

Market Pause, Defensive Rotation, Q3 Earnings Strength

Monthly Cybersecurity Update

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Global equity markets: November pause and sector rotation

Global equity markets paused in November after a strong rally in the first ten months of the year. The 43-day U.S. government shutdown, ending mid-month, added uncertainty to an already mixed data backdrop. Growth concerns and unclear monetary policy kept sentiment cautious, despite hopes for a December Fed rate cut.

Major indexes moved broadly in tandem, remaining largely flat for the month but tracing a common trajectory: a sharp mid-month pullback (November 11–20) followed by a modest recovery into month-end, supported by a dovish Fed tone signaling a possible December rate cut. On a total return basis, the MSCI World Index (MXWO) and the S&P 500 (SPX) were nearly unchanged at 0.3%.

Across global equity markets, sector performance reflected a clear rotation, with defensive sectors such as Healthcare and Consumer Staples outperforming cyclical and tech names. Concerns about high valuations and overly optimistic AI growth expectations weighed on sentiment.

The ISE Cyber Security UCITS™ Index (HUR™) has been broadly flat over the past three months– amid heightened volatility, yet posted a strong +12.18% gain year-to-date.

Q4-to-date had been more volatile overall with sector performance mixed within the Technology industry (ICB classification):

- Software and Computer Services returned -3.89%, and was the main detractor
- while Technology Hardware and Equipment added +1.40%, underscoring divergence across subsectors.

In November specifically, the index's total return was primarily driven by the sharp negative impact from Software and Computer Services, which contributed -3.96%, partially offset by a positive contribution from Technology Hardware and Equipment (+0.64%).

Majority of HUR Index firms beat Q3 expectations

Company Name	Index Weight (%) as of November 28, 2025	Current Earnings Release Date	Release Date Price % Change (USD) as of November 28, 2025	Top Line (Revenue)	Bottom Line (EPS)
Cisco Systems, Inc.	6.87	13/11/2025	-0.57	Beat	Beat
Akamai Technologies, Inc.	6.03	07/11/2025	6.90	Beat	Beat
Fortinet, Inc.	5.90	06/11/2025	0.73	Beat	Beat
Palo Alto Networks, Inc.	5.71	20/11/2025	2.73	Beat	Beat
Cloudflare Inc Class A	5.70	31/10/2025	-20.96	Beat	Beat
Qualys, Inc.	5.43	05/11/2025	-3.61	Beat	Beat
CyberArk Software Ltd.	4.84	06/11/2025	-8.72	Beat	Beat
Gen Digital Inc.	4.74	07/11/2025	2.33	Beat	Beat
Trend Micro Incorporated	4.65	13/11/2025	-0.60	Beat	Beat
Check Point Software Technologies Ltd.	4.61	28/10/2025	-8.25	Beat	Beat
NetScout Systems, Inc.	3.46	06/11/2025	-8.10	Beat	Beat
Fastly, Inc. Class A	3.46	06/11/2025	6.29	Beat	Beat
Ziff Davis, Inc.	2.44	07/11/2025	0.71	Miss	Miss
Radware Ltd.	1.92	29/10/2025	-11.74	Beat	Beat
Digital Arts Inc.	1.26	31/10/2025	-6.32	Miss	Missing Value
OneSpan Inc.	0.95	31/10/2025	7.02	Miss	Beat
AhnLab, Inc.	0.71	29/10/2025	-2.00	Missing Value	Missing Value
Parsons Corporation	0.53	05/11/2025	2.13	Miss	Beat
Open Text Corporation	0.47	06/11/2025	-6.35	Beat	Beat
Zscaler, Inc.	0.44	26/11/2025	-0.19	Beat	Beat
Booz Allen Hamilton Holding Corporation Class A	0.44	24/10/2025	-8.69	Miss	Miss
F5, Inc.	0.39	28/10/2025	-10.62	Beat	Beat
Commvault Systems, Inc.	0.34	28/10/2025	-15.28	Beat	Miss
Varonis Systems, Inc.	0.30	29/10/2025	2.26	Miss	Miss

Earnings season has delivered strong results for companies within the HUR Index that have reported so far. As of November 28, 24 out of 31 companies (71.60% of total index weight) in the HUR Index reported their Q3 2025 earnings.

