

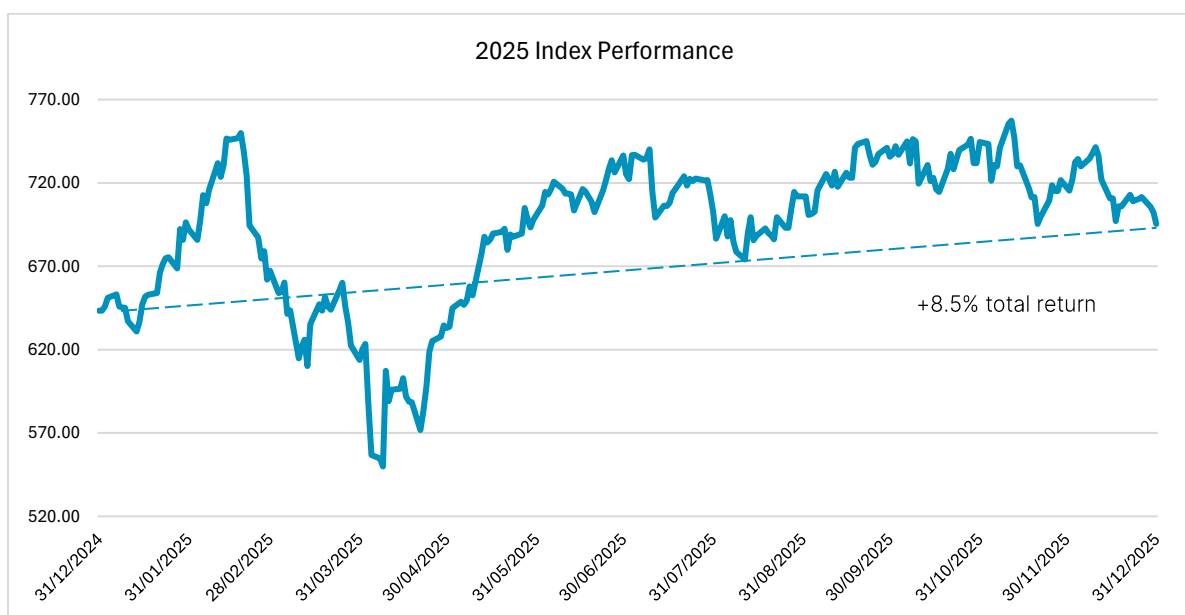
2025 Wrap-Up: Performance, Earnings Momentum and Strategic Insights

Monthly Cybersecurity Update

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Recap of 2025: a Year in review



- **1-Year Performance:** the ISE Cyber Security UCITS™ Index (HUR™) delivered a +8.5% total return YTD through December 31, 2025. The year was marked by three distinct phases:
 - Early-year weakness (Q1): the index dropped sharply in February-April, reflecting tariff-related uncertainty.
 - Strong recovery and confidence (Q2/Q3): from the trough on April 8 to July 30, the index advanced nearly 34%, reflecting renewed confidence fueled by strong earnings and easing tariff concerns. This rebound was underpinned by accelerating demand for cybersecurity solutions, as highlighted during quarterly earnings releases by numerous companies reporting robust growth and demonstrating the sector's resilience.
 - Heightened volatility (Q4): after peaking near levels of 757 in November, the index saw increased swings and a December pullback, as concerns about high valuations and overly optimistic AI growth expectations weighed on sentiment.

