AI-Driven Demand Supports Cybersecurity Despite Software Sell-Off

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Recent market volatility has exposed meaningful differences in how investors are pricing risk across the software landscape. One of the more notable patterns in the selloff is that cybersecurity stocks have held up better than the broader software sector, suggesting that the market is beginning to distinguish between discretionary technology spending and mission-critical infrastructure. In February, the ISE Cyber Security UCITS™ Index (HUR™) declined 4.4%, materially outperforming the MSCI World Software Index (MXW00S0), which fell 8.9%.[1]

This divergence is not accidental. While many cybersecurity companies have begun to position AI as a core growth engine in light of new product development opportunities, AI's deeper integration into enterprise systems is simultaneously expanding the attack surface and magnifying the consequences of failure. This dynamic elevates cybersecurity even further from a run-of-the-mill digital utility to a structural necessity to succeed in an environment subject to ongoing AI disruption.

Q4 2025 Earnings recap: earnings momentum remains strong for cybersecurity companies[2]

Earnings season has delivered strong results for companies within the ISE Cyber Security UCITS™ Index (HUR™) that have reported so far. As of February 27, 22 out of 27 companies (72.37% of total index weight) in the HUR Index reported their Q4 2025 earnings.

Of those firms that have reported results, 16 (62.66% of the total index weight) exceeded revenue expectations, while 5 firms (8.82% of total index weight) reported revenue misses. (Estimates for one company (0.88% by weight) were not available for the quarter.) The bottom-line results were equally strong, with 18 firms (67.65% by weight) reporting EPS beats compared to 2 firms (2.74% by weight) reporting misses. (Two companies (1.97% by weight) lacked EPS estimates for the quarter.) 16 firms (62.66% by weight) beat both top and bottom-line estimates.

The average percentage beat for top-line revenues was 3.3%, while for bottom-line earnings it was 19.8%. Conversely, the average percentage miss for revenues stood at -3.3%. The average earnings miss was

[1] Source Bloomberg
[2] Source FactSet

-5.2%. In other words, firms who beat expectations did so much more convincingly, on an absolute value basis, than those who missed expectations by relatively smaller amounts.

The analysis below explores individual earnings reports to uncover the key trends, growth drivers, and challenges influencing performance across cybersecurity companies within the HUR index.

AI has moved from storytelling to measurable demand[3]

AI has emerged as a genuine demand catalyst across multiple layers of the stack. As AI agents increasingly become the primary users of the internet, Cloudflare (index weight of 7.01%)[4] is positioning itself as both the platform on which these agents execute (via Cloudflare Workers) and a key piece of the network they traverse. This dual role creates a virtuous flywheel: greater agent adoption drives increased code execution on Workers, which in turn fuels demand for Cloudflare's performance, security, and networking services. This strategic positioning is beginning to show up clearly in the financials, with revenue up 34% YoY ($614.5m) and total RPO growth of 48% ($2.5bn). The rise of AI is also driving adoption of Cloudflare's Zero Trust security products as customers seek tighter, identity-based controls over who (or what) can access data.[5]

Akamai (index weight of 6.15%) echoed this dynamic, delivering solid results across security and cloud. Revenue rose 7% to $1.1 bn, beating expectations, while EPS grew ~11% to $1.84. Security revenue hit $592m (+11% YoY), driven by strong demand for API Security and Guardicore Segmentation, whose revenues grew 36% YoY. Akamai's management identified AI as a structural growth driver on its earnings call, noting that rising cyber-threat sophistication, increased automated traffic, and greater infrastructure complexity are driving demand for its security, bot management, compute, and delivery solutions.

To monetise this expanding attack surface, Zscaler (index weight: 0.36%) has launched a new suite of AI-focused security products including AI Protect, which secures the full lifecycle of enterprise AI adoption, and Agentic SecOps / Agentic IT Ops solutions that automate security and IT operations. This strategy is translating into strong financial performance, with quarterly revenue up 26% YoY to $816m and ARR growing 25% YoY ($3.4bn), reflecting sustained demand for Zscaler's platform.

In identity and fraud, Mitek (index weight of 1.54%) delivered 30% growth in its Fraud & Identity segment, explicitly linking acceleration to AI-enabled fraud. Total revenue increased +19% YoY ($44.2m).

Overall, the data points consistently show that AI is not disintermediating security vendors, but instead structurally expanding their addressable markets. As autonomous agents increase traffic, complexity, and identity ambiguity across the internet, they drive higher demand for performance, security, zero trust, and fraud prevention.

