Americas Technology: Software: Generative AI - Part II: Private Company Conference Takeaways

We hosted the Goldman Sachs Private Company Software and Internet Conference April 3-4 in person in San Francisco. The event featured keynotes, fireside chats, and panels with over 40 of the most exciting venture-backed technology companies across a range of technology subsectors. The majority of conversations centered around Generative AI, with many founders addressing road map questions and three panel sessions focused on how new innovations in this area will change the software landscape. (Please see our Part I: Laying out the Investment Framework report here). We continue to view Generative AI as a seismic force in the technology landscape; and while our investment views will continue to evolve, we see the potential for significant innovation in the private landscape as well as new avenues for growth for incumbents. In addition to AI takeaways, we summarize datapoints on demand, the health of the private company ecosystem, and company-specific highlights.

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Software Industry Themes

1) GenerativeAI

We continue to view Generative AI as a seismic force in the technology landscape; and while our investment views will continue to evolve, we see the potential for significant innovation in the private landscape as well as new avenues for growth for incumbents. We hosted Sarah Guo from Conviction and Sonya Huang from Sequoia on our VC Investors panel; Jasper, Replit and Descript on our Founders Panel; and BlackRock, Capital and Greycroft on our Portfolio Manager's panel; and a fireside chat with Stability.AI. Highlights from the conversation include:

- **GenAI has the potential to redefine skills learned and boost productivity in a similar way to that of the internet.** While still in the early innings of this cycle, panelists shared their view that the infrastructure layer underpinning the power and compute of GenAI is likely to already be largely solidified given the capital, talent and technology needed to compete with Microsoft, OpenAI and others. While the cost and efficiency of these models will likely improve over time, the near-term focus remains on accuracy. The application layer is expected to show the most pronounced evolution, with GenAI analytics likely to be

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embedded into the application layer as the new standard rather than existing as a separate category (in the same way SaaS applications have become mainstream).

- **While new entrants will embed generative AI natively into their offerings, the incumbents have large scale data and means for distribution.** This is likely to level the playing field between the two groups for the first time since the emergence of cloud computing, which cultivates a landscape ripe for disruption. In conjunction with our Generative AI - Part I: Laying Out the Investment Framework note, Adobe was highlighted as an incumbent likely to maintain its market lead given its product-led growth, at-scale AI platform and new generative AI suite (Firefly).
- **Costs will come down as model distillation occurs.** We debated to what extent cost is a limiting factor to GenAI adoption, or to what extent adoption will pressure margins in select business models. Panelists noted the unique profit structure of OpenAI (whereby the goal is not profit maximization) and also articulated that costs will come down as small models learn to do what large models do in a more efficient way, or as small models "stand on the shoulders" of large models to streamline efficiency. For instance, Databricks management believes that smaller models will help lower the barriers to entry for LLM adoption. The company recently announced Dolly, an LLM built on a two-year old OSS model (GPT-J), which Databricks was able to fine-tune on a small dataset in less than 3 hours and for under $30 to achieve ChatGPT-like functionality. Databricks' Dolly announcement underscores the company's view that smaller models will become the norm where organizations own and train their own models on proprietary datasets, eliminating data privacy concerns with centralized LLM providers and reducing the cost to run these models (less data, less compute).
- **Advancements in AI may be deflationary to select parts of the software ecosystem**. Replit and Jasper both noted the potential for deflation, given (1) the productivity boost employees will get from core, mission-critical software products that embed AI into the offering, and (2) the democratization of building technology, reducing the barriers to entry for writing code and developing software.
- **Within cybersecurity, panelists were bullish on growth in spending (given GenAI catalyzes another step forward in digital transformation), and companies noted the most near-term impact on the security operations center (SOC).** For example, ReliaQuest has been developing its own large language model to reduce the number of alerts that require human intervention in the SOC, as part of its broader analytics offering - and noted the positive impact that Microsoft's Security Copilot product can have in helping improve SOC effectiveness. While early days, we see the potential for some of these tools to become invaluable overlays to the SIEM, given the significant challenges around people and process in the SOC today.

