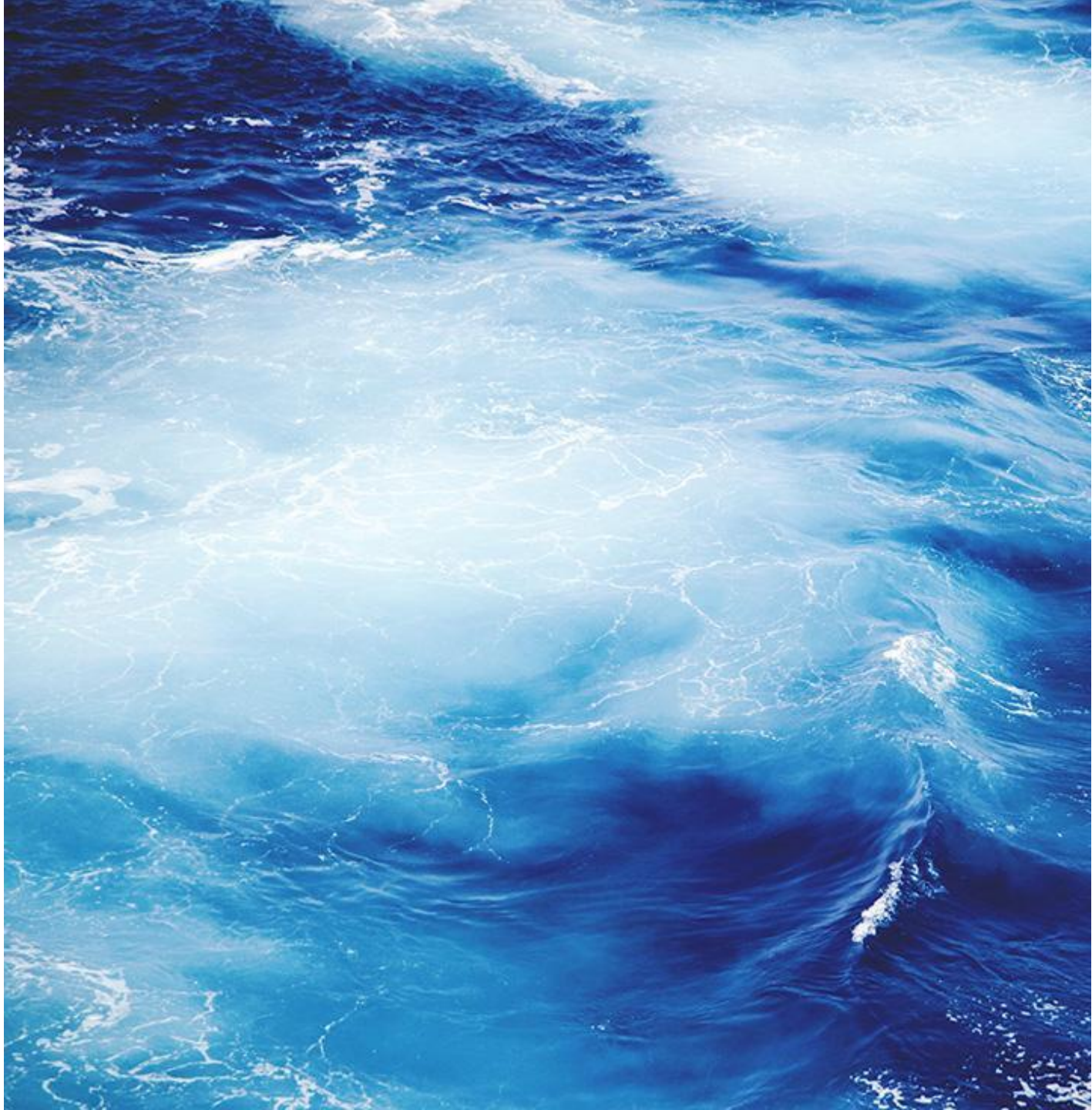
Battery

September 2022

State of Cloud Software Spending



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Demographics and Macro Trends

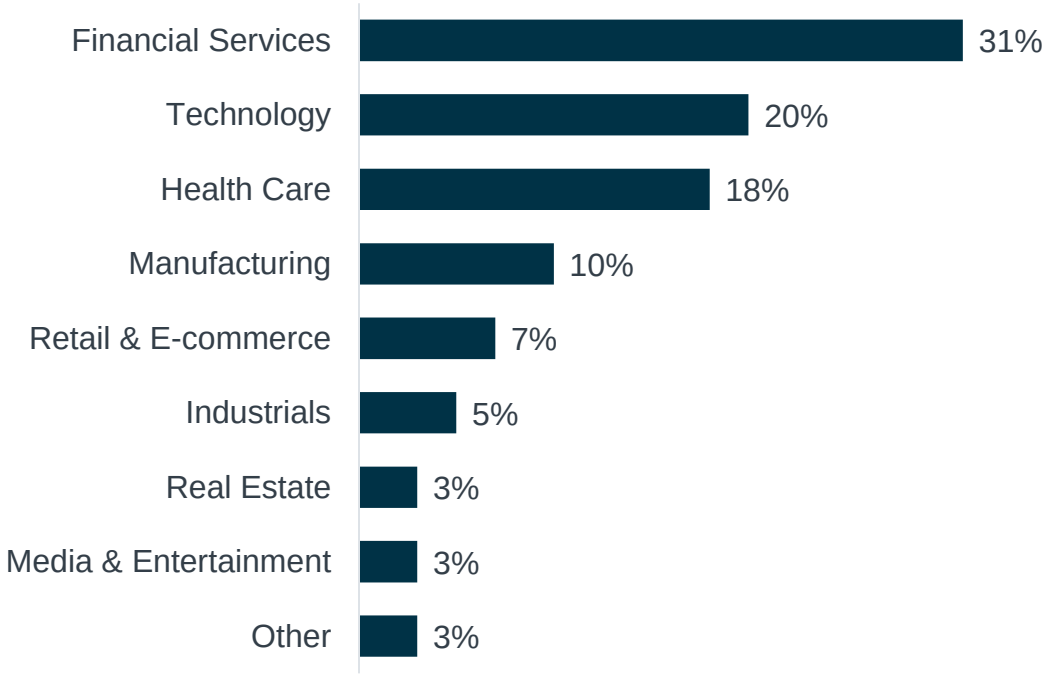
Cloud Software Spending is Not Immune, But It is Resilient

1. Cloud software spending strategies will continue to be impacted by economic uncertainty
2. Most CXOs are still interested in increasing overall spend, focusing on the right tools
3. Those that are decreasing budget are looking to do so via consolidation as a first move
4. Hiring for technical talent remains underserved, especially in infrastructure roles
5. Security and Data are the top of the priority list for many CXOs over the next 12 months
6. Finance and tech enterprises have a higher propensity to invest across entire tech stack

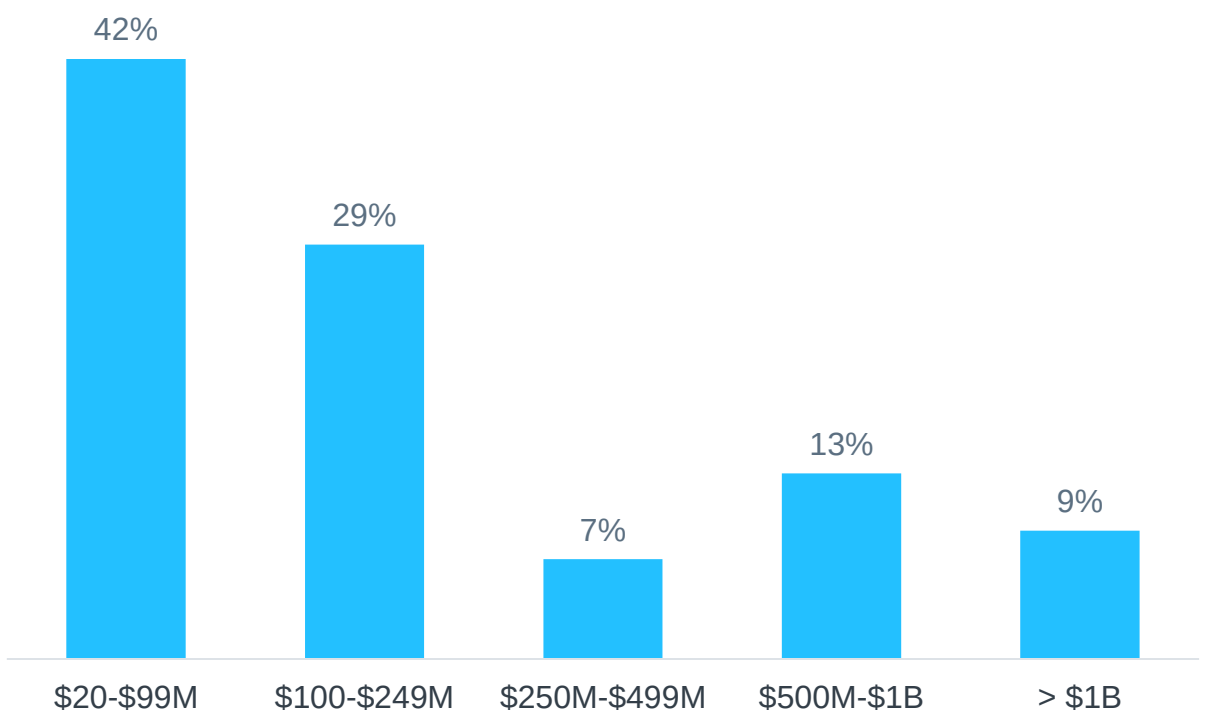
Cloud Software Spending Survey Composition

- Battery's Cloud Software Spending Survey saw participation from **100 CXOs representing ~$29B in annual technology spend.**
- **58%** of respondents **spend $100M+ on cloud infrastructure, application software, data platforms, and ML tooling.**
- 79% of respondents were from **companies with 100-1,000 FTEs** across finserv, tech, health care, and manufacturing.

Industry Representation

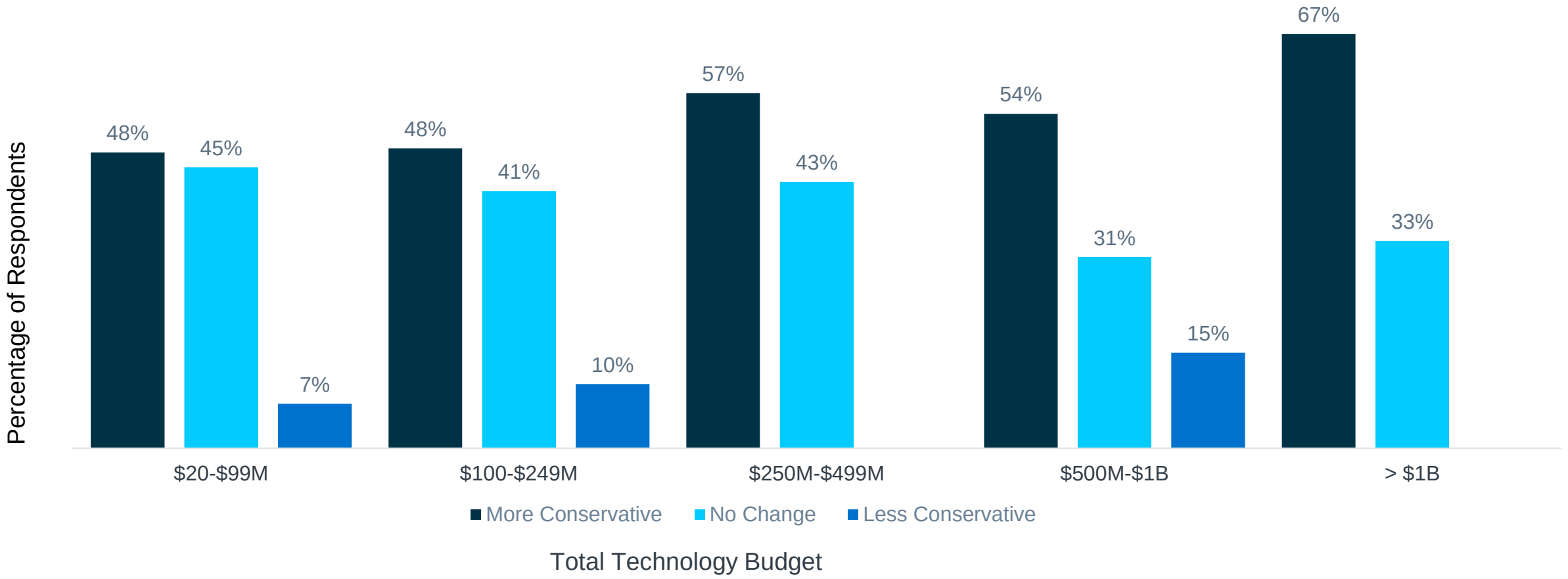


Budget Distribution: Total Technology Spend Per Company



Source: Battery 2022 Cloud Software Spending Survey
Note 1: Industrial segments include construction, utilities, transportation, and warehousing.
Note 2: Annual technology spend calculated based on mid-point of total technology budget.

