

Technology

2023 CIO Survey | The Year of Change

CONCLUSION

2023 CIO Survey: For Piper Sandler's 12th annual CIO Survey, we surveyed 128 IT decision makers having an estimated \$1.6B in average annual revenue. Results suggest that 2023 could be the 'year of change' with >50% planning to consolidate vendors within infrastructure software and application sectors (71% cited cost savings as a contributing factor). Intent to 'maintain' budgets overall also fell to the lowest level in years at 10% (vs. 18% average). Overall, 2023 IT budget expectations were surprisingly healthy rising +4.9% Y/Y, a +70 bps increase compared to 2022. Security and application software were top spending priorities in 2023, with devices, unified communications, and database falling to the bottom.

- Security (Owens):** 1) Security remains the top priority, with 74% expecting increased spend and 48% looking to consolidate; 2) While the macro may influence some appliance sweating and increased focus on pricing dynamics, overall demand for security should hold strong. We see vendors that address high priority segments of the security stack alongside offering consolidation opportunities as best positioned going into 2023. *Stock implications: OKTA (+; OW), CRWD (+; OW), PANW (+; OW), TENB (+; OW).*
- Applications (Bracelin):** 1) 64% are planning to consolidate application vendors in 2023 with cost savings as a key driver; 2) multi-cloud preferences are gaining popularity across the broader enterprise; 3) spend priority was most favorable for application software and data analytics; 4) most at risk categories included procurement, work management, marketing, and CX. *Stock implications: MSFT (+; OW), ORCL (+/-; N), SNOW (+; OW), and AYX (+; OW).*
- Infrastructure Software (Fish/Owens):** 1) Priorities are shifting more towards "keeping the lights on", automation, & 5G services rather than "nice to haves" around transformational infrastructure (ex: containers, edge compute, etc.); 2) Spending intentions strongest for areas like Security, Switching, ITSM, Backup, Storage / HCI; 3) CIOs are looking to most consolidate infrastructure vendors, making "true-platforms" differentiated and well-setup. *Stock implications: NET (+; N), NOW (+; OW), NTNX (+; OW), and ANET (+; OW).*
- Communication Software (Fish):** 1) While the space remains a low relative priority relative to the rest of IT, spending intentions did return to above pre-pandemic levels, pointing to a better 2023; 2) Cloud migrations in contact center & voice remain strong in 2023 and over the next 3 years; 3) As the #3 area CIOs most desire to consolidate, this will most impact platform plays across voice, video, and chat / messaging. *Stock implications: FIVN (+; OW), NICE (+; N), and ZM (+; N).*
- IT Services & HCM Software (Ramnani):** 1) 20% of respondents expect IT Services to be most exposed in a recession. 49% are looking to consolidate vendors as a mechanism to save costs. In our view, larger players such as ACN, CTSH (not covered) are likely to be more pressured relative to the digital players (EPAM, GLOB) given their scale and consulting exposure; 2) 86% looking to increase/spend the same on HCM Apps given it's a non-discretionary spend. We expect cloud HCM (PCTY, PAYC, CDAY) to continue to benefit from stable/healthy spend and churn from legacy vendors (ADP, PAYX, both not covered). *Stock implications: EPAM (+/-; OW), ACN (-; UW), PCTY (+; OW).*

Rob D. Owens

Sr. Research Analyst, Piper Sandler & Co.

Brent A. Bracelin

Sr. Research Analyst, Piper Sandler & Co.

James E. Fish

Sr. Research Analyst, Piper Sandler & Co.

Arvind Ramnani

Sr. Research Analyst, Piper Sandler & Co.

Thomas Champion

Sr. Research Analyst, Piper Sandler & Co.

Harsh V. Kumar

Sr. Research Analyst, Piper Sandler & Co.

Braeden Kuether

Research Analyst, Piper Sandler & Co.

INDUSTRY RISKS

Macroeconomy, IT Spending, Competition, ASPs, and Valuations.

Piper Sandler does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decisions. This report should be read in conjunction with important disclosure information, including an attestation under Regulation Analyst Certification, found on pages 61 - 62 of this report or at the following site: <http://www.pipersandler.com/researchdisclosures>.



Piper Sandler CIO Survey 2023 / *The Year of Change*

Brent A. Bracelin
SENIOR RESEARCH ANALYST

Rob D. Owens
SENIOR RESEARCH ANALYST

James E. Fish, Jr.
SENIOR RESEARCH ANALYST

Braeden Kuether
TECHNOLOGY PRODUCT MANAGER

Arvind Ramnani
SENIOR RESEARCH ANALYST

Harsh V. Kumar
SENIOR RESEARCH ANALYST

Tom Champion
SENIOR RESEARCH ANALYST

Table of Contents

Executive Summary	4	Infrastructure Software Fish & Owens	34
a) Piper Sandler's Most Robust CIO Survey to Date	5	a) Conclusion	35
b) 2023 Final Takeaway	6	b) Spending Intentions	36-41
c) Section Overview	7	c) Vendor Consolidation	42
d) Piper Sandler Key Stock Callouts from the 2023 CIO Survey	8	d) Technology Implementation Over the Next Three Years	43
General IT Trends	9	Communication Software / Unified Communications & Collaboration (UCC) Fish	44
a) IT Budget Growth	10-13	a) Conclusion	45
b) Top 2023 IT Spending Priorities and Changes	14	b) Spending Intentions	46-50
c) Vendor Consolidation in 2023	15-16	c) Cloud Communication Migrations	51
d) Who Could Benefit the Most?	17	d) Special-Take	52
e) Top Concerns Impacting Your Budget?	18	IT Services & HCM Software Ramnani	53
Security Owens	19	a) Conclusion	54
a) Conclusion	20	b) IT Services Budgets Could Be Pressured	55
b) Spending Intentions	21-22	c) Spending Intentions Remain Healthy for Cloud HCM	56
c) Securing Remote Workers	23	Survey Demographics	57
Application Software Bracelin	24		
a) Conclusion	25		
b) Vendor Consolidation	26-27		
c) Cloud Growth and Penetration	28-29		
d) Spending Intentions	30-33		

**Connect with your Piper Sandler
representative to view full report.**