2) Demand

Our conversations this week pointed to stable demand trends in 1Q,against a backdrop of management teams being particularly thoughtful (and conservative) about setting expectations. DataStax had seen slowing growth since July (consistent with AWS) with growth flattening out in December. However, the company has seen week-over-week consumption growth of 4-5% since the start of February (albeit on small absolute numbers). Clari, which has visibility into the entire forecasting/sales process at its customers, is seeing stable demand with both back and front office software remaining muted but not getting worse. Some companies are seeing pockets of improving demand: Recorded Future (threat intelligence) called out an easier selling environment in Europe given the war in Ukraine and the threats surrounding that; Locus Robotics (warehouse automation) disclosed that its pipeline is up 70% yoy as customers look for automation solutions to help increase productivity; and Netskope (secure access service edge) disclosed accelerating business momentum.

Our read-throughs for back-office applications demand are consistent with what we have been hearing more broadly from our coverage and channel checks: longer time-to-value products with extended implementation timelines are seeing sales cycle elongations with some deals getting pushed into subsequent quarters as large-scale digital transformation projects are receiving increased scrutiny from customers. However, faster time-to-value offerings may remain somewhat insulated from these trends as customers can quickly leverage new capability sets to improve core business operations.

Our conversations indicated that the software industry is starting to see an alignment in investor and management expectations regarding 1) valuation, and 2) net new business trends, given guidance implies down 20-30% on average across the industry.

3) Health of the private company ecosystem

The health of the private company ecosystem is stronger than we expected. Given the slowdown in IPOs and valuations being reset over the past year, private companies have faced a unique set of challenges. The growth-at-all-costs mindset remains out of favor with many investors unwilling to consider names without line of sight to FCF generation, even in the later stage private markets. This has caused pre-IPO companies shift to profitability sooner as they either 1) prepare to go public or 2) need to preserve cash and extend runway in order to avoid raising money at depressed valuations. **Based on our conversations, private companies have exceeded their own expectations around efficiency and margin expansion, allowing them to buy time before needing to raise more capital or potentially avoiding a primary capital raise altogether.** That said, the lack of liquidity in this environment remains a concern and could result in companies taking the path of direct listings in order to get investors and employees liquidity. Separately, Armis CFO Jonathan Carr discussed the sentiment amongst private company CFOs, as part of his guild community FirstMark. In particular, the environment for talent is easing, in part because private companies can now benchmark to a lower absolute compensation number, as well as lower equity percentages, because of changes in the public markets.

AirTable

We hosted AirTable CEO, Howie Liu. AirTable offers an agile, scalable low-code platform that provides the foundational building blocks needed to easily build apps that fit a company's personalized use case. The unified IT architecture and shared data across the platform help streamline workflows across divisions and teams without requiring significant resource allocation.

- **Value proposition:** AirTable looks to offer building blocks that simplify the creation of applications. The platform also provides agility, scalability and extensibility that typically comes with more complex solutions and requires dedicated teams. This allows more knowledge workers (outside of the developer or IT base) to build an application that serves their purpose. AirTable relies on relational databases as they view it to provide the most ergonomic option for operational business use cases. Having first focused on the platform and simplified UX, AirTable did not launch out-of-the-box use cases but let users build what they needed. The simplified user interface attracted users as it solved a painpoint they found in more technical solutions. While low code and no code platforms are usually grouped together, management made a clear distinction that AirTable will not strive to be entirely no-code as the ability to layer in more capabilities/features/integrations/etc with code is an imperative aspect that will allow the company to serve larger and more complex deployments.
- **Up-market motion:** Having initially relied on strong product-led- growth, AirTable is making a deliberate strategic pivot to a more proactive sales motion to go after larger deal wins. Management expressed setting its goals around customers who will spend north of $1K+ and $5K+ annually as they pose an opportunity for pronounced seat expansion. Given AirTable is looking to serve as a valuable system of record, they have started to incorporate warm-calls into their go to market initiatives. This strategy is based on appealing to customers with at least one use case already live. In these scenarios, sales reps are more easily put in front of more senior buyers that start thinking about AirTable as a strategic investment rather than a point solution and may potentially opt for higher priced products and larger seat deployments. Nike was brought up as an early win that became an AirTable customer before a formal sales team was formed. Historically, AirTable worked most directly with the line of business managers and engaging with IT closer to deployment. Now they are engaging with IT more proactively to find the best pockets within the organization where they can provide value.
- **Market evolution:** AirTable saw an opportunity to enter this market as it saw other tools being stymied by the complexity of the product experience. As the competing tools are embedded into larger product ecosystems and more complex use-cases, the users of such software ended up being IT professionals. At first, the most common use cases of AirTable surrounded workflow and product management, bucketing AirTable as a competitor to a niche group of peers. As the platform has evolved and the use cases expand, AirTable mentioned they are seeing a more broad set of low-code/no-code platforms and companies that look to automate and