- **3-Year Performance:** the cumulative total return for the Index was 81.7%, aligning closely with the S&P 500 (SPX) (+86.0%) and the MSCI World Index (MXWO) (+80.5%).¹
- **Earnings beat rates** were exceptionally high across all three reported quarters of 2025 (Q1-Q3), with >90% of index weight consistently beating revenue and earnings expectations. EPS beats were particularly strong, averaging double-digit gains, underscoring robust profitability and sector resilience.²
- **Revenue growth** (YoY, Q3 2025)³: aggregate Q3 revenues for the index increased 14% year-over-year, rising from \$46.6bn to \$53.1bn, underscoring sustained demand for cybersecurity solutions. 27 out of 31 companies reported positive YoY growth in Q3 sales, reflecting broad-based strength across the sector. Broadcom delivered the largest absolute revenue increase (\$4B, +28% YoY), while Rubrik (+48%) and CyberArk (+43%) posted the strongest percentage gains. Other notable performers included Cloudflare (+31%), Gen Digital (+25%), Zscaler (+26%), CrowdStrike (+22%), and SentinelOne (+23%).⁴
- **Net Income growth** (YoY, Q3 2025)³: Q3 net income surged 52% YoY, increasing from \$8.8bn to \$13.4bn. 20 companies reported positive net income growth, with notable contributions from firms such as Broadcom (+103% YoY), Okta (+169%), Akamai (+142%) and Netscout (+186%).⁴
- **Profitability metrics:** FY2025 profitability improved significantly, with gross margin rising to 75.8% from 73.7% in FY2024. Operating margin expanded to 10.8% (vs. 1.9% in FY2024), while profit margin slightly improved from 19.4% to 20.0%. At the same time, both ROA and ROE turned positive at 3.0% and 6.3%, respectively, reversing prior-year weakness.⁵
- **EPS and valuations:** earnings per share growth remained strong in 2025, with full-year 2025 earnings for the Index projected to rise nearly 27% once Q4 results are reported in the next few months. Looking ahead, earnings growth is expected to moderate but remain healthy, with 2026 projections pointing to an additional 11% increase, underscoring continued confidence in the Index's trajectory.⁶ At the same time, valuation metrics improved. P/E multiples declined to 23.5x in FY2025 from 27.6x in FY2024, signaling improved earnings power and relative valuation attractiveness. EV/EBITDA fell sharply to 22.9x (from 42.6x in 2024), reinforcing the trend.

HUR Index earnings season wrap-up: 93% of companies exceed expectations

The earnings season delivered robust results for companies in the HUR Index. As of December 31, 2025, all 31 constituents had reported Q3 2025 results, highlighting broad-based strength across the index.

24 (93.2% of the total index weight) exceeded revenue expectations, while 6 firms (6.1% of total index weight) reported revenue misses. Estimates for one company (0.76% by weight) were not reported for the quarter. The bottom-line results were equally strong, with 25 firms (94.3% by weight), reporting EPS beats, compared to 4 firms (3.8% by weight) reporting misses. Two companies (1.89% by weight) lacked estimates for the quarter. Additionally, 23 firms (92.8% by weight) beat both top and bottom-line estimates.

¹ Annual equivalent: HUR 22.0%, MXWO 21.7%, SPX 22.9%

² In Q1, 92% of index weight beat revenue estimates and 83% beat EPS. In Q2, 92% beat revenue and 93% beat EPS. In Q3, 93% beat revenue and 94% beat EPS.

³ This analysis is based on calendar Q3 results, as reporting periods vary across companies

