

Practical application: The key research question is not whether cybersecurity budgets grow, but which segments gain share within them. We assess how agent adoption changes the risk facing enterprises, then identify the likely net gainers and net losers of budget. We test this view continually through conversations with companies. Today, network and identity security appear best positioned for investment opportunities.

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Investing in the Future of Cybersecurity

Network and identity security are the two core investment themes

At the network level, more agents mean more traffic, more potential attack paths, and less time to respond. Large enterprises can use more than 100 security vendors yet would prefer far fewer. This is driving platformization, which consolidates alerts from endpoint, cloud, network, and browser into a single view, so threats can be detected and remediated faster. Scale alone is not enough, though. Acquired products that do not share data form a bundle, not a platform. Specialist point solutions also retain a role, as new threats keep emerging and smaller firms often innovate first.

Identity security is becoming an increasingly important control plane. It operates across three layers: access verifies who or what is calling a system; authorization determines what that identity can view or change; governance updates permissions as roles change. Many enterprises do not know the number of agents operating in their environments. Each agent needs an owner, appropriate permissions, and the ability to be shut down in real time. We believe this need for continuous control supports recurring rather than one-time spending.

Practical application: To separate genuine platforms from bundled products, we track measures such as net revenue retention and the number of modules each customer adopts. Rising figures suggest customers are expanding with a vendor. We validate these signals through conversations with customers, vendors, and implementation partners. For acquisitive companies, we also follow integration milestones, both in the technology and in how acquired customers are retained.

Industry growth does not remove the need for stock selection discipline

Cybersecurity has attractive structural features due to high switching costs, as moving to an untested vendor carries the risk of a breach. Customers often change providers only after an incident. Combined with expanding budgets, this supports a long runway for growth. However, the market already recognizes that the industry is growing, so the real question for investors is whether that growth is reflected in today's price.

To evaluate the attractiveness of a stock, we assess competitive advantage, long-term earnings power, and valuation on a risk-adjusted basis over a five-year horizon. In our view, some of the most compelling opportunities lie in less favored companies rather than the fastest growers. A new product cycle or an operational step change, combined with low expectations, can drive stronger long-term returns than a high-quality business at a demanding valuation.

Practical application: Separating signal from noise requires research beyond financial headlines. Our analysts attend practitioner conferences and speak with security professionals about the threats that concern them most. Because cybersecurity touches every layer of the technology stack, they also work closely with colleagues covering networking, cloud, and infrastructure across our global research platform. This helps us judge whether companies' product roadmaps are keeping pace with emerging threats.

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Conclusion

Agentic AI is expanding the cybersecurity opportunity, with network and identity security well placed to benefit. For long-term investors, the opportunity lies in identifying which companies can turn that growth into durable earnings, at a price that does not already assume success.

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