simplify tedious internal processes. Management also touched on releasing more curated modules, such as marketing, HR, sales, IT, and a new builder experience (expected in the coming months), that can drive increased awareness of the platform and further reduce deployment times and increase ROI. AI and generative AI also pose a tailwind to the evolution of this market as AirTable plans to enable users to more easily layer in AI into their apps while also being able to contextualize the data across different applications and workflows due to its unified platform.

Appfire

We hosted Alex Triplett, CFO & COO, from Appfire. Appfire builds and deploys collaboration productivity apps that help support various workflows across teams and departments within organizations.

- **Appfire is benefiting from the prevalence of marketplace ecosystems as an adjunct to software platforms.** Appfire focuses on platforms that knowledge workers utilize the most - Atlassian (to which it is most heavily indexed at present), Confluent, Salesforce, Slack, Tableau, GitHub, etc. - and develops applications that solve pain points within those platforms or enhance those platforms, allowing users to leverage non-native functionalities to improve productivity and collaboration efforts.
- **Early penetration and low price point create strong growth potential.** With an average of 4 applications per customer and opportunities to expand support into platform ecosystems like Microsoft and Monday.com, Appfire sees room for continued growth and innovation. Its average ticket size is $0.10 - $1.00 per user per month, which allows high customer ROI and can help boost application adoption rates.

Armis Security

We hosted Jonathan Carr, CFO, from Armis Security. Armis Security offers an asset visibility platform that helps customers adapt to a world where not everything is behind a firewall. The company fully understands the behavior of ~3.5bn assets and growing, allowing organizations to see the blind spots in their network and prevent security breaches.

- Before using Armis, some organizations are using 7-8 other tools for asset visibility that are still not providing organizations with complete visibility. Armis sits adjacent to traditional endpoint companies and is meant to enrich current tools in order to drive more value for customers. The competitive environment is fragmented with many players who typically do well in select verticals while Armis is vertical agnostic.
- When going to Armis is able to help customers understand what parts of a network are infiltrated by malware, this is incredibly important in the verticals like healthcare

where life saving systems need to be kept up and running. In one customer example, Armis was able to find a Peloton bike on a network that was believed to be very secure.

Bloomreach

Bloomreach: We spoke with Bloomreach's CFO Dave Pomeroy to better understand how it is helping commerce companies personalize shopping journeys from the initial marketing campaigns all the way through generating better conversions.

- Bloomreach offers a full marketing automation platform, which is powered by an underlying commerce data engine. The company believes this data engine is a key differentiator, combined with the fact that it offers an end-to-end solution with a CDP and product data catalog embedded in the offering.
- Bloomreach is focused on selling to enterprise and mid-market customers, with budget typically coming from the marketing department or merchandising group. The majority of revenue comes from EMEA today, but the company is focused on expanding in the US as it gains traction with recent go-to-market initiatives and continues to build out its partner network.
- Mr. Pomeroy highlighted the company's various areas of expanding spend within the installed base. Each product has a usage element (# of API calls, size of catalog, etc.) and Bloomreach has a healthy upsell and cross-sell motion as customers expand use cases and add new products and modules. The company is also working on broadening its distribution, making it easier for customers to buy the product while also building out channel relationships with partners.

Clari

Clari: We spoke with Clari's CFO Adam Meister to better understand the company's differentiated forecasting capabilities and how it fits into the broader RevTech ecosystem.