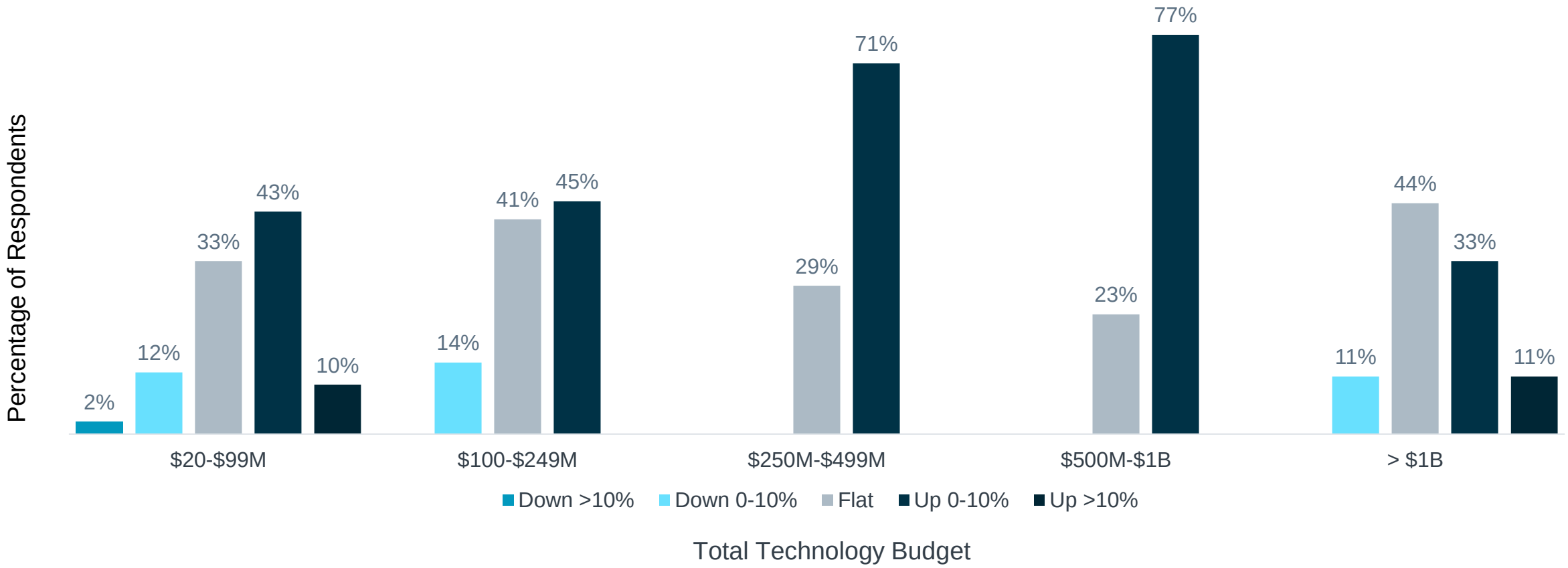
Impact of Economic Conditions on Technology Spending Strategy



CXOs are more conservative with their approach to technology spending and allocation of budget in times of economic uncertainty.

Source: Battery 2022 Cloud Software Spending Survey

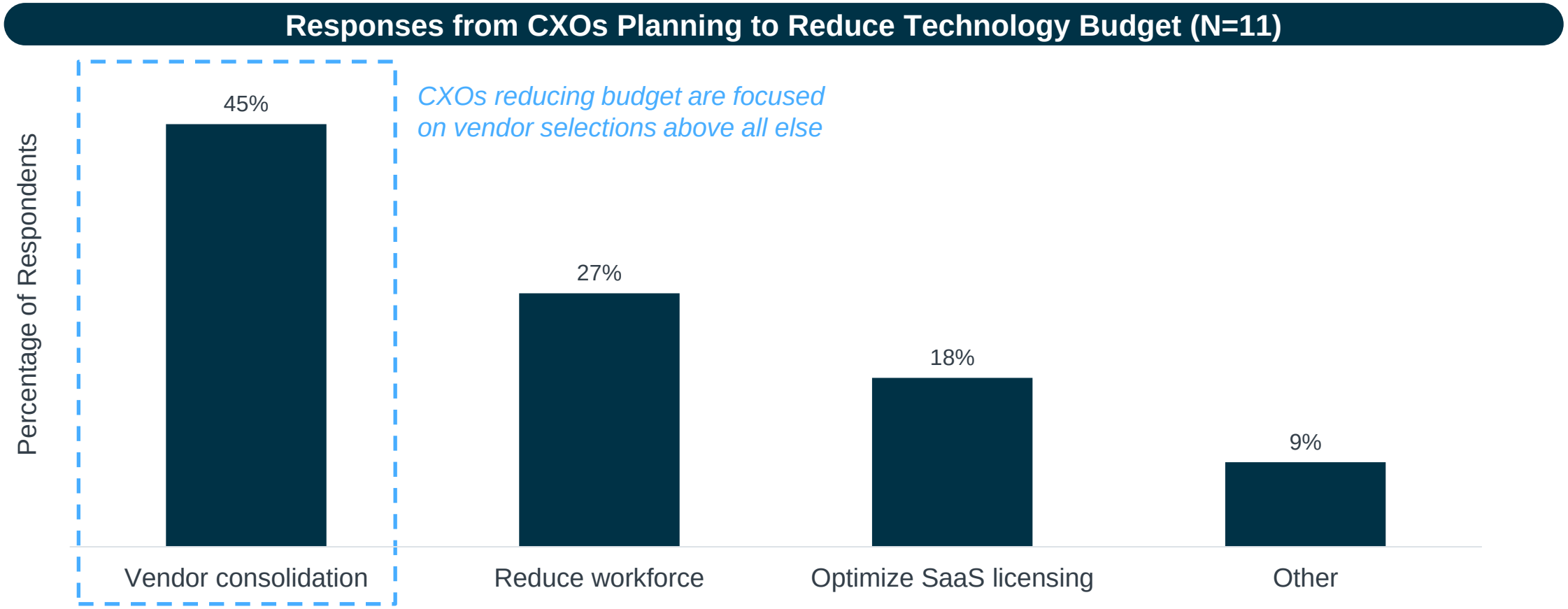
Technology Budget and Spending Trends



Budgets are less elastic than perceived: 54% of CXO respondents expect to increase their total technology budget for 2022 despite more conservative spending strategies.

Source: Battery 2022 Cloud Software Spending Survey

Top Priorities for CXOs Planning to Reduce Budget

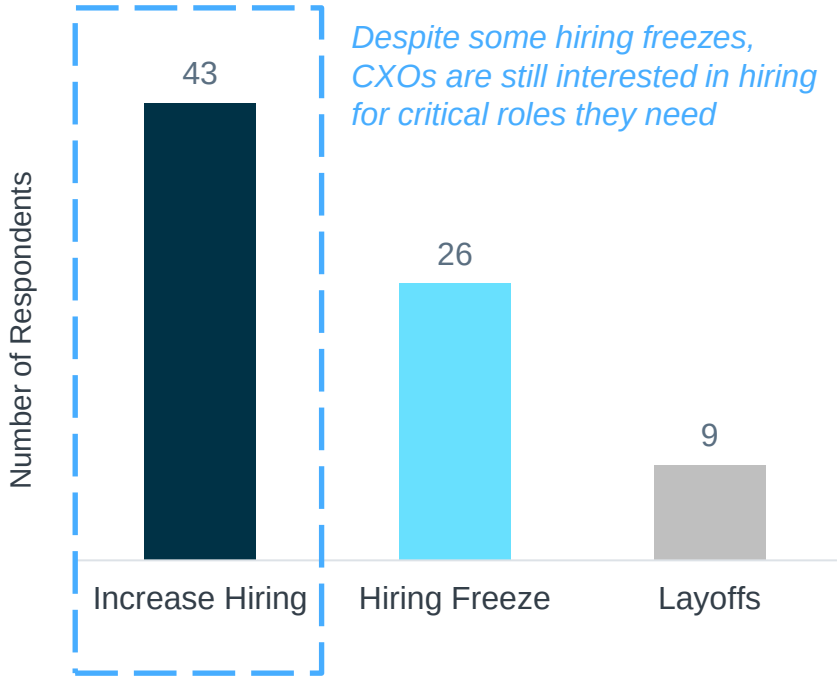


CXO respondents are more focused on streamlining their vendor usage than headcount changes or license optimization.

Source: Battery 2022 Cloud Software Spending Survey

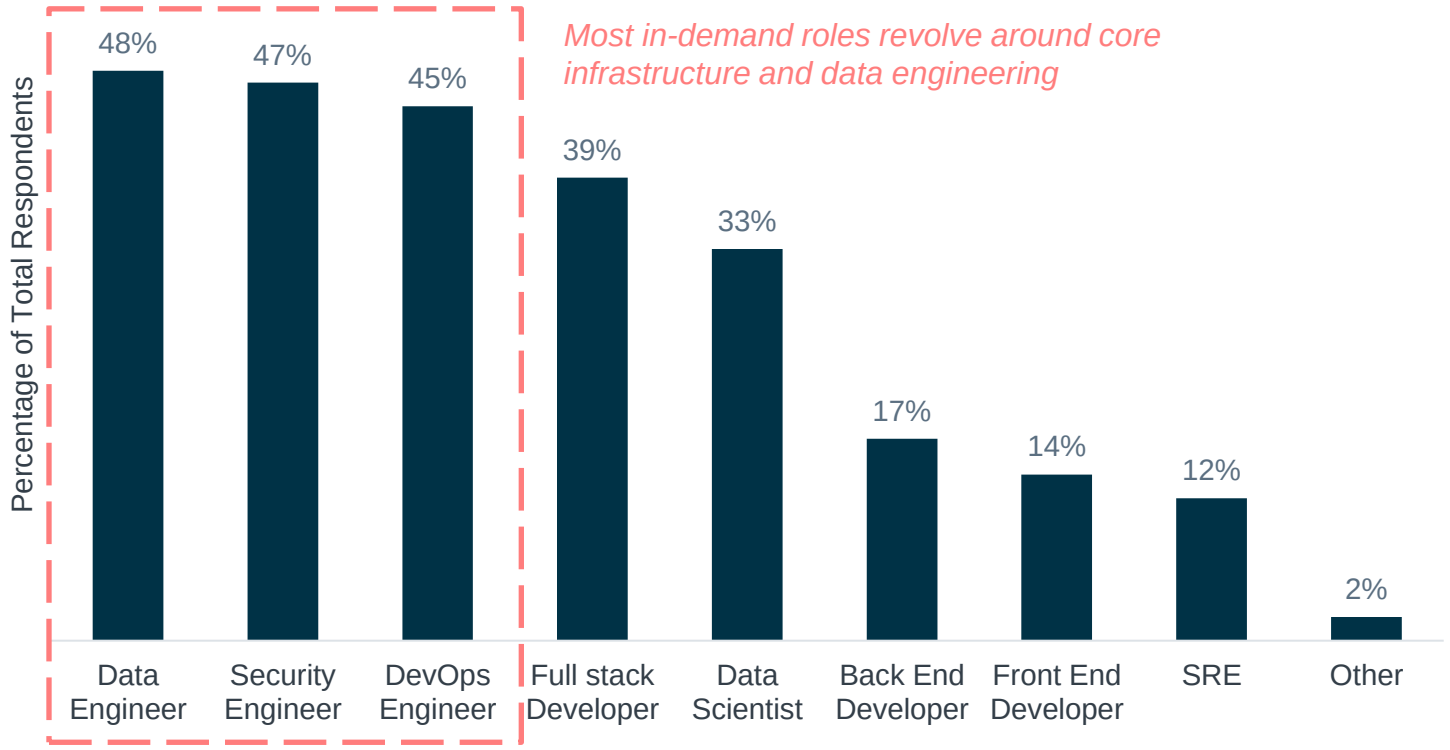
Headcount Plan and Hiring Focus for CXOs

Plans for Headcount



Despite some hiring freezes, CXOs are still interested in hiring for critical roles they need

CXO Priorities for Hiring



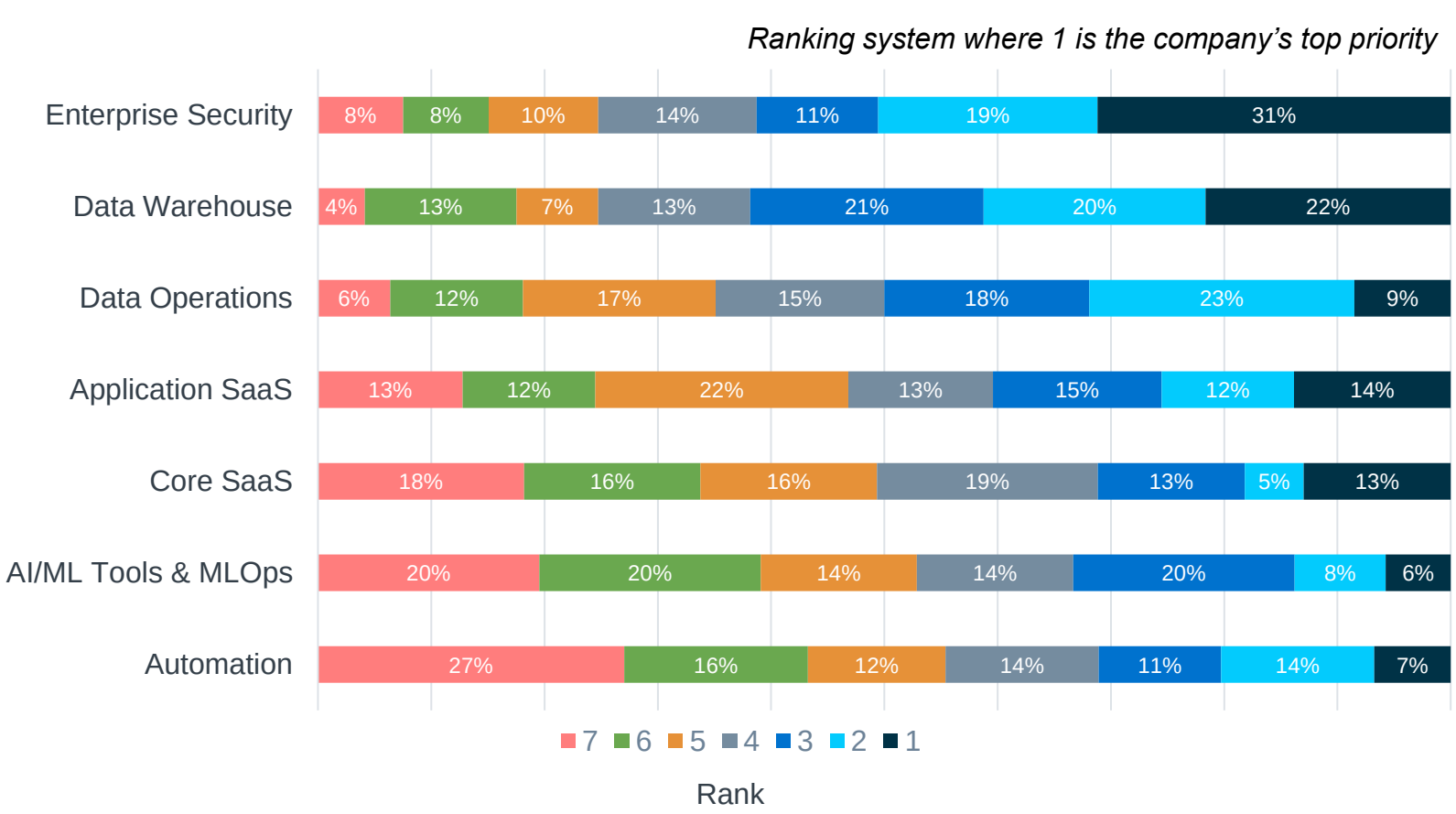
Most in-demand roles revolve around core infrastructure and data engineering

Hiring growth in data and security maps to CXOs tech-spending priorities. Engineers focused on building pipelines and infrastructure are in higher demand than those building applications and analyses.

