BAIN & COMPANY

TD Synnex - AS Summit

December 4, 2024

Objectives

BAIN & COMPANY

01

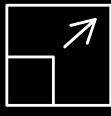Share latest **industry trends** and market perspectives

02

Dive into cybersecurity, infrastructure, and Gen AI

03

Align on **key imperatives for the channel** going forward

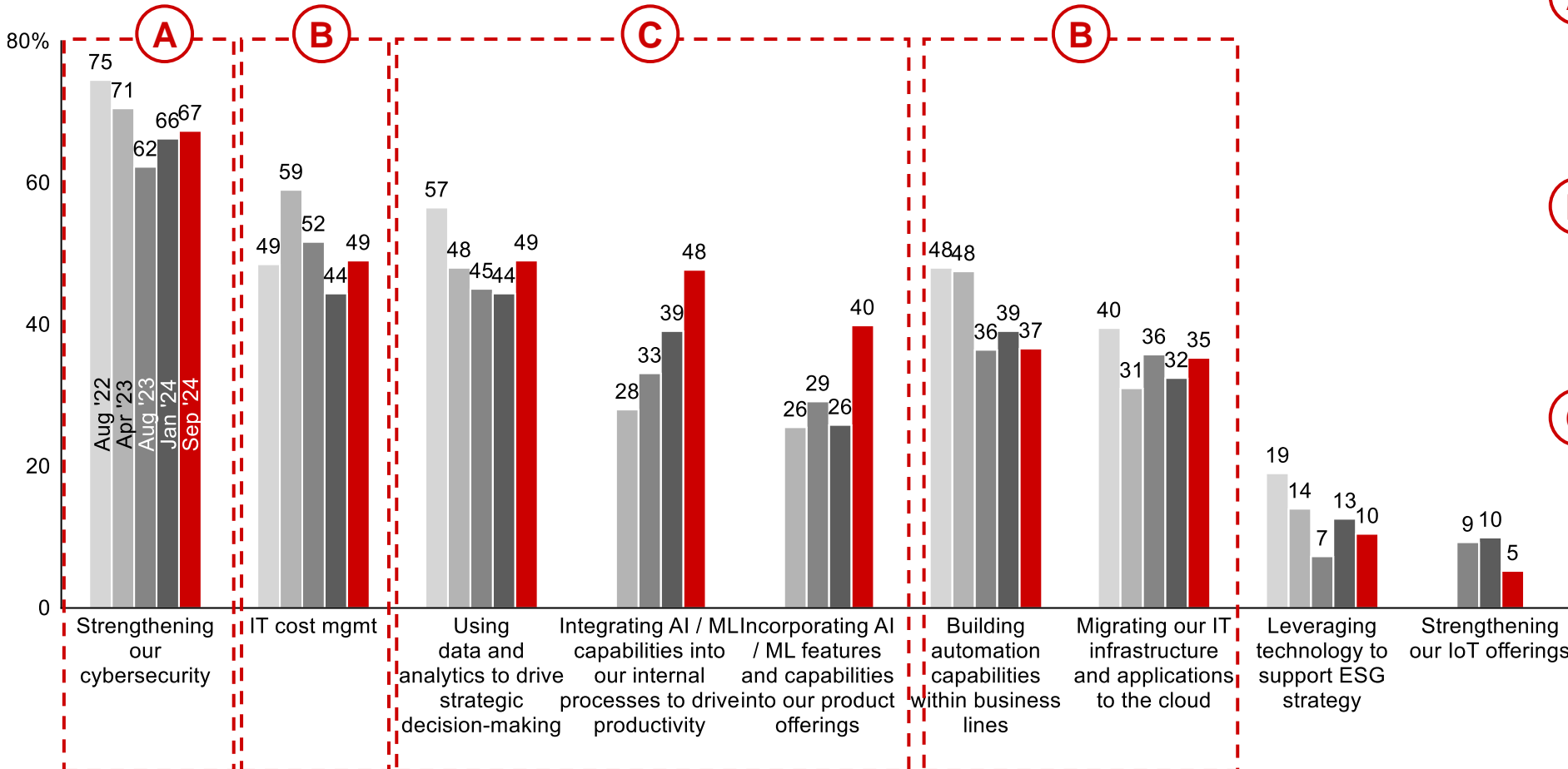# Advanced Solutions trends are shaping the tech industry