- Clari delivers ROI to customers by saving time for Sales Operations and FP&A teams because the software enables a reduction in the time required to put together weekly dashboards for forecasting calls, better quota to OTE ratios for selling organizations, improvement in the ratio of reps to front-line managers, and better distribution of sales attainment.
- Clari is entrenched at customers that go all-in on the solution, meaning Clari is where sales teams track sales progression, manage front-line reps, run forecasting calls, and ultimately operate their entire sales cadence. The company wants to be the system of execution that sits at every step of finding, winning, and retaining revenue.
- Mr. Meister highlighted that revenue is a process, not just an outcome, and it

requires the collaboration of many teams across the organization. B2B selling motions have become more sophisticated in recent years and there are multiple personas in both the selling and buying organization involved in the process. This creates complex problems for which legacy CRM systems were not architected to solve, so Clari believes that its purpose-built offering can help selling organizations become more aligned and efficient.

Databricks

We hosted Databricks CEO and Founder Ali Ghodsi and CFO Dave Conte. Databricks is a data and analytics company that addresses analytics/BI, data science and machine learning workloads through its Lakehouse platform.

- **Generative AI:** Databricks already has 1,000 customers using LLM's in production on its Lakehouse platform. The company recently introduced its own LLM, Dolly, which cost under $30 and required less than 3 hours of training (on one server) to deliver human-like interaction. Management pointed to Dolly as one case study for the democratization of ML models, in which LLMs can be adopted at a lower price point, use less compute and get trained on proprietary datasets to solve specific use cases. The company noted that it is focused on automating away the data pipeline to eliminate most of the manual work for data science and machine learning.
- **Optimization Trends:** Databricks' CFO indicated that the company is observing similar optimization trends to those witnessed by the Hyperscalers and peers such as Snowflake. Management noted that customers continue to display an adopt and optimize trend, wherein customers add a new workload or use case and subsequently optimize their spend to get the most efficient use out of the platform. Management noted that one year ago customers were less concerned with cost, whereas customers today have become much more disciplined around inefficient spending/utilization.
- **Focus Areas:** Databricks management noted that the company is squarely focused on data governance, which remains critical for customers to ensure high data quality for analytics and machine learning, maintain compliance with industry data regulations and democratize access to data across an organization. The company highlighted the importance of its Unity Catalog, which provides a unified governance solution for all data and AI assets in a customers Lakehouse.

DataStax

We hosted DataStax CEO Chet Kapoor. DataStax is a NoSQL database built on Apache Cassandra (open-source) that provides both cloud-native (Astra) and self-managed (Enterprise) offerings, in addition to a real-time data streaming product.

- **Market Opportunity:** Management indicated the company's TAM is ~$7bn, growing at a 25-30% CAGR. The CEO noted that the market can be broken down into three components: 1) SQL, 2) NoSQL and 3) Real-time streaming. He cited MongoDB as a competitor in the NoSQL market, noting that the company's ease-of-use in developing applications has been a key driver of its success but believes DataStax (Cassandra) is inherently more scalable. The CEO also acknowledged DataStax's later entrance to cloud but that its cloud-native Astra DB offering is performing well. In addition, he noted that despite the shift to cloud, DataStax Enterprise (self-managed) continues to grow and he continues to see opportunity for this product since cloud migrations can be multi-year endeavors.

- **Real-Time Streaming:** The DataStax CEO noted that the company's strongest position is in real-time data market, where it allows customers to run ML on top of real-time data. With real-time streaming, DataStax customers are less reliant on legacy batch processing, allowing them to act on real-time data that can improve decision-making and also refine their ML models. The CEO noted that the company competes with Confluent on the data science use case in the real-time streaming market.
- **Macro:** DataStax has observed slowing consumption growth since July, which started to flatten out in December. However, the company has observed 4-5% week/week growth in consumption trends since the start of February. The company also noted that customers appear to be more comfortable managing through the current environment relative to a few months ago.

dbt Labs

We hosted dbt Labs Founder and CEO Tristan Handy and CFO Daniel Le. dbt Labs provides tools that help data teams transform the data in their data warehouse.