⁴ Source FactSet

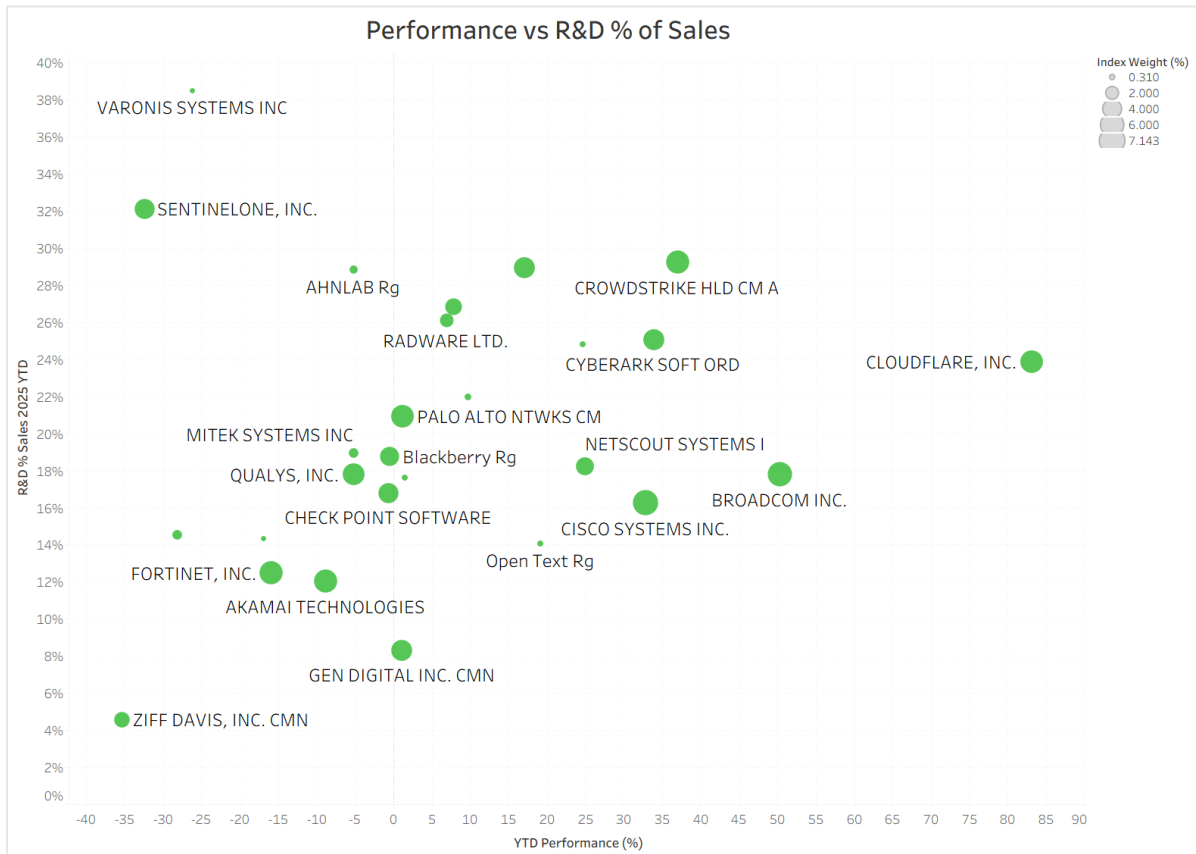
⁵ Source Bloomberg

⁶ Source Bloomberg. Earnings per share

The average percentage beat for top-line revenues was 1.6%, while for bottom-line earnings it was 24.2%. Conversely, the average percentage miss for revenues stood at -2.0%. The average earnings miss was -5.9%.

