

Oracle, Hortonworks Favored by IT Trends

Data are driving efficiency and creating new revenue streams. Enterprise IT is becoming a business driver.

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Credit Suisse

We attended the semi-annual ONUG (One Networking User Group) Conference in New York, where information-technology (IT) leaders from several large enterprises discussed cloud strategies – public, private, multi-cloud -- as well as opportunities in digital transformation disruption.

Key takeaways include:

1) Data enable the digital transformation. We believe that data remain key to digital transformation, and is increasingly a beneficiary and important enabler of Machine Learning and Artificial Intelligence. Our takeaway is data will increasingly be used to drive productivity growth, which has stalled from an average of 2.5% between 1999-2006 (Source: WEF). Data drive efficiency but also creates new revenue streams, while transforming enterprise IT from a cost center to a business driver. We reiterate our Outperform rating on [Oracle](#) (ticker: ORCL) as well as [Hortonworks](#) (HDP), which we believe maintains an attractive position in the fast-growing Big Data market. We also believe the growing use of machine data to manage risk, improve customer outcomes, and drive efficiencies benefits Splunk (SPLK).

2) Traditional network security is obsolete. Our discussions reaffirm our view that traditional perimeter security is ripe for disruption, with the cloud dissolving the concept of the network perimeter. We agree with the model espoused by several conference panelists who envisage security evolving around a data-centric model, with perimeters emerging around workloads and identities. As further evidence of our thesis, ONUG attendees identified scale and operational limitations of traditional security appliances. We also emphasize

that security increasingly hinges on visibility, and analytics solutions such as Splunk, as ONUG attendees indicated the need to share user contextual awareness with applications in modern security solutions. We reiterate our Underperform ratings on [Palo Alto Networks](#) (PANW) and [Fortinet](#) (FTNT).

3) Private, public and the multi-cloud? We believe Enterprises have largely settled on a hybrid cloud model, but see some difference in strategies. While companies like [General Electric](#) (GE) favor the public cloud, capping their private-cloud use, others like Fidelity see greater total cost of ownership (TCO) advantages in operating private-cloud deployments at scale. ONUG attendees identified lower cost (31%) and greater agility/time-to-market (31%) as the primary drivers of public-cloud adoption, but also see the various public clouds as too differentiated (69%) to avoid lock-in.

-- *Brad Zelnick*

-- *Syed Talha Saleem*

-- *Kevin Ma*

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