Value Evolution	Strategic battlegrounds	Operational Transformations

Tech valuations: Profit pools & market cap concentrate on Super 7

Foundation Models: From large public models to more diversity (domain-specific, open-source, LLM-enabled SaaS)

Software: Growth of SaaS, budgets pressuring unprofitable companies, major platforms bundling solutions

Digital Transformations accelerated by Gen-AI: Content, Services, SW Development, Sales

Industry structure: Super 7, hungry for growth, increasingly challenge one another

Future of Data Center Compute Is tensor math in parallel and Nvidia leads. Is it overvalued? AMD challenge? Intel?

Cyber-security Continued rise in security threats, new risk attack surfaces, and increasing budgets

Go-to-market: lead scoring, next best action, pitch automation, Agency disruption

M&A: Likely rebound in 2024 as deal vintages mature and interest rates normalize

Ops Cost Mgmt. Inference workload bigger than training? Is best near the data but is still expensive parallel math.

Gen AI AI enabling every layer of the stack

SW development: faster coding, better quality, but product management still needs repair

Post-Globalization: US-China decoupling, India Acceleration?

AR/VR: While pace is slow, immersiveness will expand incrementally from gaming and teleconferencing

Services: Leaders self-disrupt with AI. What new services will sustain growth?

Content management: Bringing coherence to the mountain of sales/marketing collateral

Cybersecurity remains top priority for IT decision makers, followed by **cost management**; biggest gains seen in **data analytics and** expanding the role of **AI**

Survey responses: "What are your most critical IT priorities?"

% of survey respondents

Aug '22 | Apr '23 | Aug '23 | Jan '24 | Sep '24

Strengthening our cybersecurity (A): 75, 71, 62, 66, 67

IT cost mgmt (B): 49, 59, 52, 44, 49

Using data and analytics to drive strategic decision-making (C): 57, 48, 45, 44, 49

Integrating AI / ML capabilities into our internal processes to drive productivity: 28, 33, 39, 48

Incorporating AI / ML features and capabilities into our product offerings: 26, 29, 26, 40

Building automation capabilities within business lines (B): 48, 48, 36, 39, 37

Migrating our IT infrastructure and applications to the cloud: 40, 31, 36, 32, 35

Leveraging technology to support ESG strategy: 19, 14, 7, 13, 10

Strengthening our IoT offerings: 9, 10, 5

Key messages

A **Cybersecurity** remains the **highest priority** given enhanced **global risks**

B **IT cost mgmt.** re-bounding in importance, esp. in **context of infrastructure**

C **(Gen) AI** continues to **gain share of mind** showing consistent increases over all survey iterations

Note: Integrating AI/ML capabilities into our internal processes and incorporating AI/ML features & capabilities are the options included in Apr '23 survey; Strengthening our IoT offerings are the options included in Aug'23 survey
Source: Bain IT Decision Makers Survey, (N=200, Aug'22), (N=200, Apr'23), (N=151, Jan'24), (N=240, Sep'24 where US=153 & Europe=87)

We speak to investors about **Cybersecurity** every day; here are some of the key themes that have come up in our conversations

Major themes

- Opportunities to **build platform businesses** in a 'Best of Breed' market (that compete with MSFT/ CRWD, PANW)

- What **GenAI security** will mean, and what GenAI will mean for security

- How to **serve SMB needs** (what they need, and how to serve them)

- **Vertical-specific cyber** capabilities (healthcare, government) are becoming paramount

Dynamic product categories

- **Next-gen SIEM** (just more marketing, or something real?)