Source: Battery 2022 Cloud Software Spending Survey

Cloud Software Spending Priorities

Ranking of Cloud Software Areas that CXOs are Prioritizing Over Next 12 Months



	Total Avg. Rank	Example Logos
Enterprise Security	3.04	CROWDSTRIKE, zscaler, paloalto NETWORKS
Data Warehouse	3.22	snowflake, databricks[1], amazon REDSHIFT
Data Operations	3.69	Collibra[1], MATILLION[1], dbt, Fivetran
Application SaaS	4.04	asana, monday.com, Jira
Core SaaS	4.39	salesforce, zendesk, servicenow
AI/ML Tools & MLOps	4.59	dataiku[1], arize[1], Weights & Biases
Automation	4.68	UiPath, AUTOMATION ANYWHERE, celonis

Data and security remain top spending priorities for enterprises. SaaS vendors that improve workflows and increase automation are gaining adoption.

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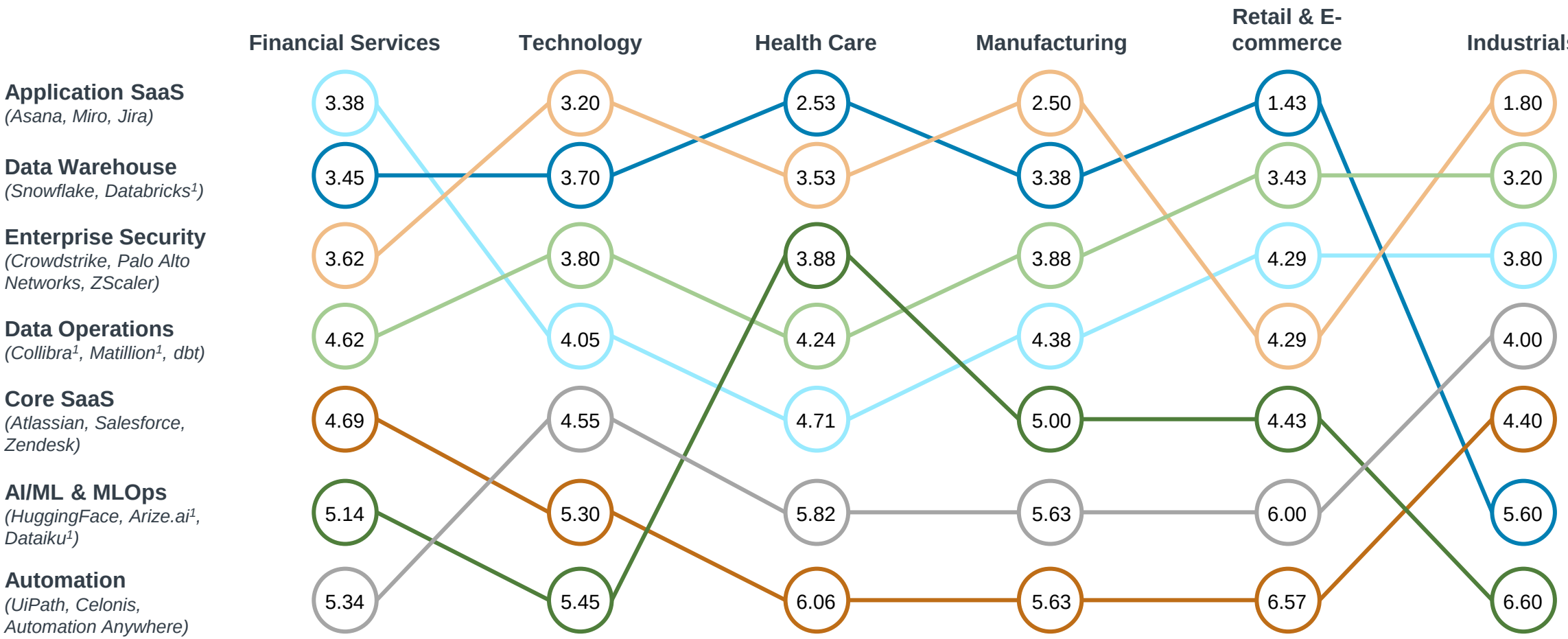
Source: Battery 2022 Cloud Software Spending Survey

Note: Company logos include all current Battery investments that are relevant and are denoted with a 1. A full list of all Battery investments here.

Cloud Software Spending Priorities by Industry

Ranking system where 1 is the company's top priority



Finance and Tech are investing broadly across the stack, whereas other industries have stronger conviction on certain categories and modernization efforts.

Source: Battery 2022 Cloud Software Spending Survey

Note 1: Industrial segments include construction, utilities, transportation, and warehousing.

Note 2: Company logos include all current Battery investments that are relevant and are denoted with a 1. A full list of all Battery investments here.

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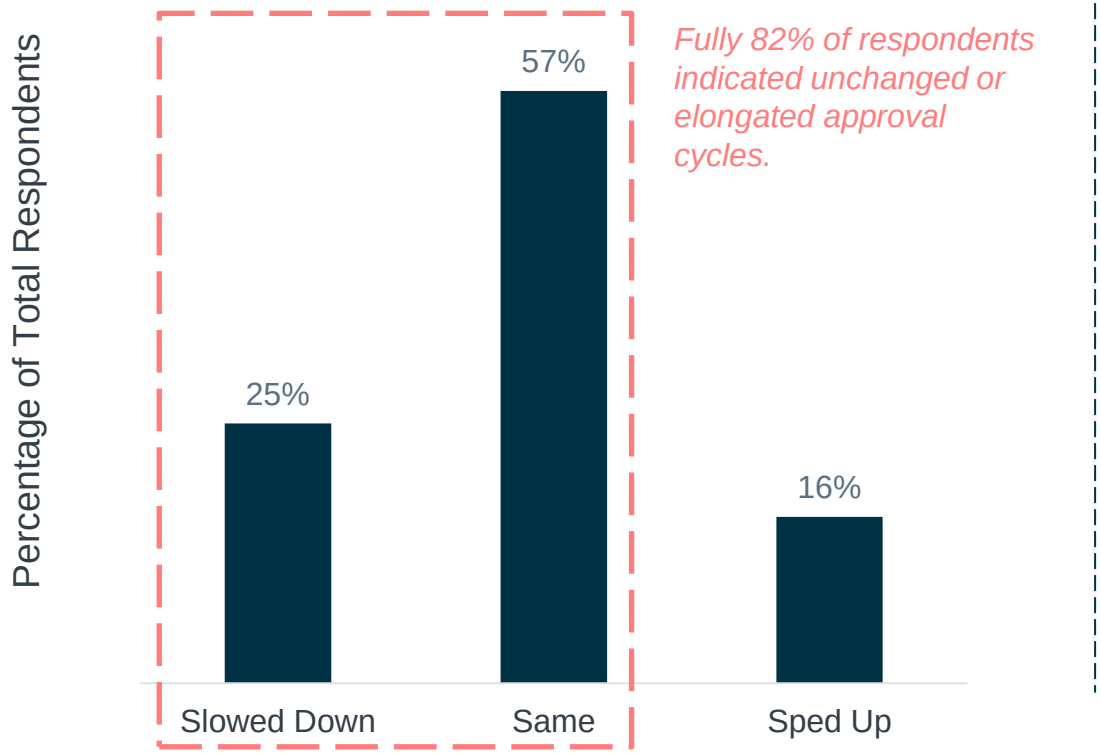
Software Adoption and Procurement Trends

Budgets and Buying Patterns Remain Unchanged for High-Priority Software

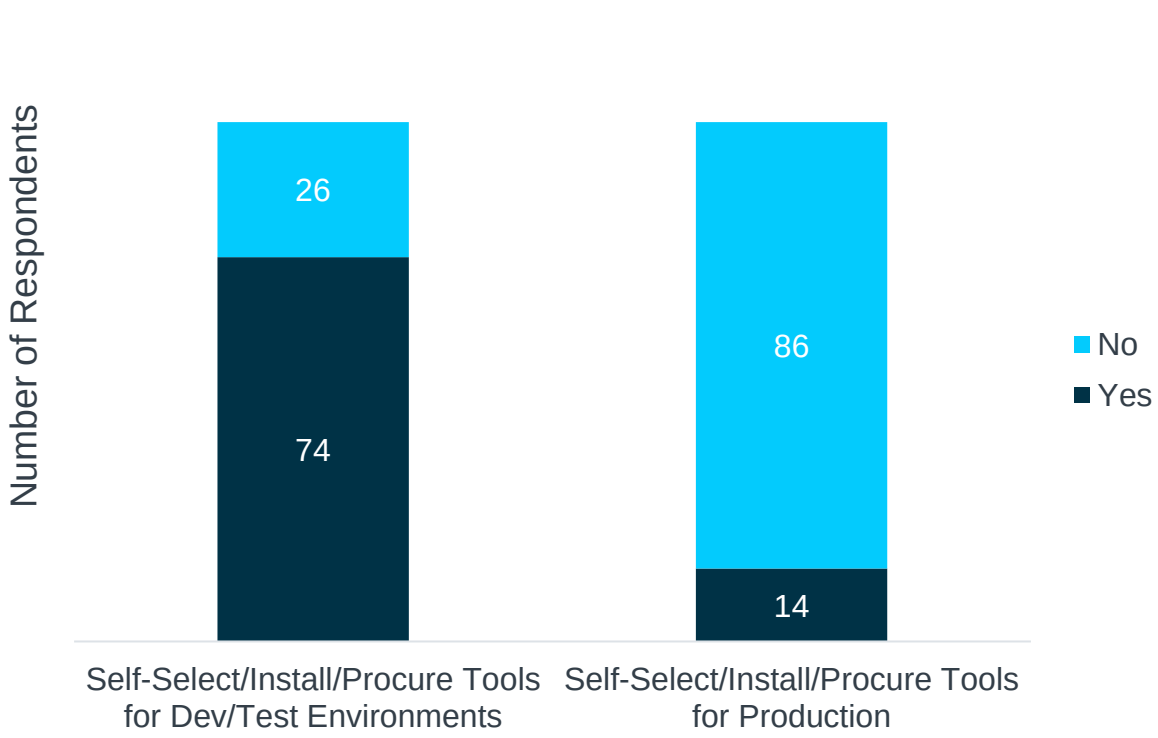
1. Despite slight slowdowns, vendor approval times remain intact for critical tools
2. Bottoms up motion playing a larger role at earlier phases of software adoption
3. Founders should continue to push for production deployments over dev/test environments
4. Security and ease of integration are top priorities for vendor approval, i.e., SSO, SOC2

Enterprise and Bottoms Up Software Adoption

Approval Times for Enterprise Contracts



Engineers Allowed to Self-Select Tools

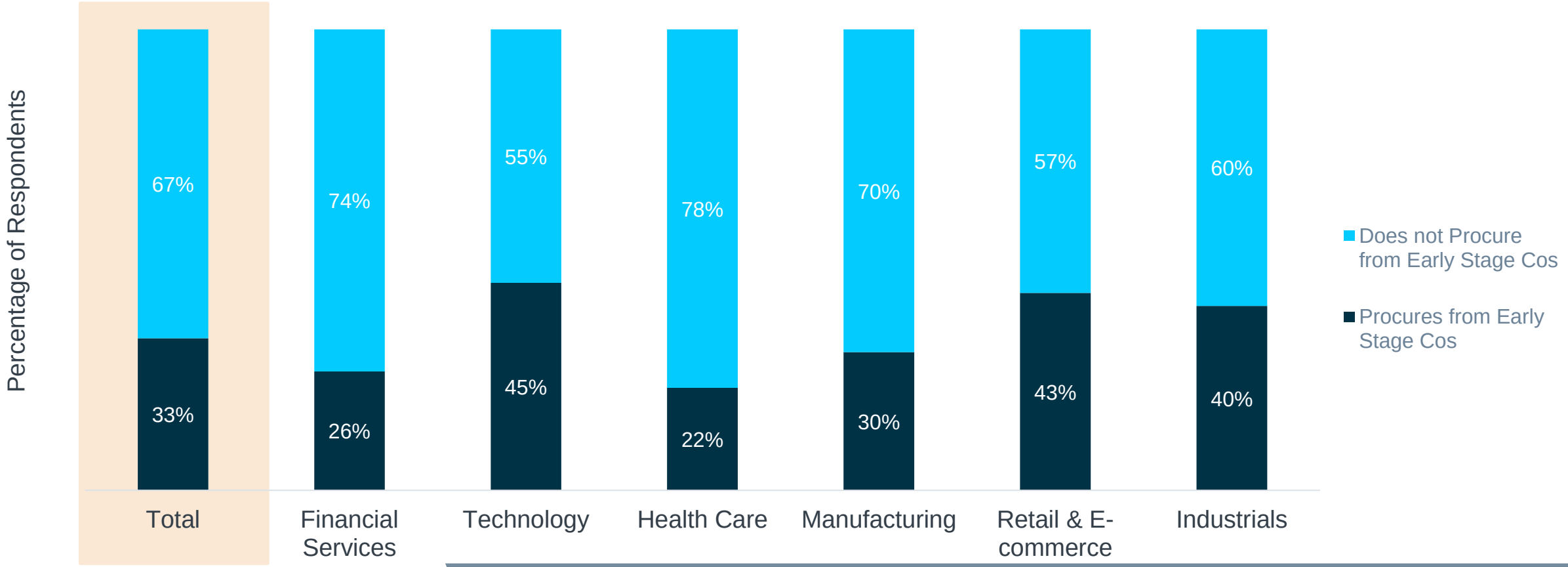


Most respondents note that enterprise contract timing have not changed, and bottoms-up adoption is playing a larger role at earlier phases i.e., dev/test environments.