Impact of R&D vs. Dividends and Buybacks on Returns – Evidence from 2025 Data

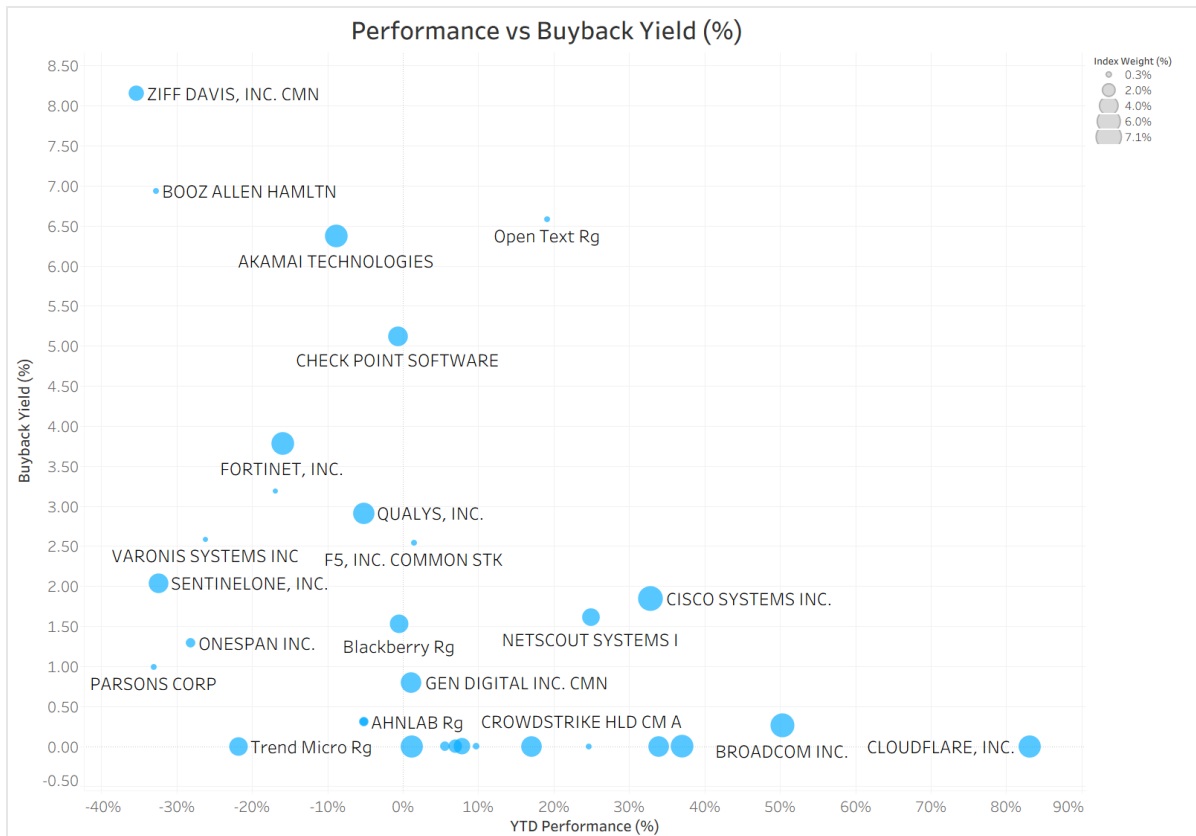
The analysis below considers index constituent performance as of December 31, 2025, based on year-to-date (YTD). Dividend payments, stock repurchases, and R&D spending figures reflect cumulative amounts reported for the first three (calendar) quarters, supplemented by Q4 updates when disclosed. The objective is to assess whether shareholder payout strategies (dividends and buybacks) correlate with equity performance. For more information, please refer to table 1 in the Appendix.