- How to think about the **CloudSec competitive landscape,** and how it will evolve

- Opportunities in **AppSec/ DevSecOps,** and the role AI is playing

- The next evolution of **Data Security** solutions (DSPM vs DLP)
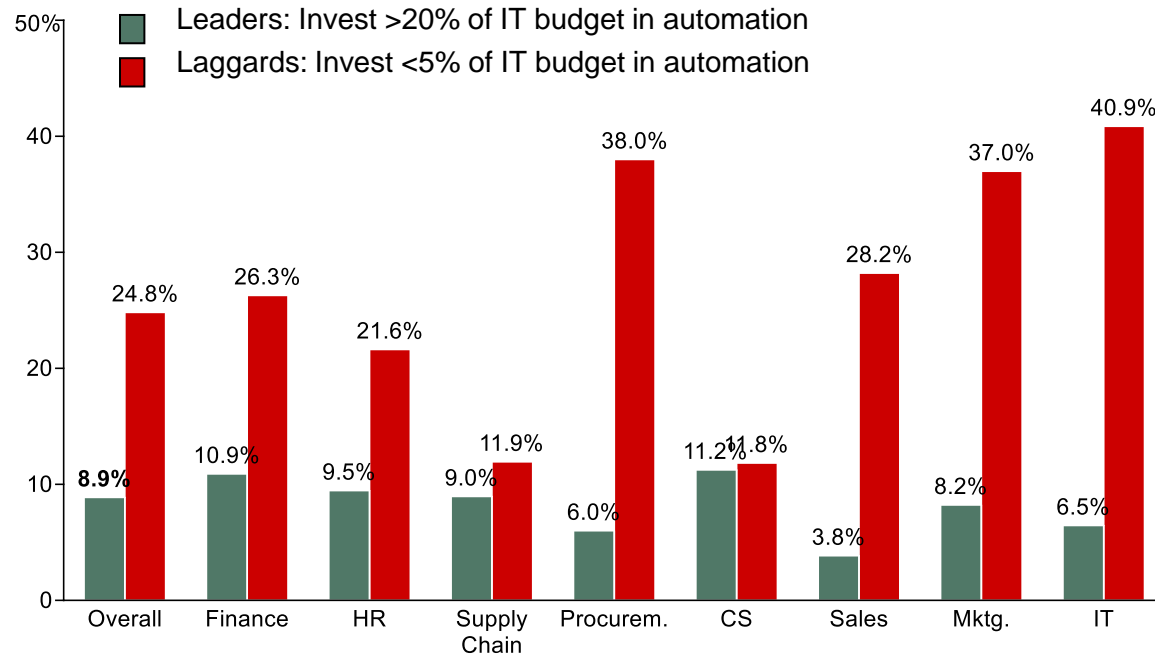
- Opportunity in **IOT/OT security**

(1) Increasing portfolio penetration of <u>cybersecurity services</u> and (2) Greater <u>emphasis on solutions</u> are the two main channel value proposition opportunities in the cybersecurity realm

As cost management takes a high priority for CIOs, automation should play a critical role in any IT roadmap; Channel Partners will be key in shaping these

## Over 40% of IT organizations invest less than 5% of IT budget on automation

Leaders and laggards as a % of total respondants

- ■ Leaders: Invest >20% of IT budget in automation
- ■ Laggards: Invest <5% of IT budget in automation

	Overall	Finance	HR	Supply Chain	Procurem.	CS	Sales	Mktg.	IT
Leaders	8.9%	10.9%	9.5%	9.0%	6.0%	11.2%	3.8%	8.2%	6.5%
Laggards	24.8%	26.3%	21.6%	11.9%	38.0%	11.8%	28.2%	37.0%	40.9%

Leaders in automation investments achieve consistently higher savings across all functions