Source: Battery 2022 Cloud Software Spending Survey

Enterprise Procurement Strategies

Organizations that Procure Cloud Software from Early Stage (Seed, Series A) Companies

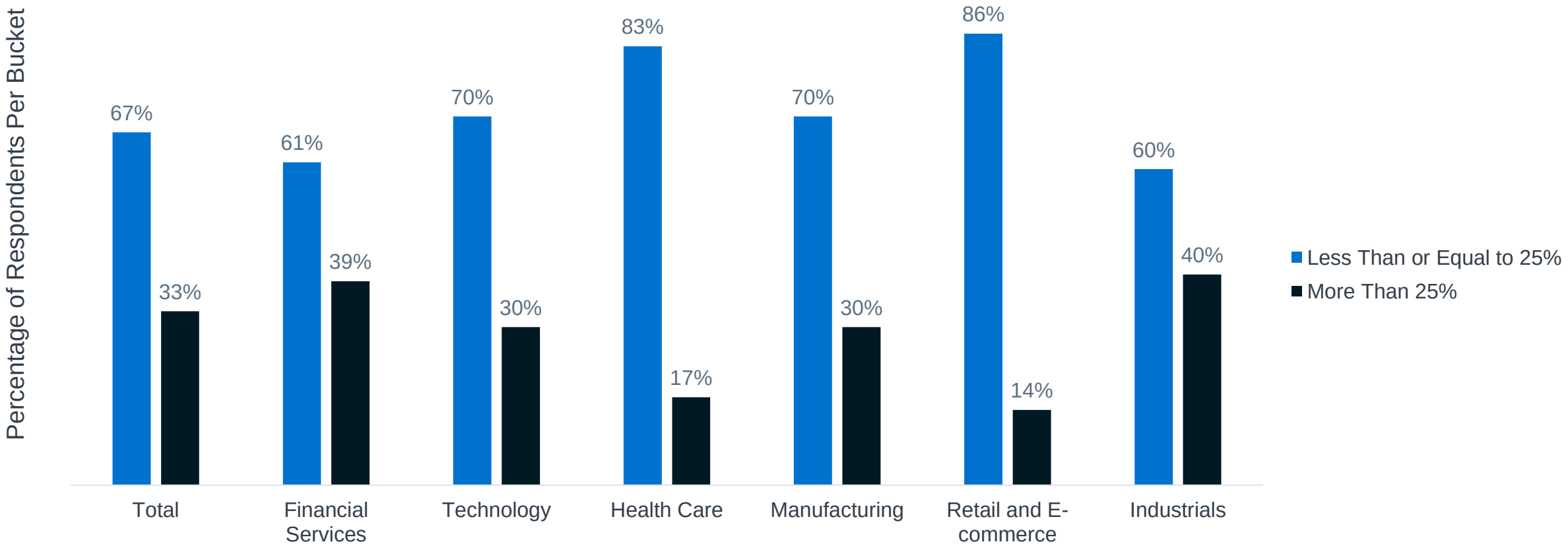


About 1/3 of companies procure software from early-stage companies. Regulated industries, like finserv and health care, remain more conservative in their purchasing patterns.

Source: Battery 2022 Cloud Software Spending Survey
Note: Industrial segments include construction, utilities, transportation, and warehousing.

Bottoms Up Adoption Buying Patterns

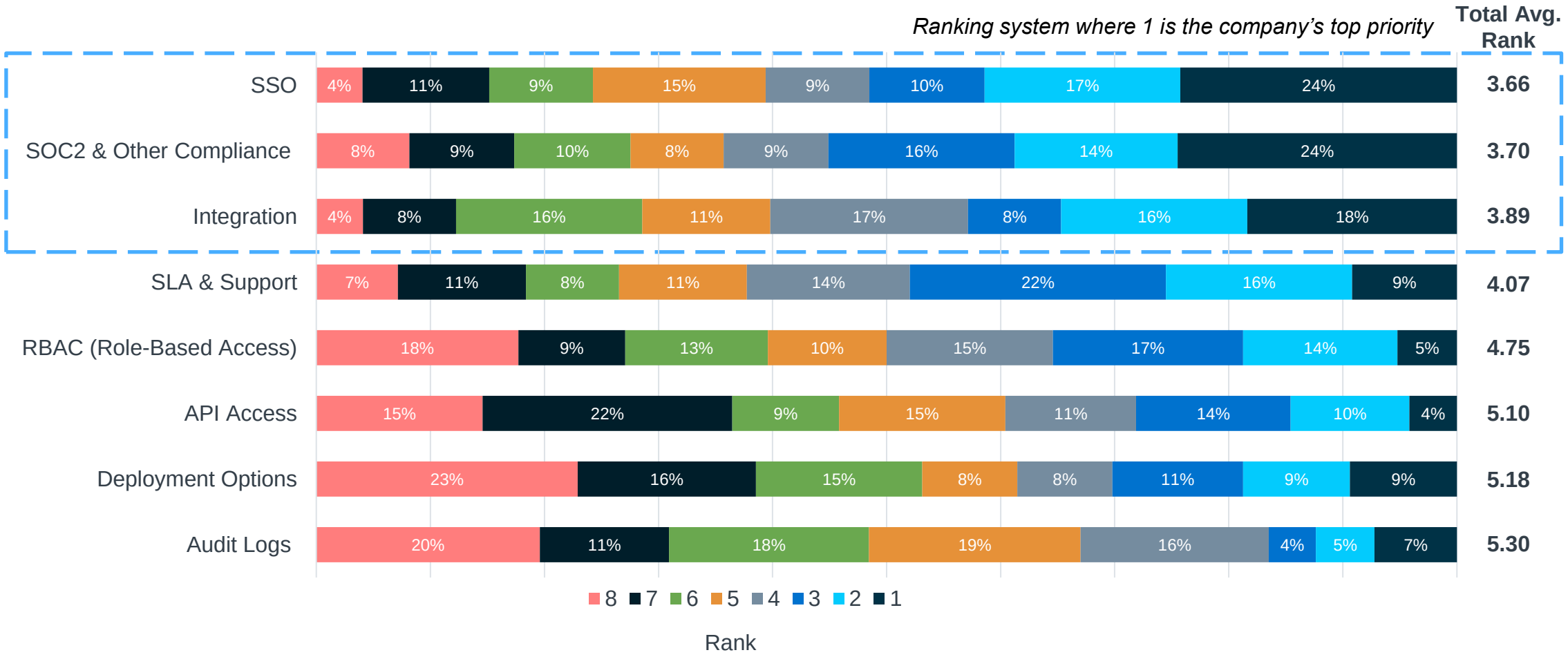
Percentage of Companies Consuming Software Through a Bottoms Up Motion



Over 30% of all respondents note that their company consumes more than 25% of their software through a bottoms up motion.

Source: Battery 2022 Cloud Software Spending Survey
Note: Industrial segments include construction, utilities, transportation, and warehousing.

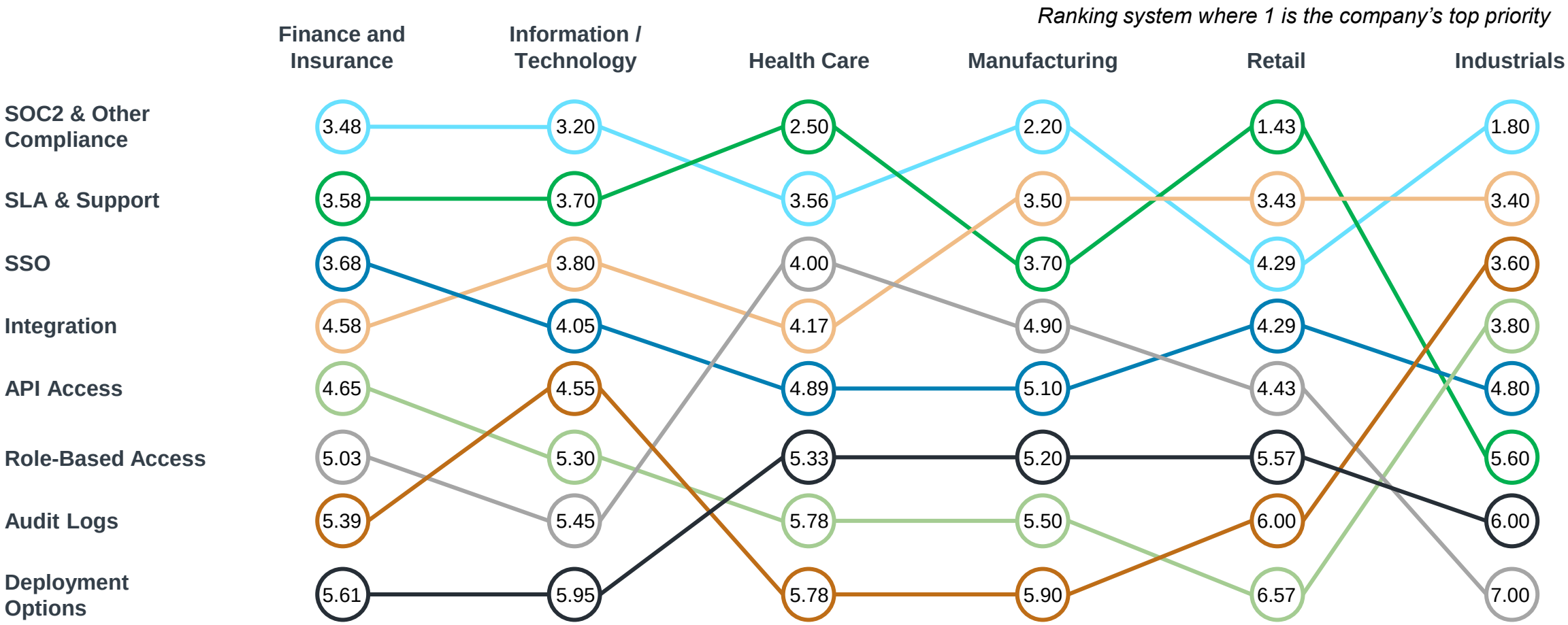
Priority Requirements for New Vendors to be Procured



SSO, SOC2, and integration look to be top priorities, revolving around security and ease of integration with existing workflows.

Source: Battery 2022 Cloud Software Spending Survey

Priority Requirements For New Vendors to be Procured for Select Industries



Respondents across industries have different priorities for new vendors, e.g., health care prioritizes SLA and support while finance prioritizes compliance.

Source: Battery 2022 Cloud Software Spending Survey
Note: Industrial segments include construction, utilities, transportation, and warehousing.

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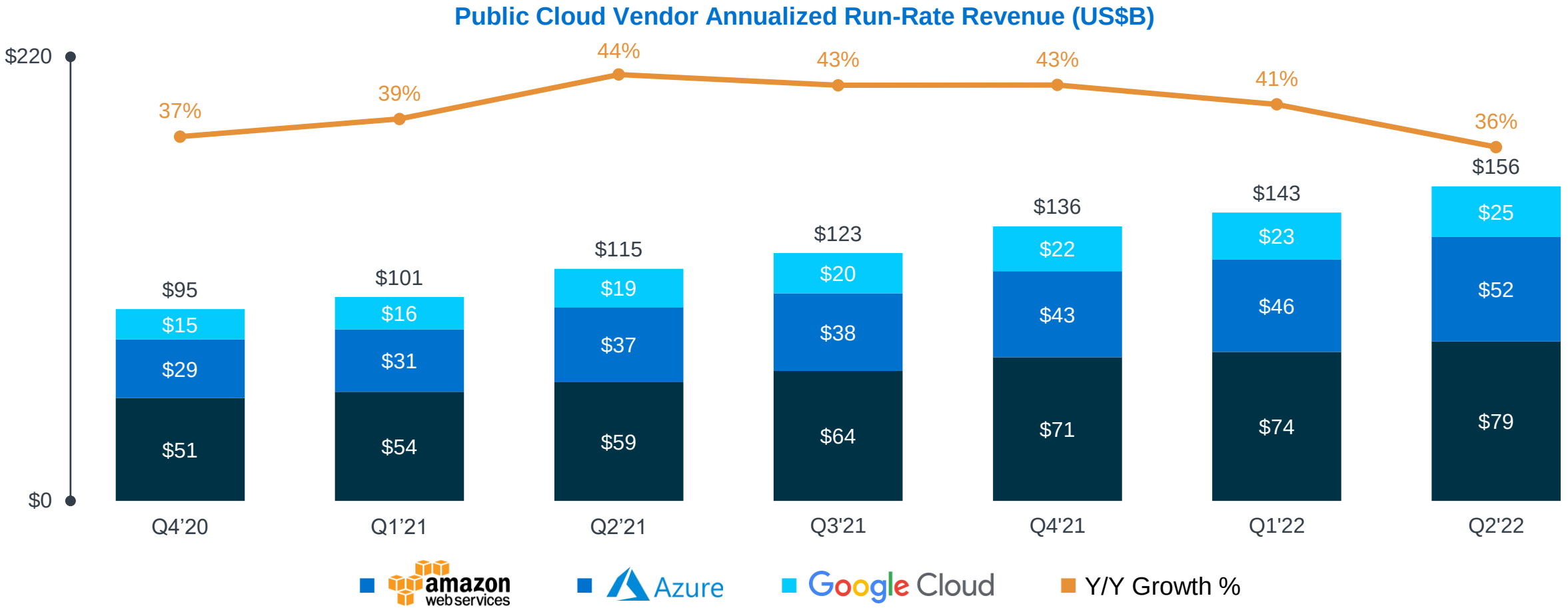
Future of Cloud Software Spending

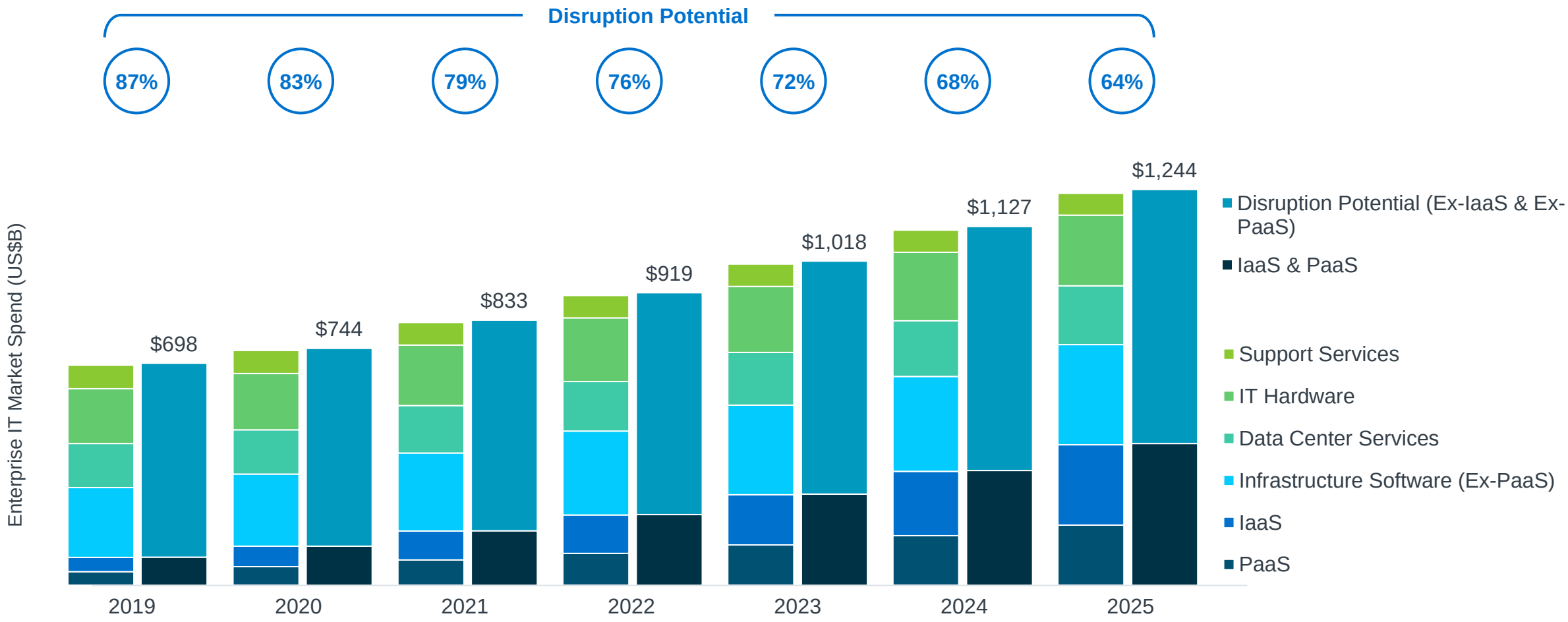
Public Cloud Vendors are Showing Growth Durability at Massive Scale



Cloud giants have continued their strong growth trajectory over the last two or more years, reaching a total revenue of $150B+.