- **Value Proposition:** dbt Labs acts as an orchestration layer that runs on top of the leading data warehouses, including Redshift, BigQuery, Snowflake, and Databricks, helping customers produce reliable, actionable datasets for analytics in a time efficient manner. The company has lowered the barriers to entry for building high-powered data pipelines by enabling data analysts to develop data pipelines with SQL (vs. more technical data engineers).
- **Customer Success:** The CEO highlighted JetBlue as an example of the value dbt Labs provides in helping customers efficiently extract insights from their data. Prior to using dbt, JetBlue's data pipelines were very fragile and only completed 65% of the time. After migrating to Snowflake and dbt, JetBlue now has 99.9% uptime for its data warehouses and pipelines, eliminating data engineering bottlenecks and deriving insights faster on valuable data that can improve decision-making and help deliver better business outcomes.

Scale.AI

We hosted Scale.AI's CFO Dennis Cinelli. Scale.AI helps accelerate the development of AI applications via turning raw data into high-quality training data, done via combining machine learning powered pre-labeling and active tooling with varying levels and types of human review.

- **End Market Adoption:** Initially adopted by self-driving car companies to help with sensor fusion, Scale.AI has made in-roads into a variety of different markets. Notably, markets served now include (but are not limited to) Federal, Automotive, Financial Services, E-Commerce, and Generative AI. With the recent proliferation of Generative AI and the need for reinforcement learning and model evaluation, Scale.AI's CFO mentioned they have a strong presence across the entire LLM/Generative AI ecosystem, accounting for ~1/4 – 1/3 of total business today.
- **Fragmented Competitive Landscape:** Across the various spaces Scale.AI participates in (data annotation, labeling, LM, etc.) Scale.AI notes competition against Snorkel, Labelbox, Surge, Palantir. Additionally, the major cloud operators provide both a partnership and competition dynamic. However, Scale.AI noted that dialogue thus far has been more collaborative, as Scale.AI has potential to help drive more cloud usage (via more models being hosted in their infrastructure).
- **Financial Positioning:** While financial metrics weren't explicitly disclosed, the CFO noted the decision to perform a 20% RIF in January to help control burn. We also note that Scale.AI ended last year with 5 years of runway. Additionally, the CFO noted that the evolution of revenue will stem from enterprises & governments allocating more budget to expanding use cases of Generative AI.

Dialpad

We hosted Dialpad CEO and Founder Craig Walker and CFO Mike Kourey. Dialpad is a cloud-native unified communications platform that spans messaging, video, and voice, while also providing customer engagement solutions for contact center, sales outreach, digital engagement, and customer satisfaction, all of which is powered with advanced communications AI.

- **Artificial Intelligence:** Dialpad has been developing AI-based communications solutions for >5 years, which has been a key differentiator for the company in winning new business (75% of landed deals include AI as a key selling point). The company's acquisition of TalkIQ in May 2018, which specializes in real-time speech recognition and natural language processing, accelerated its move into AI-based products. Dialpad has amassed over 4bn minutes of proprietary communications data which helps enhance existing AI-enabled solutions and inform the product roadmap. For instance, call centers using Dialpad AI are doubling their agent efficiency with features such as customer sentiment tracking, speech coaching, and flexible call routing. Management's goal is to release new AI-backed products each month.

- **Competition:** Management indicated its winning steady share in the unified communications category, benefiting from its unique AI value proposition. Further, Dialpad management highlighted the company's roots as a communications platform (w/ full UCaaS/CCaaS), relative to competitors that began as a point solution for video-conferencing and/or telephony, as a key differentiator in landing new customers.

Gupshup

We hosted Sudesh Vasudevan, VP of Corporate Development, Strategy & IR, with Gupshup. Gupshup is a conversational engagement provider focused on India and other mobile-first emerging markets.