Median % of total cost saved

	All	Finance	HR	Supply Chain	Procurem.	CS	Sales	Mktg.	IT
	9.7%	8.4%	8.7%	12.1%	9.4%	9.7%	11.3%	8.8%	13.5%
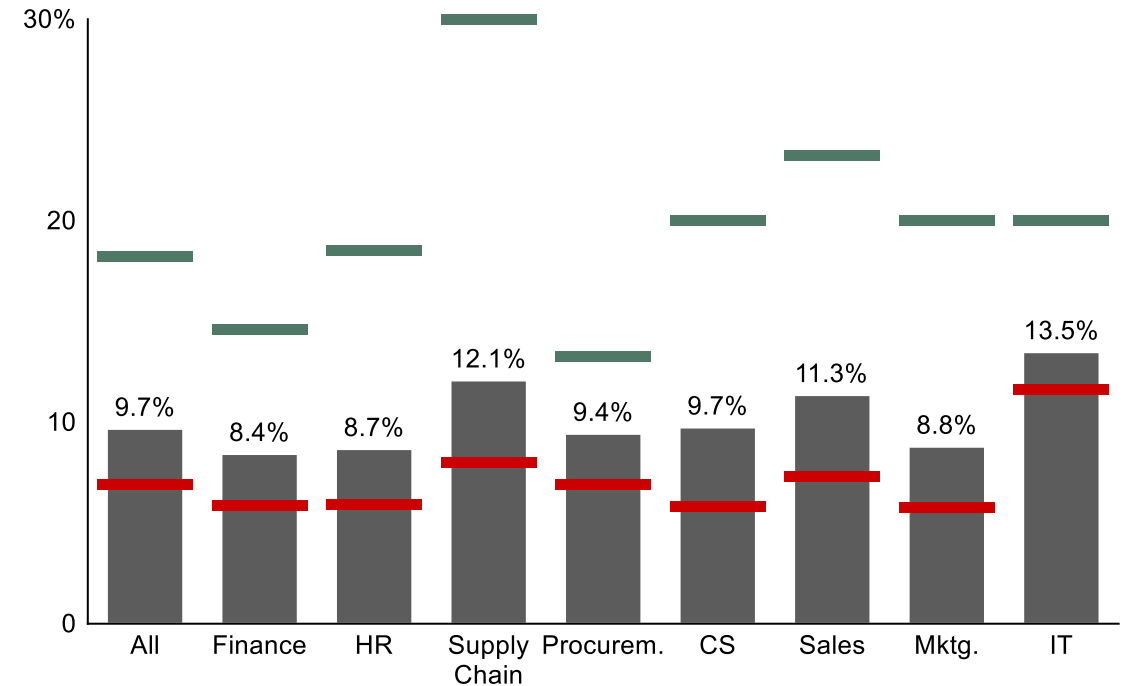
To take advantage of AI, we found six challenges that must be addressed

1. AI strategy & roadmap

- **Striking the balance** across:
  - Productivity
  - Customer
  - Innovation
- Defining a clear value-oriented **investment roadmap**

2. Use cases and value

- Enabling **systematic changes**:
  - Process adjustments
  - Roles and responsibilities redefined

3. Risk and governance

- Defining **guardrails** for Gen AI deployment:
  - GDPR compliance
  - Risk technologies
  - Governance

4. AI technology

- Establishing **common AI platforms** to manage models
- **Upgrading systems** needed to enable AI scaling

5. Data foundations

- Managing high-quality **data assets**
- **Monitoring of data usage** across the enterprise

6. Op model, adoption & talent

- Transforming **organizational capabilities:**
  - Technical upskilling
  - Consultative commercial/ selling approach

Channel Partners will be increasingly called upon by end customers to either directly resolve or to offer solution providers that address the above pain points

Summary: the channel can capitalize on these trends

Solve business problems **"beyond the tech"**

01

Increase degree of **specialization**

02

Extend portfolio in cybersecurity, Gen AI, and other growth areas

03

Don't lose sight of **cost-containment** solutions e.g. **automation**

04

Build close partner-ships across OEM, resellers, and distributors

05