Source: Company filings and WallStreet Research

We Are in the Early Innings of Cloud Adoption



Cloud penetration is rapidly expanding with ample room to grow. In 2022, cloud spend is expected to represent ~25% of the $919B overall infrastructure spend.

Source: Gartner.

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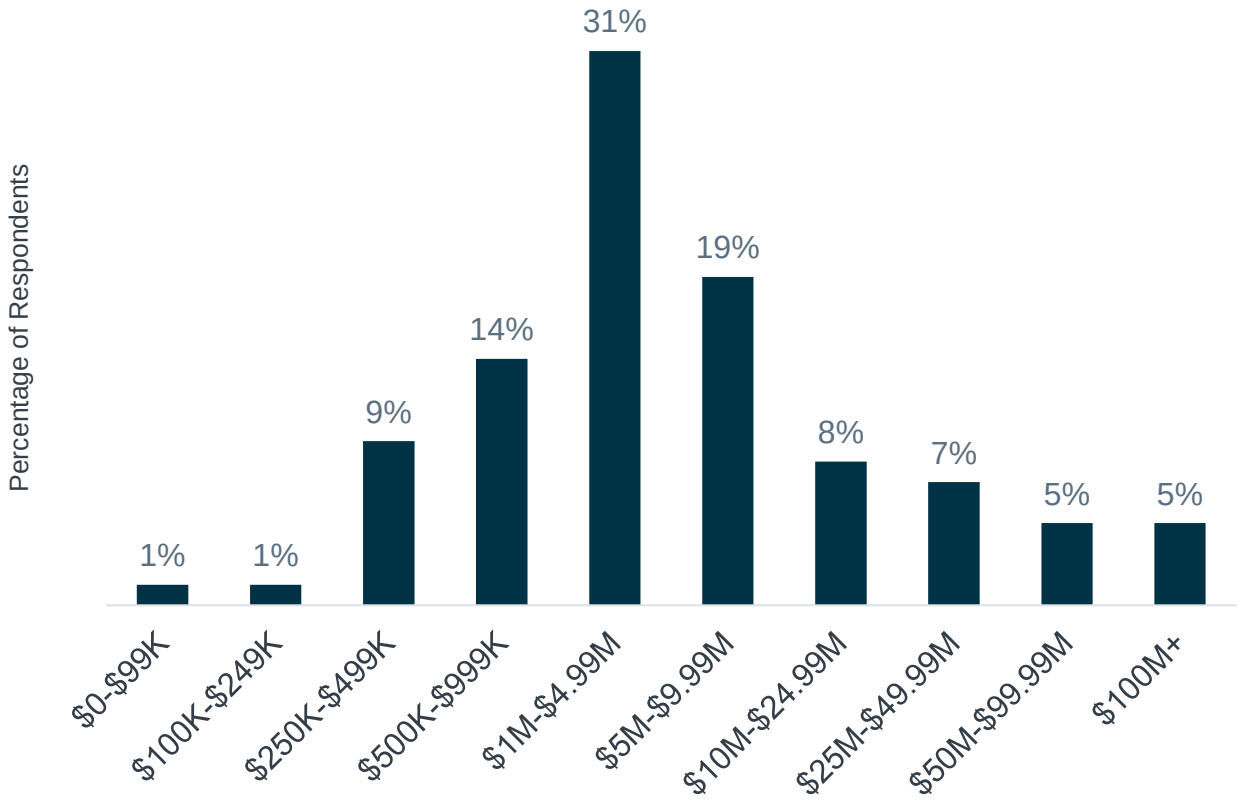
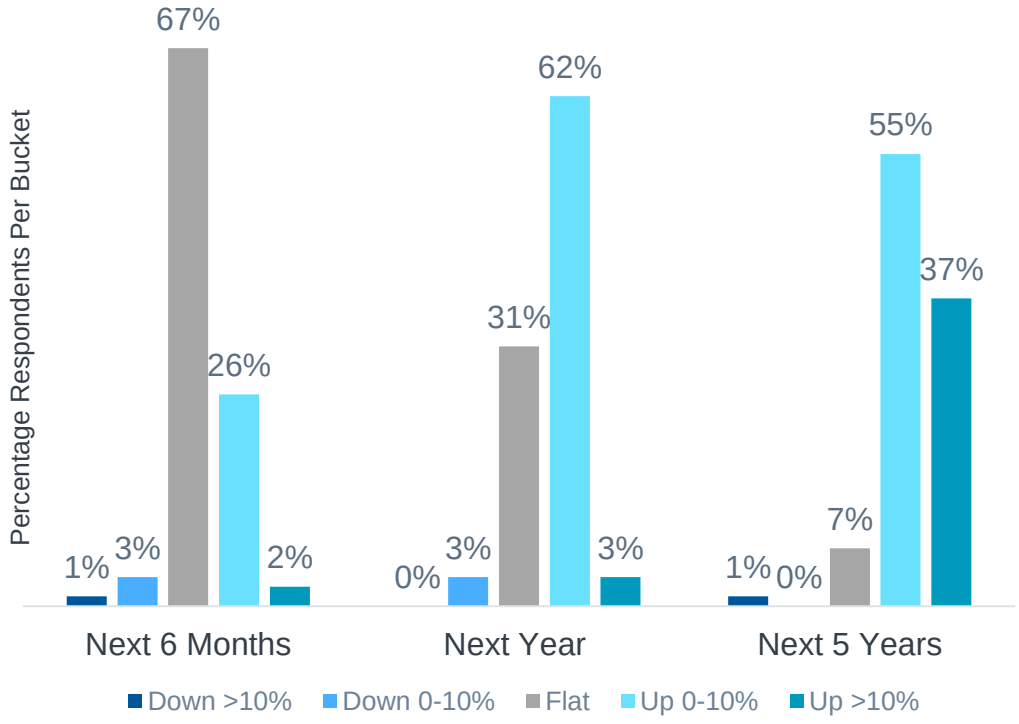
Appendix: Security Budget

Total Budget Size and Expected Spending Change for Security Vendors

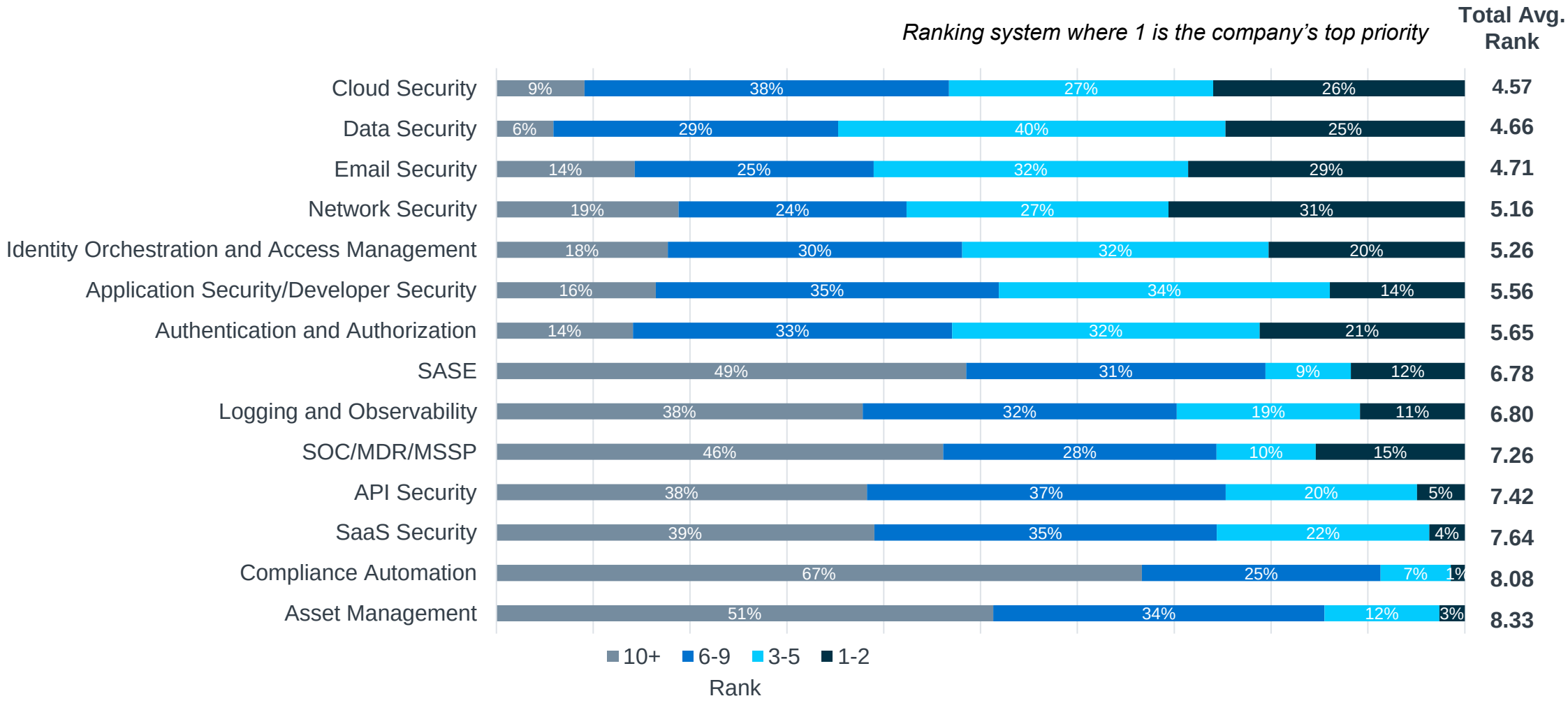




Majority of security budgets fall in the $1-5M range; 37% of respondents are expecting to increase spending by 10%+ over the next five years.

Source: Battery 2022 Cloud Software Spending Survey

Company Priorities Within Security

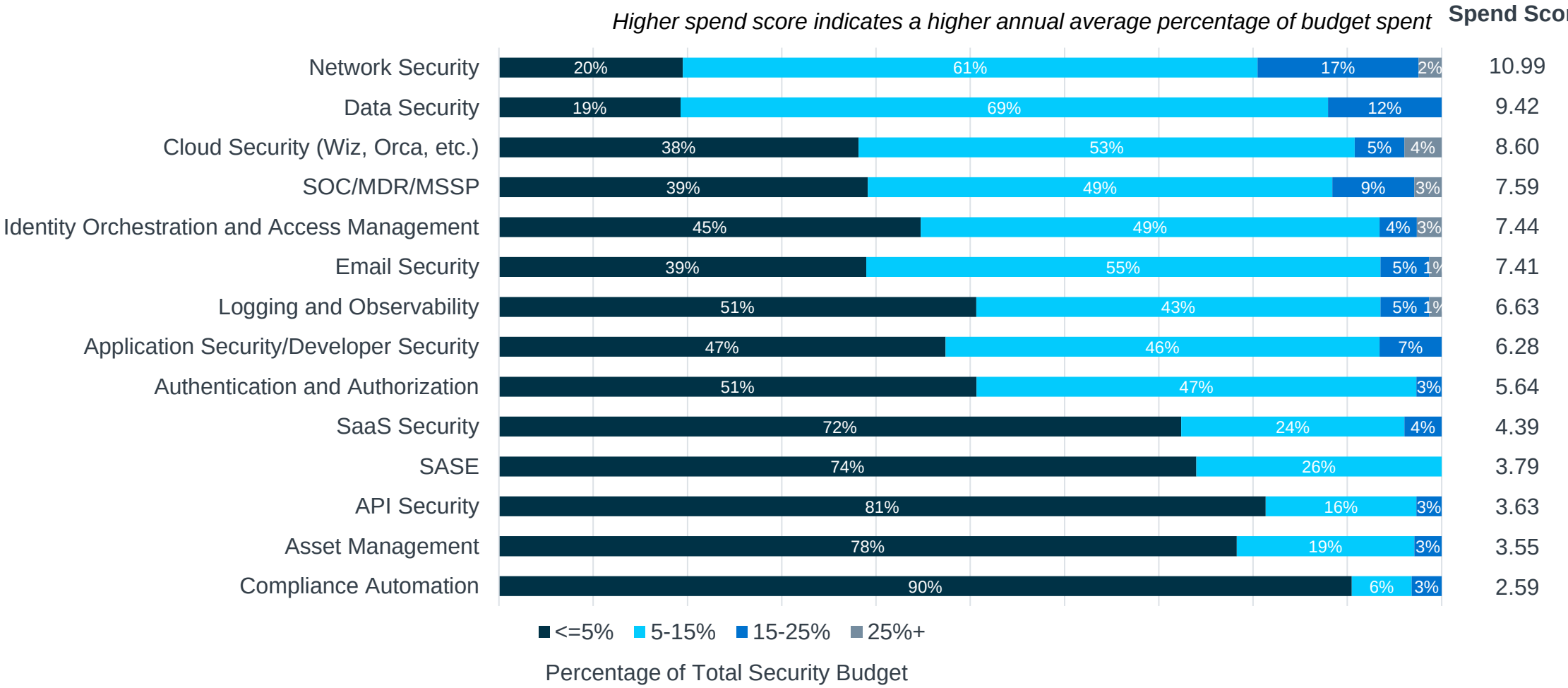


The transition to the cloud is causing enterprises to reevaluate and invest in security solutions that meet modern cloud architectures and data types.