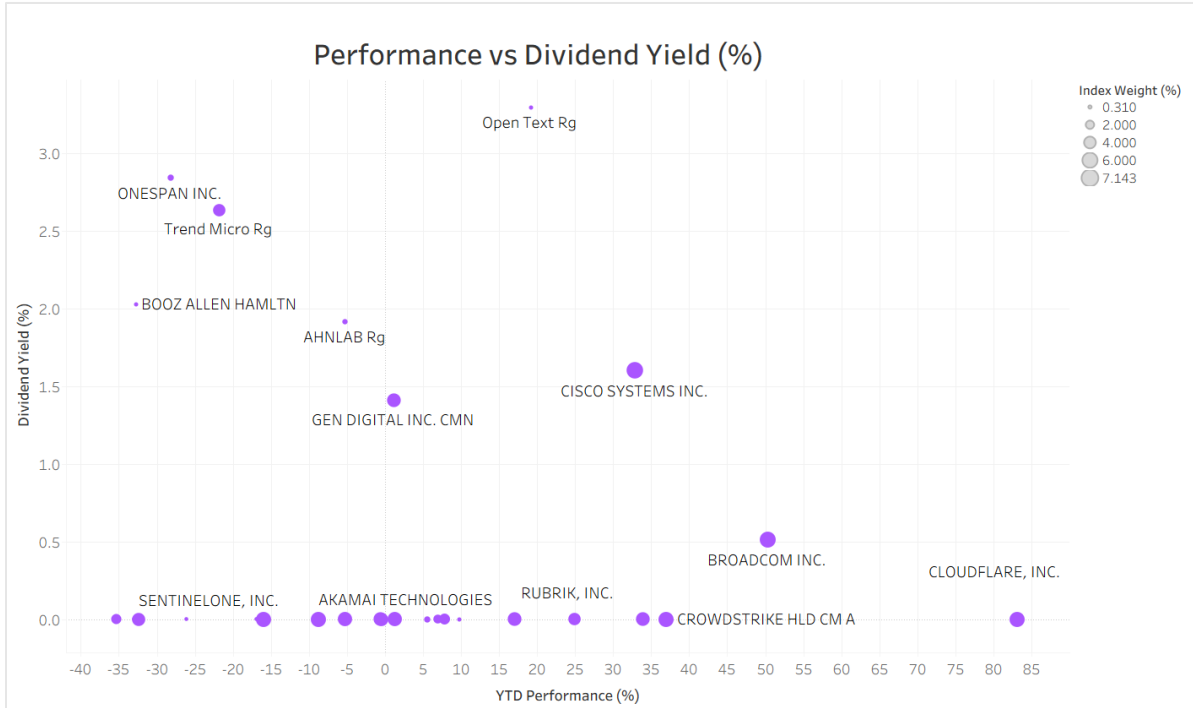
The data highlights a notable divergence between companies prioritizing shareholder payouts and those allocating resources to R&D:

- High-performing, R&D-focused firms: among the strongest performers, Cloudflare (+83%, R&D at 23.9% of sales), CrowdStrike (+37%, 29.2%), and CyberArk (+34%, 25.0%) paid no dividends and did not execute share buybacks. Instead, these companies consistently invested a significant share of revenue into R&D - typically in the 20-30% range. Similar patterns are observed in Zscaler (+25%, R&D at 24.8% of sales) and Rubrik (+17%, 28.9%), reinforcing the link between innovation-driven investment and superior returns. Notable exceptions are Varonis (R&D at 38.5%) and SentinelOne (32.1%), which also allocate an exceptionally high proportion of sales to R&D, yet their YTD performance is negative (-26% and -32%, respectively). This suggests that while heavy R&D

investment is often associated with strong returns, it is not a guarantee, as other factors may influence outcomes.



- Underperformance among heavy buyback programs: companies with substantial repurchase activity generally lagged. Fortinet spent \$2.2B on buybacks (~3.8% of market cap) yet declined -16% YTD. Akamai repurchased \$800M (~6.4% yield) and fell -9%. Ziff Davis stands out with an 8% buyback yield but dropped -35%, while Booz Allen (6.9% yield) fell -33%. Even Check Point, with \$1B in buybacks (~5% yield), ended marginally negative (-1%). These results indicate that, within this sample and timeframe, higher buyback intensity coincided with weaker equity performance, suggesting that repurchases did not translate into short-term market outperformance.
- Mixed outcomes for dividend payers: among companies with notable dividend yields, performance varied. Broadcom (0.5% yield) and Cisco (1.6% yield), delivered strong returns of +50% and +33%, respectively. However, higher yields did not guarantee better outcomes: OpenText (3.3% yield) rose +19%, while OneSpan (2.8% yield) and Trend Micro (2.6% yield) fell -28% and -22%, respectively. These observations suggest that while dividends coexist with strong performance in some large-cap names, they do not consistently drive returns across the broader group.



The analysis suggests that companies with higher R&D intensity tend to deliver stronger equity performance, while higher shareholder yield (particularly through share repurchases) is often linked to weaker outcomes within this sample and timeframe. For the HUR Index, prioritizing reinvestment in R&D appears more consistent with sustaining market leadership than emphasizing capital return strategies.

Sources: Nasdaq Index Research, Bloomberg, FactSet.