- **Emerging market consumer behavior** is different than consumer behavior in developed markets, especially when it comes to how those consumers interact with businesses. Due to the lack of widespread broadband access, many EM consumers went straight to mobile computing devices and use SMS, WhatsApp, and other mobile applications to communicate with each other, access the internet, and communicate with businesses, creating a different set of channels through which businesses seek to communicate and interact with their customers. Gupshup leverages a combination of product led growth and key partner relationships to expand in emerging markets around the world.
- **Gupshup's platform** has been engineered to allow businesses to communicate with customers in a more "natural" environment - that is, on consumer mobile devices via SMS, WhatsApp, and other channels (30+). Three layers, connectivity, marketing, and engagement, comprise the platform and allow businesses to interact with customers in the pre purchase, purchase, and post purchase stages of a transaction. Gupshup has engaged in both M&A and organic product development to increase its platform capabilities and offerings (bot builders, increased messaging capability, leveraging data).

HighRadius

We hosted Urvish Vashi, COO, from HighRadius. HighRadius offers cloud-based software products that automate core financial processes within the office of the CFO such as order to cash, treasury, and financial close.

- **Market opportunity and demand environment:** HighRadius thinks digital transformation in the office of the CFO is in its early innings (~9-10k potential enterprise customers, ~90k potential middle-market customers in NA/Europe vs. ~800 HighRadius customers). As CFOs look to both automate back-office processes and extract value from the large quantities of data they work with, HighRadius thinks they will move workloads into environments that leverage ERPs as systems of record. HighRadius noted that their demand environment has remained consistent despite a challenging macro environment.

- **Product roadmap driven by competitive differentiation:** Finding its origin in order to cash automation, HighRadius saw a natural expansion into treasury automation as its predictive invoice capabilities could help predict cash inflows - part of the inherent difficulty in high fidelity treasury cash flow forecasting. It sees opportunities in financial close as the large volume of data flowing through its products can be helpful in identifying financial anomalies, but the company is unlikely to enter the tax calculation market where it sees strong competition and does not have a natural data-driven moat.

Locus Robotics

We hosted CEO Rick Faulk and CFO Dustin Pederson from Locus Robotics to discuss how the company is helping solve problems for logistics businesses through the implementation of automation and software in warehouses.

- Locus solves 3 main problems for its customers: (1) labor, (2) honoring delivery SLAs, (3) and helping customers deal with spikes in volume during busy periods. The market it serves includes both brownfield and greenfield warehouses, with over 130,000 brownfield buildings across the globe that needs to get automated over the next decade. Along with this, management believes that 7 billion square feet of warehouse space will get built in the next 5 years, and there will be a focus on automation. All of this translates into a TAM north of $100 bn.
- Locus has a unique combination of hardware and software, and it sells its robots to customers with a robots-as-a-service (RaaS) subscription pricing model. This reduces the up-front capital expenditure for the customer and gives Locus more visibility and predictability into revenue. Management said that Locus is the pioneer of recurring revenue in the logistics space.

Netskope

We hosted CEO Sanjau Beri from Netskope to discuss the innovation happening in SASE, the competitive landscape, and the convergence of networking and security.

- Netskope believes its biggest differentiators are: (1) offering a SASE product with the world's best data protection, (2) having what it believes to be the most performant and global network in the world, and (3) having the benefit of being one of the next-generation security companies in a world where the internet is no longer only app-driven, but also API- and JSON-driven.
- The company's first module was its CASB solution, then over time it added secure web gateway, private access, browser isolation, firewall, and most recently its borderless SD-WAN offering. Given the robust product portfolio, management said that Netskope rarely sells standalone CASB anymore, but rather typically lands with

2+ modules today.

- Netskope believes that the networking side of SASE will become commoditized, with the difficult part of SASE squarely in the security and data protection offerings. The company has almost doubled its sales force in the last 12 months and is accelerating growth, citing very strong win rates.

OneStream Software

We hosted Bill Koefoed, CFO, from OneStream. OneStream's platform offers solutions that help companies automate and extract value from their financial close, consolidation, reporting, planning, and analysis processes.