Source: Battery 2022 Cloud Software Spending Survey

Security Budget Allocation Across Categories

Higher spend score indicates a higher annual average percentage of budget spent



Security replacement cycles are long as network security remains a top spending category among security teams. Logging and observability budget comes from security, not developer tools.

Source: Battery 2022 Cloud Software Spending Survey
Note: Spend score is calculated as the weighted average of the provided range midpoint scaled by the number of respondents e.g., 5% for the 1-10% spend category; respondents that did not input a number are not reflected as 0% in the graph.

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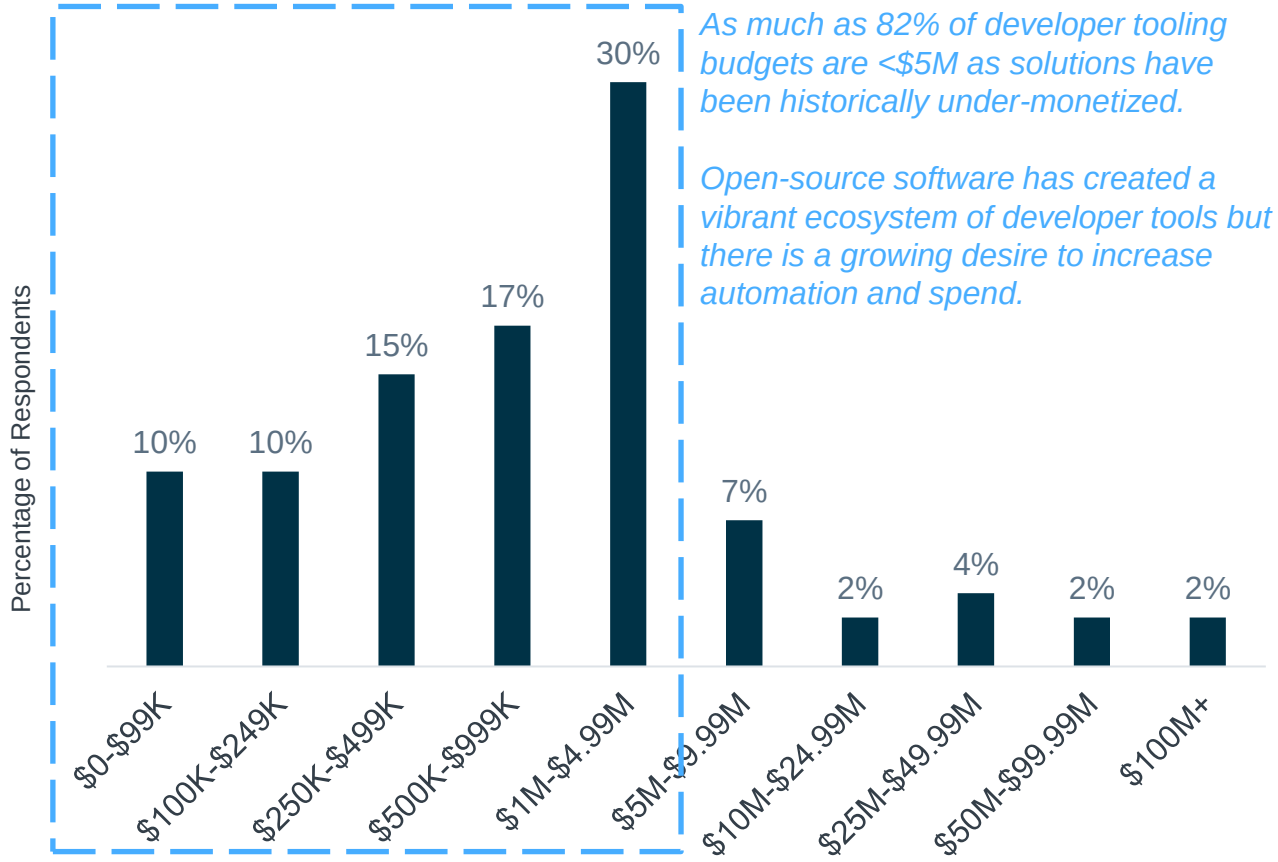
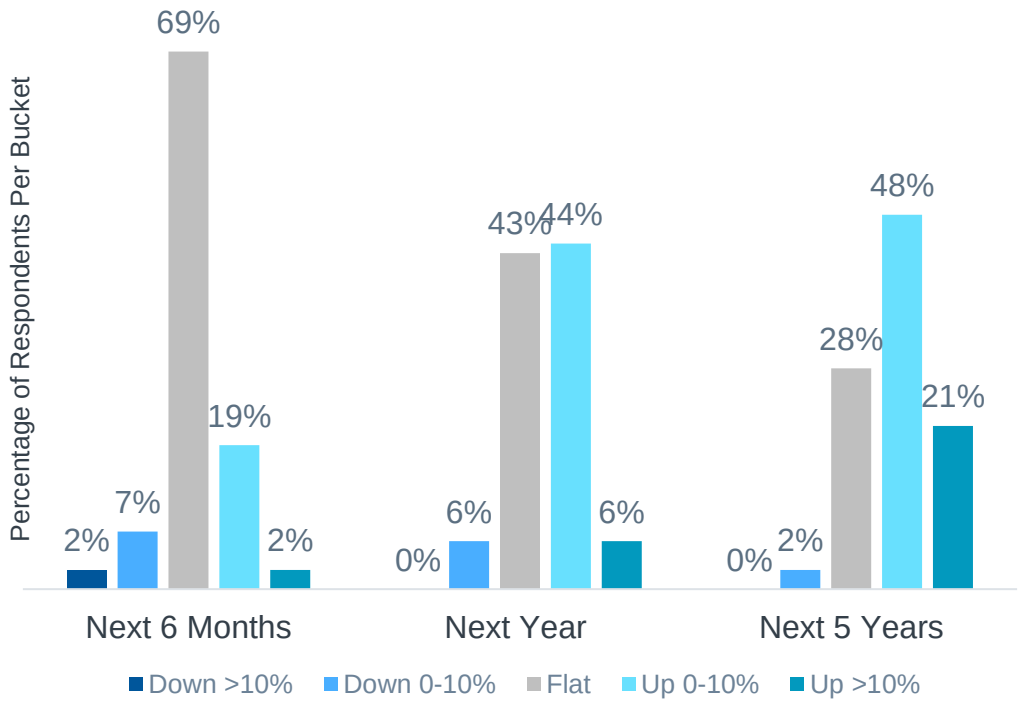
Appendix:
Developer Tools Budget

Total Budget Size and Expected Spending Change for Developer Tool Vendors



As much as 82% of developer tooling budgets are <$5M as solutions have been historically under-monetized.

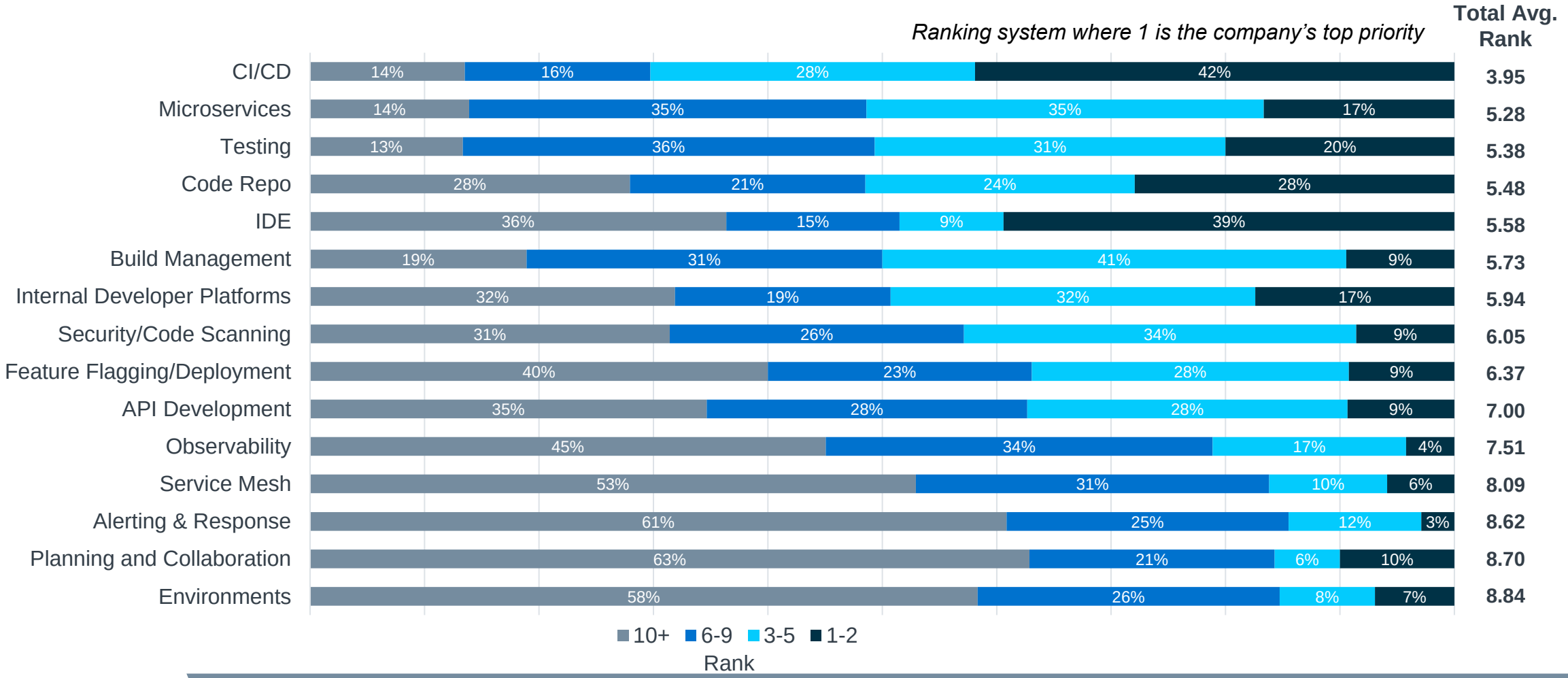
Open-source software has created a vibrant ecosystem of developer tools but there is a growing desire to increase automation and spend.



Developer tools have historically been under-monetized. Majority of developer tool budgets fall in the $1-5M range and 50% of respondents are expecting to increase budgets within the next year.

Source: Battery 2022 Cloud Software Spending Survey

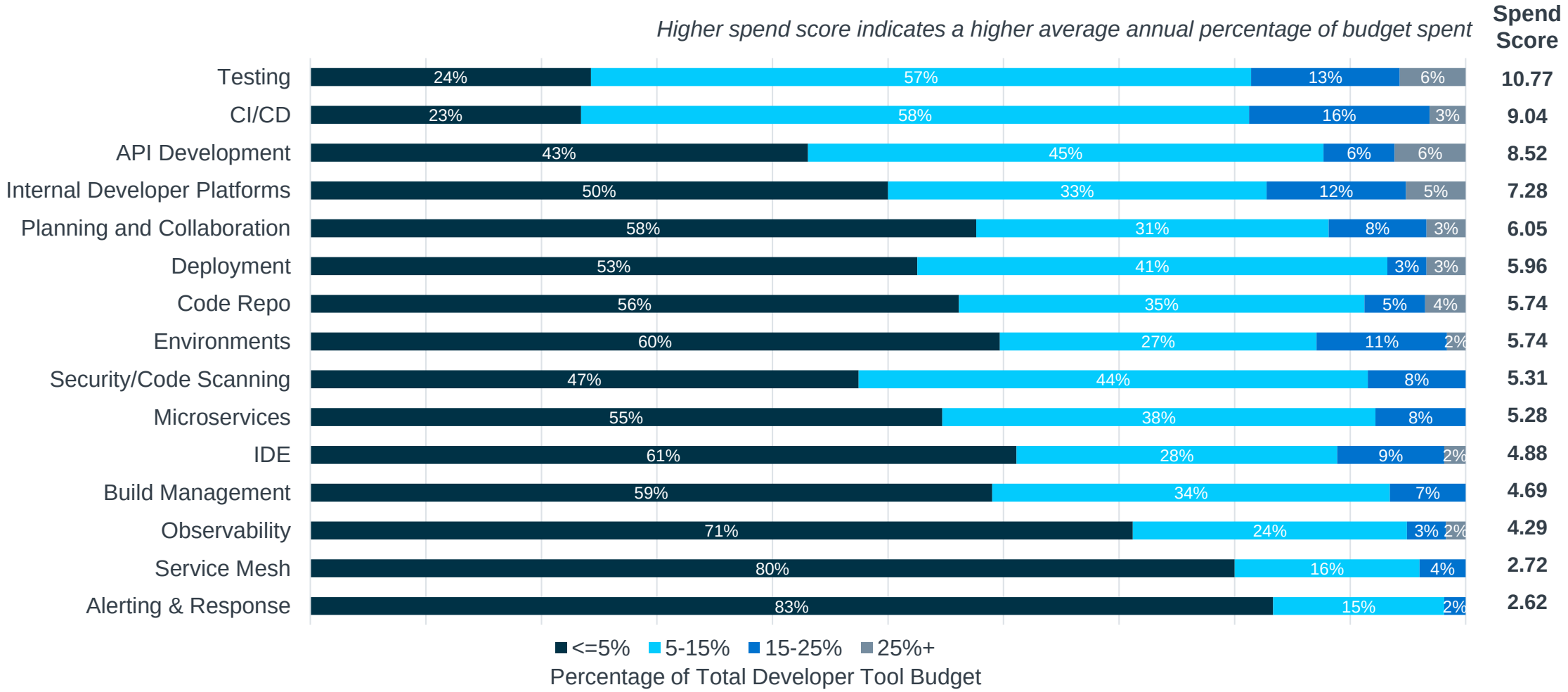
Company Priorities within Developer Tools



Speed, safety, and resiliency are the top developer tool priorities as enterprises continue to focus on getting code into production reliably. AppSec and observability are shared responsibilities by development and security teams.