Hardware is emerging as a demand driver in cybersecurity[6]

Rising enterprise demand for on-premise and hybrid infrastructure is translating into a renewed hardware upcycle, with F5 (index weight 0.59%) a clear beneficiary. Hardware systems revenue surged 37% YoY, driven

[3] Source FactSet
[4] All index weights as of February 27, 2026
[5] This includes identity-based access controls, secure web gateways, and network-level segmentation - all part of Cloudflare One.
[6] Source FactSet

by hybrid multicloud normalization, enterprise AI workloads, and tightening data-sovereignty and resilience regulations (e.g. NIS2, DORA). While the underlying trends support both hardware and software, near-term momentum is skewed toward hardware.[7]

Fortinet (index weight of 5.43%) similarly benefits from hardware demand tied to securing AI data centers and hybrid environments.[8] The company posted an excellent Q4 2025, with $1.9bn revenue (+15% YoY) beating estimates and $0.81 EPS topping consensus. Product revenue grew over 20% YoY, with management noting that both hardware and software expanded at roughly the same pace, while services rose 12% as prior product sales converted into subscriptions. Hardware strength was supported by accelerating OT security demand, with OT billings up more than 25%, driven by large enterprise and industrial deployments. At the same time, software momentum was strong: Unified SASE billings grew 40% YoY, reinforcing Fortinet's position in cloud-delivered security. The NVIDIA BlueField-3 partnership further extends this trajectory by enabling FortiGate virtual firewalls directly at the infrastructure layer in AI data centers, supporting incremental software adoption alongside traditional appliances.

Platform consolidation is accelerating[9]

Another consistent theme this earnings season was customer consolidation toward integrated platforms. Large vendors continue to benefit as enterprises rationalise point solutions to reduce complexity and operational risk.

Palo Alto Networks (6.49% index weight) is a key beneficiary of the cybersecurity platformization trend. Its platformized customer base grew 35% YoY to over 1,550, driving a best-in-class 119% net retention rate. The company's strategy offers multiple customer entry points across network security (SASE, firewalls, Prisma AIRS) and Security Operations (Cortex XDR, cloud security, XSIAM), supporting continued wallet-share expansion.[10]

Trend Micro (4.38% index weight) is pursuing a similar strategy with Vision One, its unified AI-driven security platform integrating SIEM, vulnerability management, and exposure management. Vision One already accounts for 38% of total revenue, highlighting growing customer adoption. The Flex program further reinforces the platform model by allowing customers to deploy a single pool of credits across Vision One capabilities, reducing friction to initial purchase and incremental expansion.

F5 (0.59% index weight) is also benefiting from enterprise consolidation toward integrated platforms. Its Application Delivery and Security Platform converges hardware, software, and cloud into a single architecture, allowing customers to deploy and supervise traffic management and security policies from one console across

[7] Q1 FY2026 software revenue of $192m (-8% YoY) reflected a tough comparison with an exceptionally strong prior year that included a large renewal. Subscription software grew 1% YoY, and management expects mid-single-digit software growth in FY2026, supported by a strong renewal cohort and healthy customer utilization, underscoring that the current upside is concentrated in hardware rather than indicative of software weakness

[8] In November–December 2025, Fortinet launched its Secure AI Data Center framework, anchored by new ASIC-powered FortiGate hardware (e.g., FortiGate 3800G) designed for GPU-dense, AI-scale data centers https://www.fortinet.com/corporate/about-us/newsroom/press-releases/2025/fortinet-launches-secure-ai-data-center-solution-to-protect-models-data-and-infrastructure-at-scale

[9] Source FactSet

[10] SASE: cloud-delivered networking and security that securely connects users to applications from anywhere. Next-generation firewalls: hardware and software firewalls that inspect traffic, prevent threats, and enforce security policies across networks. Prisma AIRS: AI-driven security protecting AI models, data, and applications from misuse and emerging threats. Cortex XDR: extended detection and response that correlates data across endpoints, network, and cloud to detect and stop attacks. Cloud security: protection for cloud workloads, applications, and data across multi-cloud environments. XSIAM: AI-powered SOC platform that automates threat detection, investigation, and response at scale.

hybrid environments. This reduces operational complexity in increasingly hybrid and regulated IT environments and is driving demand across both F5's hardware and software offerings.

Souces: Nasdaq, Bloomberg, FacSet