- **Demand environment:** Similar to longer time-to-value back-office companies in our coverage, OneStream (6-9 month implementation timeline) has observed lengthened deal cycles from its customers as purchase decisions receive higher levels of scrutiny. OneStream noted that the demand for back-office digital transformation is still present, and that deals have been pushed into subsequent quarters rather than canceled outright.
- **Competition:** ~30% of OneStream's new businesses comes from greenfield opportunities (as many companies still use in-house / manual processes), where it competes with companies like Anaplan and BlackLine. For brownfield opportunities, OneStream competes with Oracle (Hyperion) and SAP (Business Objects), both of which have end-of-life dates announced. OneStream believes its competitive advantage lies in its cloud-based, single platform that offers functionality for financial and non-financial use cases, as well as the ability to ingest data from multiple sources. OneStream noted a ~75% win rate against Oracle's post-Hyperion product offerings, while noting that competition with SAP in Europe is challenging given the regulatory complexity of different countries.

Recorded Future

We hosted Scott Almeida, CFO, from Recorded Future. Recorded Future gathers information on security threats from across the web and delivers them in a consumable form to individuals across the security ecosystem by having the broader mission of organizing the web for analytics. The company integrates with ~110 different technologies to deliver critical information where and when it is needed, sorting through masses of data to enable users to respond to security threats faster.

- **Data Driven Insights:** Recorded Future is a company with one of the largest data sets in the world but does not view this data as its secret sauce. The problem the company solves is larger than data, it is how the company is able to deliver insights at scale and the ontology underlying this. The company is able to leverage NLP and ML to scan the web, extract & identify key information, and even identity new kinds of malware.

- **Demand:** Recorded Future is seeing consistent demand for solutions with the environment in the US remaining competitive. Vendors across the security landscape, including Crowdstrike and Rapid7, continue to be active in the space and look to capture budget. The level of approvals required to get a deal signed have gone up and while more deals are getting pushed out, the company has been able to show consistent growth at >30%. Notably, the company has seen accelerated time to approval in Europe where macro catalysts like the war in Ukraine have elevated the need for intelligence.
- **Innovations:** Recorded Future offers 9 modules, allowing them to consolidate point solutions and compete against other intelligence platforms. When thinking about the future road map, the company focuses broadly on "making products unbeatable and irreplaceable" and furthering their competitive differentiation. Recorded Future believes that new tools like Microsoft Security Copilot will up level the space as they make intelligence easier to consume and make it easier for security professionals to do their jobs. Recorded Future's core competency is surfacing information and Security Copilot helps professionals digest and act on these insights, allowing them to work in tandem.

ReliaQuest

We hosted Brian Foster, CPO, from ReliaQuest. ReliaQuest has a platform that allows security operations teams to respond to threats in real time by stitching data together from multiple tools and driving automation. ReliaQuest is able to fully automate analysis and response in 65% of alerts through its GreyMatter platform.

- **Data:** Many vendors in this space approach this problem by storing data from a variety of tools which is expensive due to cloud egress costs. The GreyMatter platform acquires data as alerts are fired, storing only small amounts of data in the platform and therefore reducing the total cost of ownership. ReliaQuest is able to work with data no matter where it is and expand to new data sources easily which is key for enterprises who have complex ecosystems. The ability for the platform to aggregate alerts and access data across an organization is vital given traditional SIM tools do not typically store data from EDR tools or business apps.
- **Ecosystem:** ReliaQuest is positioned well to take budget from legacy MSSP providers and displace MDR providers. These solutions often do not solve the issues customers face with alert fatigue and strain that are impacting security operations teams. The company believes that it can help enterprises switch to lower cost SIM tools given GreyMatter allows companies to get the detection capabilities typically embeded in a SIM.

SingleStore

We hosted SingleStore CEO Raj Verma. SingleStore is a scalable and distributed SQL database that provides both cloud-native and self-managed offerings, handling transactional and analytical workloads on a unified platform.

- **Market Opportunity:** In addressing the fragmentation in the database market, the CEO indicated that he believes the most performant layer in a customers' data stack will ultimately win and reduce the number of databases a company needs (highlighting that a major bank is still actively using >45 databases). The CEO noted that the convergence of OLTP/OLAP systems, which have historically been siloed, will be a key driver of database consolidation.
- **Competition:** The CEO indicated that SingleStore was built for speed/performance, noting its 10x faster than Snowflake and 3x cheaper. He also addressed NoSQL databases, which he believes are not well-suited to address analytical workloads and could be at a longer-term disadvantage as transactional and analytical processing converge (vs. SingleStore's unified, SQL approach). For instance, he noted that running analytics on SingleStore is 70-100x faster than on MongoDB.