Source: Battery 2022 Cloud Software Spending Survey

Developer Tool Budget Allocation Across Categories



Iterative development workflows (testing, CI/CD, and development platforms) have the highest spend score as software development velocity continues to increase despite the current macro environment.

Source: Battery 2022 Cloud Software Spending Survey
Note: Spend score is calculated as the weighted average of the provided range midpoint i.e., 5% for the 1-10% spend category

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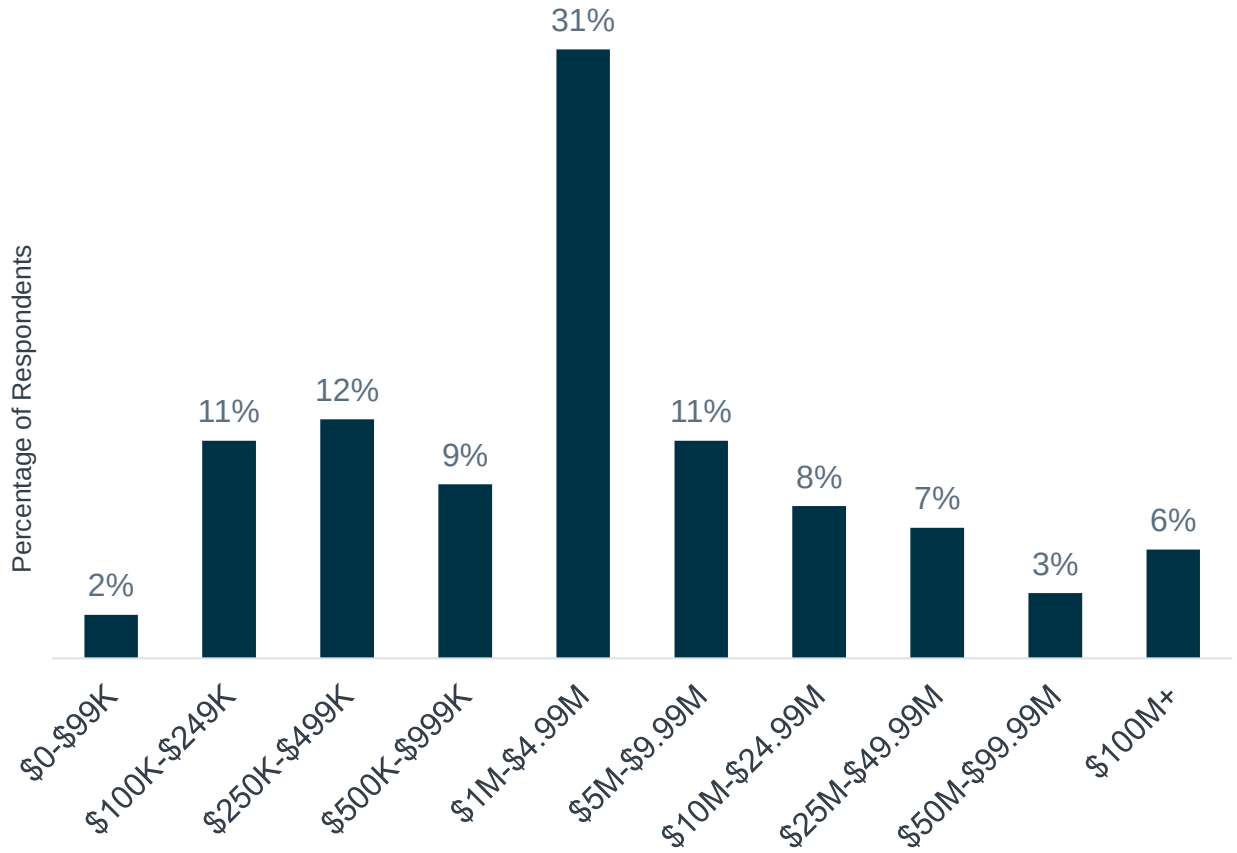
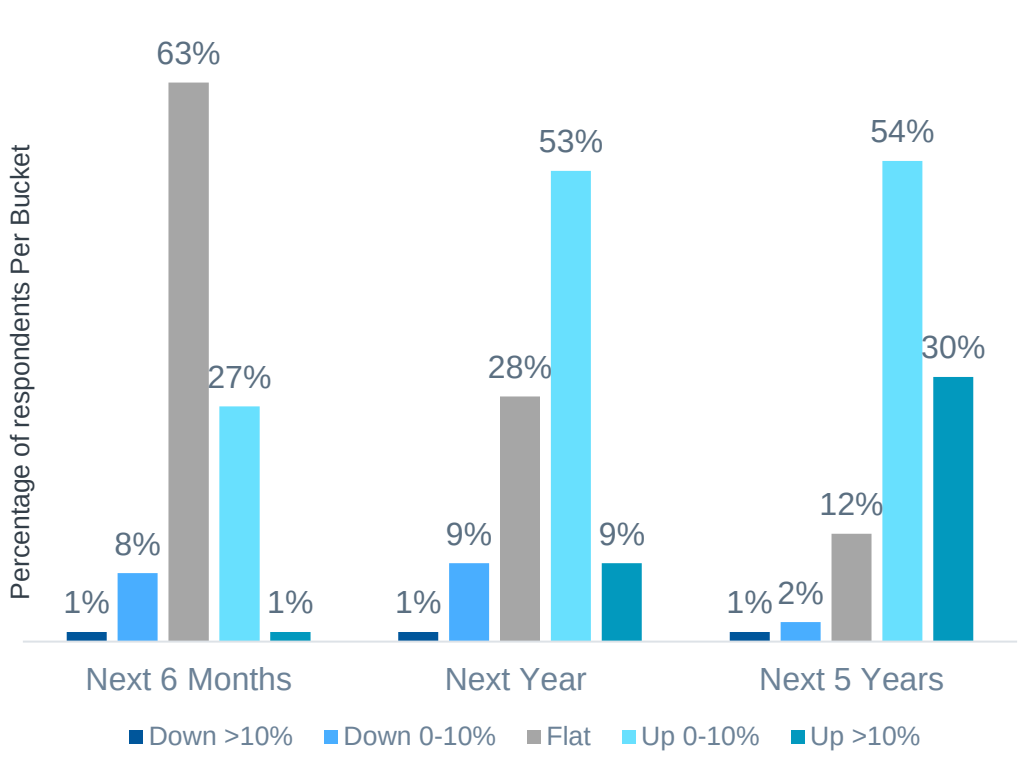
Appendix: Data Budget

Total Budget Size and Expected Spending Change for Data Vendors





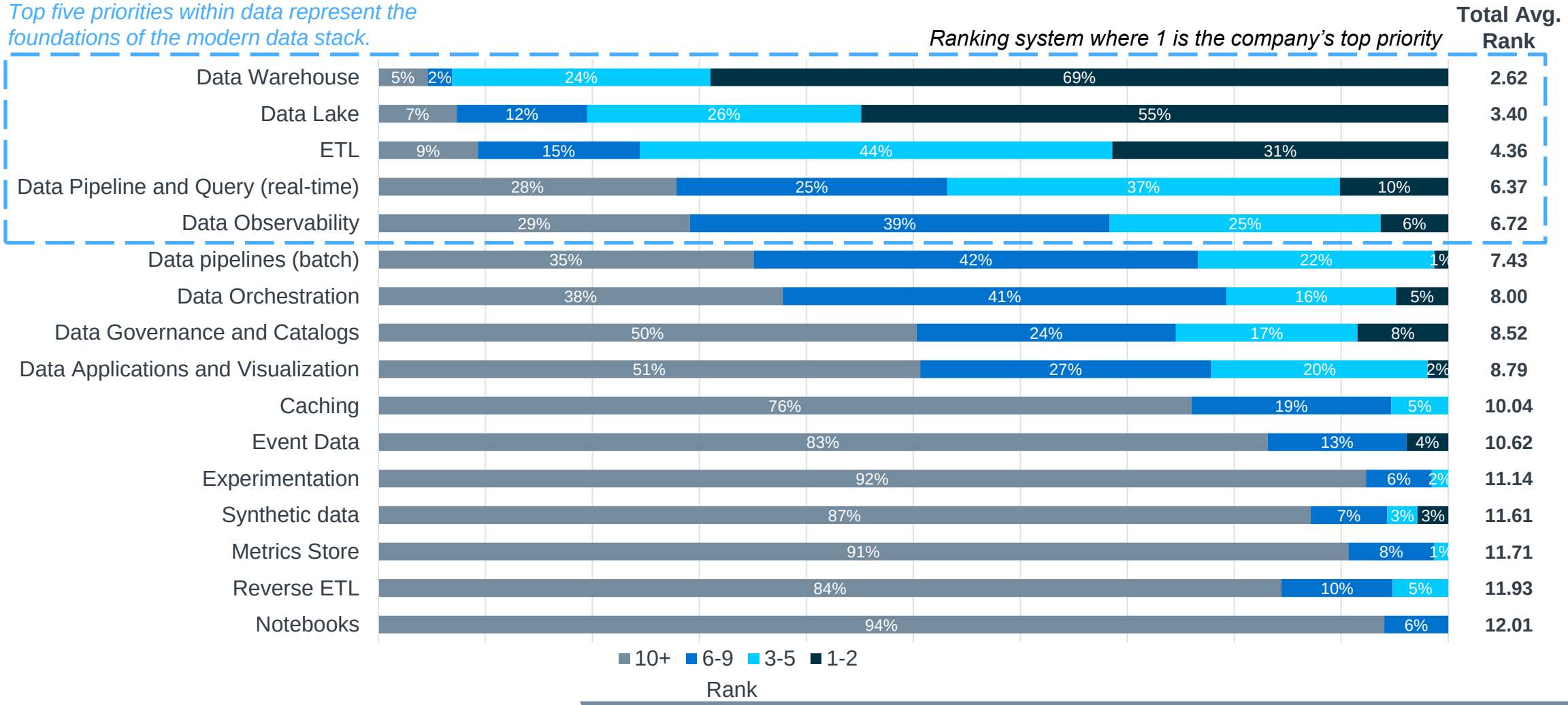
Majority of data budgets fall in the $1-5M range; 30% of respondents are expecting to increase their spending by 10%+ over the next five years.

Source: Battery 2022 Cloud Software Spending Survey

Company Priorities Within Data

Top five priorities within data represent the foundations of the modern data stack.

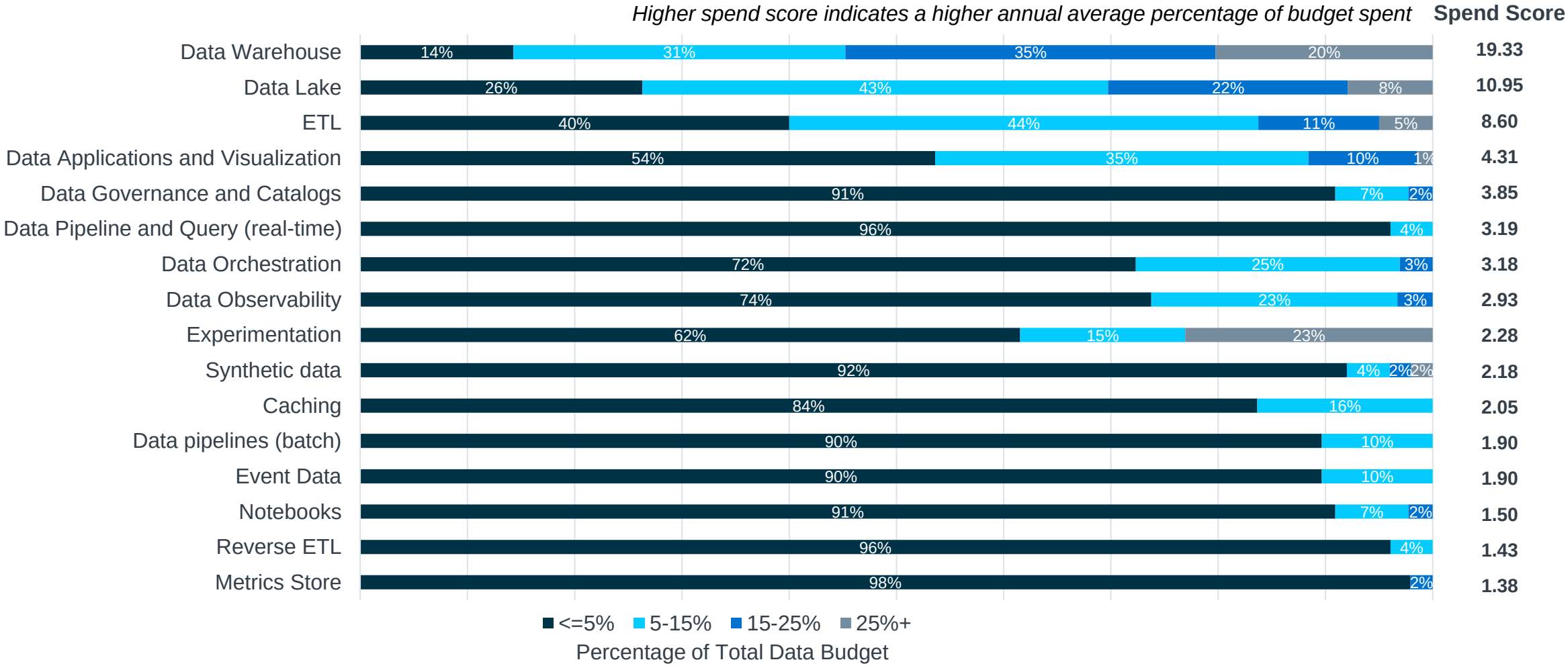
Ranking system where 1 is the company's top priority



Companies are building a modern data stack with core components being cloud data warehouse/lake, ETL/pipelines, and data observability.

Source: Battery 2022 Cloud Software Spending Survey

Data Budget Allocation Across Categories



Data warehouse has the highest spend score by far, serving as the center of the modern data stack.