Appendix - Table 1

Company	Index Weight (%) ⁶	Market Cap (\$B) ⁷	2025 Performance (%) ⁶	Dividends (\$M) 2025 YTD	Stock repurchase (\$M) 2025 YTD	Dividend Yield (%)	Buyback Yield (%)	Total Payout Yield (%)	R&D (\$M) 2025 YTD	R&D % Sales 2025 YTD
CLOUDFLARE, INC.	5.8	62.2	83.1	0	0	-	-	-	371	23.9
BROADCOM INC.	6.7	1,641.0	50.3	8,368	4,274	0.5	0.3	0.8	8,724	17.8
CROWDSTRIKE HLD	6.1	118.2	37.0	0	0	-	-	-	1,025	29.2
CYBERARK SOFT	4.9	22.5	33.9	0	0	-	-	-	248	25.0
CISCO SYSTEMS INC.	7.1	304.4	32.9	4,869	5,600	1.6	1.8	3.4	7,115	16.3
NETSCOUT SYSTEMS	3.6	2.0	24.9	0	32	-	1.6	1.6	111	18.2
ZSCALER, INC.	0.4	35.9	24.7	0	0	-	-	-	542	24.8
Open Text Rg	0.5	8.2	19.2	271	541	3.3	6.6	9.9	554	14.1
RUBRIK, INC.	4.9	11.6	17.0	0	0	-	-	-	272	28.9
OKTA, INC.	0.5	14.7	9.7	0	0	-	-	-	474	22.0
FASTLY, INC.	3.1	1.5	7.8	0	0	-	-	-	121	26.8
RADWARE LTD.	2.1	1.0	6.9	0	0	-	-	-	58	26.1
Digital Arts Rg	1.1	0.6	5.5	0	0	-	-	-	n.a	n.a.
F5, INC.	0.4	14.8	1.5	0	377	-	2.5	2.5	409	17.6
PALO ALTO NTWKS	5.7	128.4	1.2	0	0	-	-	-	1,526	20.9
GEN DIGITAL INC.	5.1	16.8	1.1	236	134	1.4	0.8	2.2	290	8.3
Blackberry Rg	4.1	2.2	-0.5	0	34	-	1.5	1.5	74	18.8
CHECK POINT SOFTWARE	4.8	19.9	-0.6	0	1,020	-	5.1	5.1	332	16.8
MITEK SYSTEMS INC	1.1	0.5	-5.2	0	1	-	0.3	0.3	27	18.9
AHNLAB Rg	0.8	0.5	-5.2	9	1	1.9	0.3	2.2	38	28.9
QUALYS, INC.	5.3	4.8	-5.2	0	139	-	2.9	2.9	88	17.8
AKAMAI TECHNOLOGIES	6.1	12.6	-8.8	0	800	-	6.4	6.4	374	12.0
FORTINET, INC.	6.0	59.1	-16.0	0	2,233	-	3.8	3.8	611	12.5
COMMVAULT SYSTEMS	0.4	5.5	-16.9	0	176	-	3.2	3.2	119	14.3
Trend Micro Rg	4.0	5.9	-21.8	154	0	2.6	-	2.6	n.a	n.a.
VARONIS SYSTEMS INC	0.3	3.9	-26.2	0	100	-	2.6	2.6	173	38.5
ONESPAN INC.	1.0	0.5	-28.2	14	6	2.8	1.3	4.1	26	14.5
SENTINELONE, INC.	4.5	5.0	-32.4	0	102	-	2.0	2.0	234	32.1
BOOZ ALLEN HAMLTN	0.5	10.2	-32.7	208	710	2.0	6.9	9.0	n.a	n.a.
PARSONS CORP	0.4	6.6	-33.0	0	65	-	1.0	1.0	n.a	n.a.
ZIFF DAVIS, INC.	2.7	1.4	-35.3	0	113	-	8.2	8.2	48	4.6

⁷ As of December 31, 2025

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