Sonatype

We hosted Wayne Jackson, CEO, from Sonatype. Sonatype helps developers manage software supply chains in order to help them be more productive, drive innovation, and make better use of open source. The company has data on every attribute of every version of open source, creating a significant barrier to entry and allowing them to inform developers of security defects so that they can make better decisions and pick higher quality products.

- **Competition:** Sonatype has some overlaps with companies like Gitlab and Github, but they view themselves as complementary to these tools with Gitlab being an important partner. Sonatype believes that the hyperscalers will be an important part of this ecosystem over time and thinks its data moat will hold up over time even as competition increases. The company does not see Snyk often in the market given that Snyk is focused downmarket and often sells to developers versus Sonatype selling top down at enterprises. Over time, the company expects that there will be some degree of partnership or consolidation between the software supply chain and observability vendors.
- **Products:** The Firewall product acts as a pre-filter, built to protect developers against malware that is inserted into open source ecosystems. This is Sonatype's fastest growing product and helps differentiate the company from other peers. In the past 18 months, Sonatype has been able to identify ~110k malicious packages and the problem of malicious open source is beginning to get noticed more broadly by organizations. The Lifecycle product is the core part of Sonatype's business making up 60% of revenues and contains a policy engine that can contextually assess what is flowing through the delivery chain of developers. The Caching product is a smaller part of the business that Sonatype leverages to market other products.

ThoughtSpot

We hosted ThoughtSpot CFO, Mohit Daswani. ThoughtSpot offers a simplified business intelligence platform with a search-engine-like UX, that automatically aggregates and analyzes data from an array of large scale enterprise data systems that is relevant to the end-users query. The platform then generates and displays a visualization of those trends.

- **Technological differentiation:** From the onset, ThoughtSpot set out to provide a more intuitive enterprise analytics platform for all workers. With non-technical users in mind, ThoughtSpot created a search-engine like application that streamlines the tedious process of determining what data is needed, identifying where it is stored, compiling and extracting this data, transforming and analyzing it. ThoughtSpot runs SQL queries across any IT architecture (cloud, on-prem, big data, etc) to automate this process. To do this now, businesses dedicate resources to build teams whose workflow is predicated on BI analytical tools. ThoughSpot sees its competitive differentiation predicated on the offerings' self-service nature, its intuitive UX (that resembles a search engine) and the simplification of the data workflow process. With enterprises looking to consolidate their analytic platforms (with enterprises having 1-3+ vendors today), management expects the aforementioned competitive advantages to position ThoughtSpot to take share.
- **Go-to-market strategy:** ThoughtSpot's direct sales motion has landed it with a client base that spans commercial businesses to F500 enterprises. It's ease of use appeals to a wider audience of users with more casual use cases than a typical business intelligence team. While management noted they typically land within one team or department, they quickly see that expand to other areas of the business once the value proposition is realized. ThoughtSpot typically sells to traditional business app users, BI teams and has increasingly seen interest from product managers. This end-user is resonating remarkably well, accounting for roughly a quarter of the business despite having only started this motion seven quarters ago. A strong partner network with cloud service providers and data warehouses poses another tailwind as they are incentivized to drive increasing consumption. Around 60% of ACV is driven by partners.

Disclosure Appendix

Reg AC

We, Gabriela Borges, CFA, Kash Rangan, Kevin Kumar, CFA, Adam Hotchkiss, Gili Naftalovich, Matthew Martino, Jake Titleman, CFA, Carolyn Valenti, Jacob Staffel, Connor Dessert, Anisha Narayan, CFA, Max Gamperl and Dhruv Panwar, hereby certify that all of the views expressed in this report accurately reflect our personal views about the subject company or companies and its or their securities. We also certify that no part of our compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

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