Source: Battery 2022 Cloud Software Spending Survey
Note: Spend score is calculated as the weighted average of the provided range midpoint e.g., 5% for the 1-10% spend category; respondents that did not input a number are not reflected as 0% in the graph.

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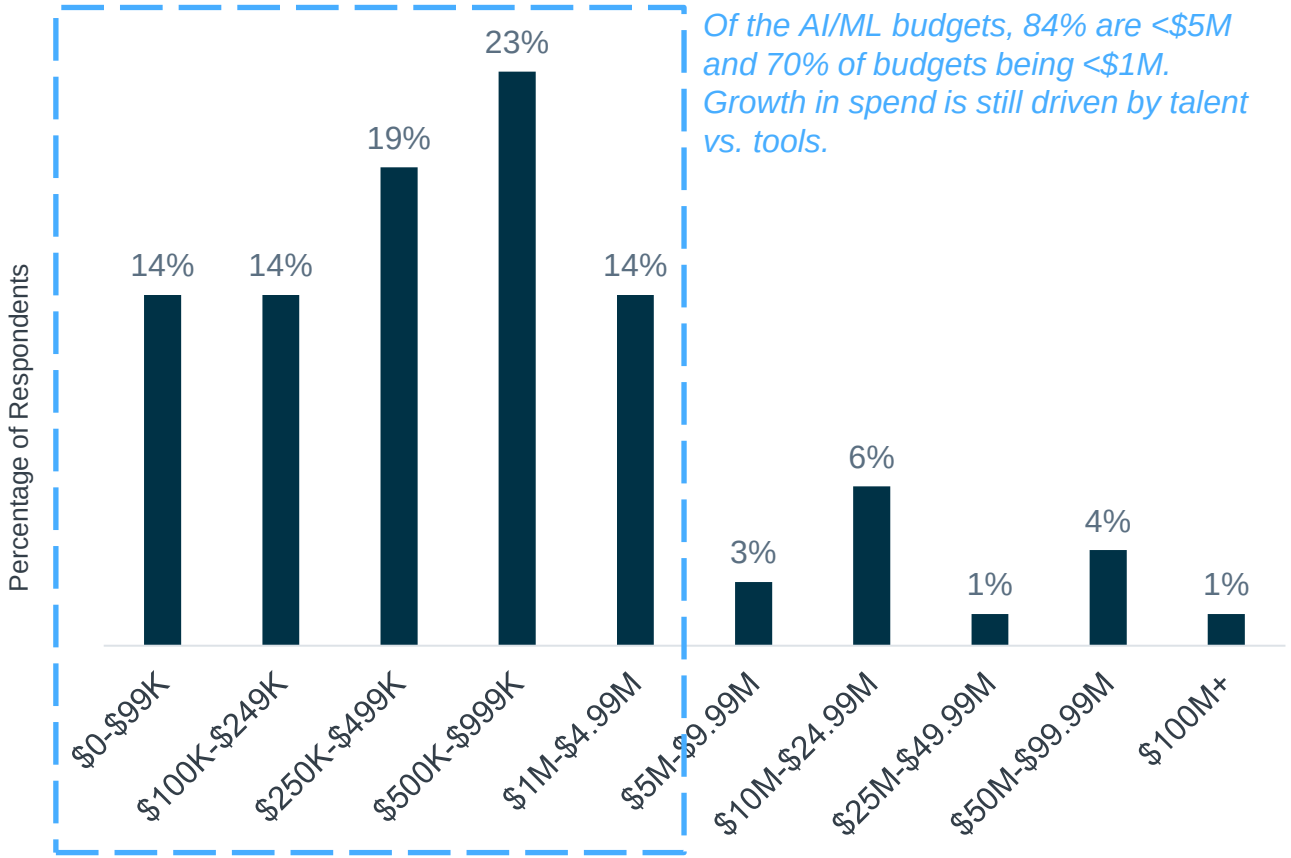
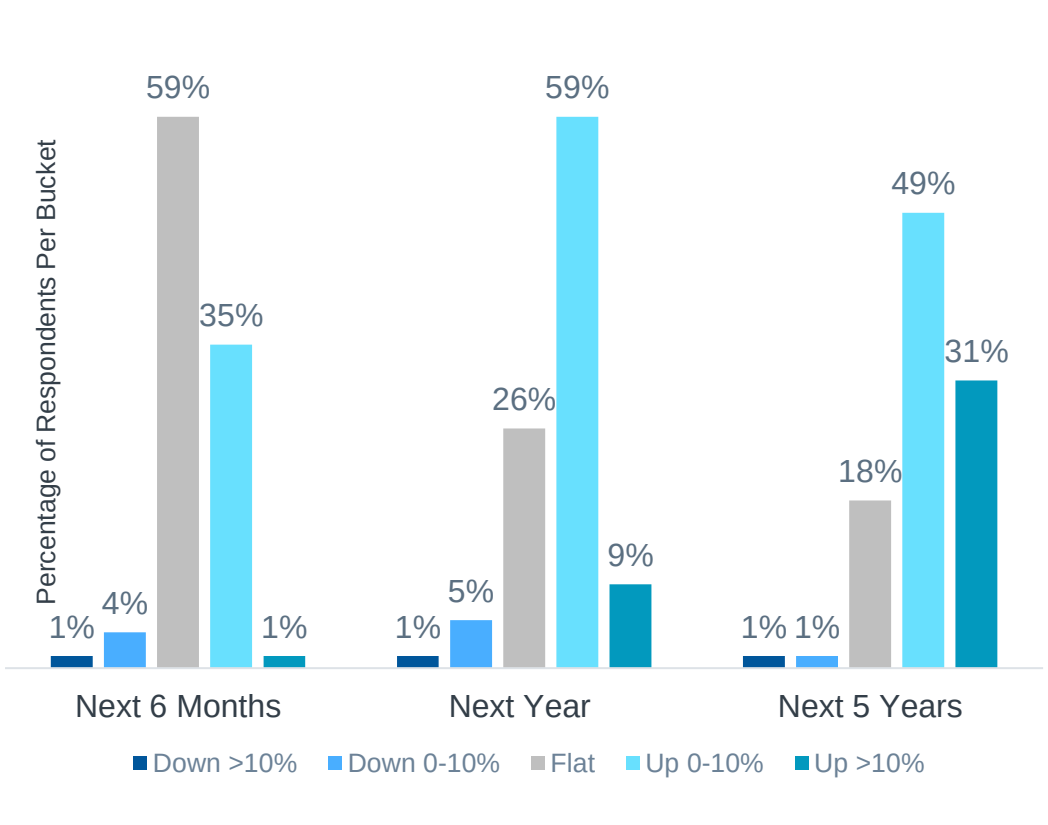
Appendix:
AI and ML Budget

Total Budget Size and Expected Spending Change for AI and ML Vendors



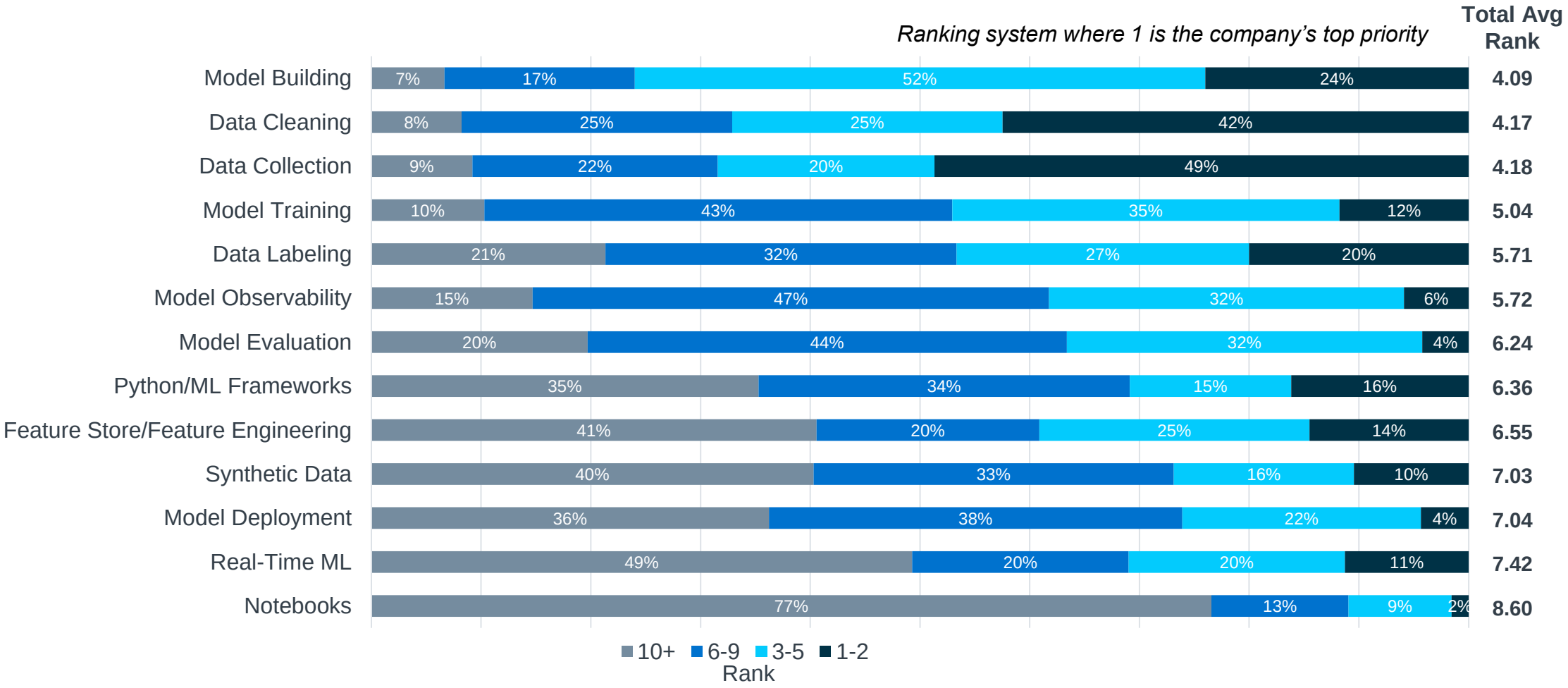
Of the AI/ML budgets, 84% are <$5M and 70% of budgets being <$1M. Growth in spend is still driven by talent vs. tools.



Market is still early but number of budget approaching $1M+ show growing interest and 68% of respondents are expecting to increase spending within the next year.

Source: Battery 2022 Cloud Software Spending Survey

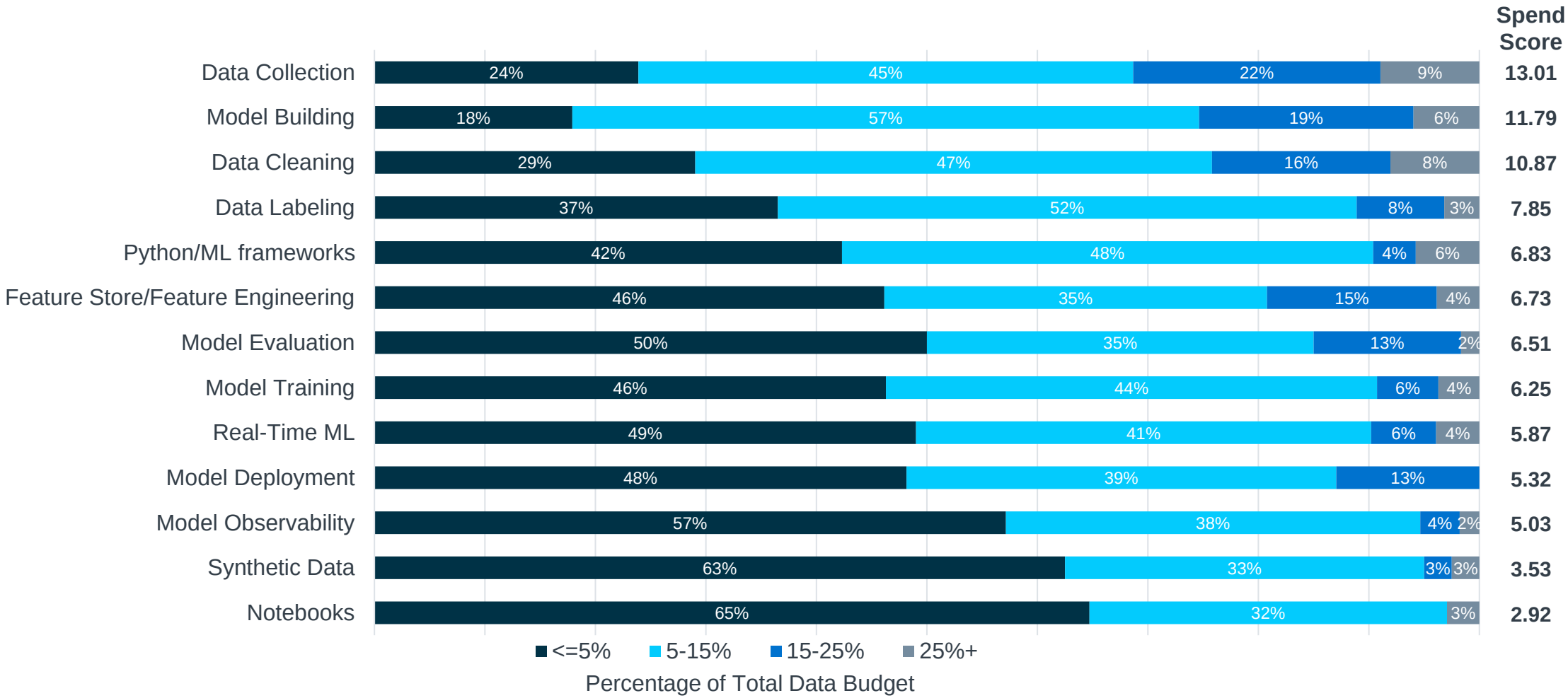
Company Priorities Within AI and ML Tools



AI and ML core infrastructure is currently a top priority as many companies continue to begin their journey with model building, data cleaning, and data collection.

Source: Battery 2022 Cloud Software Spending Survey

AI and ML Tool Budget Allocation Across Categories



The highest spend score is found in core ML infrastructure that helps companies start their machine learning journey, e.g., data collection, cleaning and labeling.

Source: Battery 2022 Cloud Software Spending Survey
Note: Spend score is calculated as the weighted average of the provided range midpoint e.g., 5% for the 1-10% spend category.