Of those firms that have reported results, 17 (64.96% of the total index weight) exceeded revenue expectations, while 6 firms (5.93% of total index weight) reported revenue misses. The bottom-line results were equally strong, with 18 firms (66.11% by weight), reporting EPS beats, compared to 4 firms (3.52% by weight) reporting misses. Additionally, 16 firms (64.62% by weight) beat both top and bottom-line estimates. The average percentage beat for top-line revenues was 1.5%, while for bottom-line earnings it was 16.8%. Conversely, the average percentage miss for revenues stood at -2.0%. The average earnings miss was -5.9%.

Earnings highlights – key industry trends

Based on Q3 earnings transcripts and reported results for HUR index constituents, here are the main strategic trends shaping the cybersecurity space:

1. Shift to subscription and SaaS models: many companies (e.g., Radware, Varonis, OneSpan) are moving away from hardware-centric or legacy business models and embracing cloud-first, subscription-based, or SaaS offerings.
2. Cloud security and API protection - the shift to cloud computing and the proliferation of APIs have made cloud security and API protection top priorities. Companies (e.g., Radware, Cloudflare, Akamai, and Check Point) are investing heavily in these areas to address evolving threats and support digital transformation.
3. AI & automation as strategic priorities – companies (e.g., Qualys, Check Point, Cloudflare, Palo Alto, Zscaler) are investing in AI-driven platforms to enhance security, automate risk management, and boost operational efficiency.
4. Quantum security initiatives - quantum-safe security is emerging as a strategic focus for some companies (e.g., Cloudflare and Palo Alto), reflecting anticipation of future cryptographic challenges.

Below are the key takeaways from individual HUR index companies, summarizing their Q3 performance and strategic initiatives:

- **Radware** (index weight of 1.92%) is accelerating its shift from a hardware-centric model to a cloud-first, subscription-based business while leveraging hardware refresh cycles. Q3 revenue grew 8.4% YoY to \$75.3M, slightly above consensus (+0.46% beat), and non-GAAP EPS rose to \$0.28 (vs. \$0.23 last year), beating estimates by \$0.01 (+2.3%). Growth was driven by sustained demand in cloud services, with cloud security ARR up 24% YoY to \$89M. Subscription revenue grew 21%, now representing 52% of total revenue (vs. 47% last year). Radware positions API security as the “third wave” of its cloud strategy, with AI-powered protection adapting to evolving threats and providing deep insights into API behavior.
- **Varonis** (index weight of 0.30%) completed its SaaS transition ahead of schedule, with SaaS revenue surging 118% YoY to \$125.8M and now representing 76% of total ARR. Q3 revenue grew 9.1% YoY to \$161.6M but missed consensus (-2.93% miss), and EPS fell to \$0.06 from \$0.10 last year (-17.35% miss). Varonis lowered Q4 and 2026 guidance to reflect weaker on-prem renewals and additional budgetary scrutiny from customers. To manage costs and reallocate resources, Varonis announced a 5% headcount reduction and other expense controls.
- **OneSpan** (index weight of 0.95%) shifted from hardware to software, with software now accounting for over 80% of revenue.¹ Hardware sales are expected to decline ~14% YoY, raising concerns about whether software growth can fully offset the accelerated erosion of legacy hardware revenues. OneSpan reported Q3 revenue of \$57.1M (-1.51% miss) up 1.45% YoY, driven by 12% subscription growth, while non-GAAP EPS held steady at \$0.33 (12.24% beat).
- **Check Point** (index weight of 4.61%) delivered strong Q3 results, driven by subscription and billings growth.² Revenues were US\$678M (+6.68% YoY), approximately in line with what the analysts expected, although EPS strongly beat expectations, coming at \$3.94, 61% ahead of estimates. AI security is now a top strategic priority. Check Point’s acquisition of Lakera and partnerships (e.g.,

¹ The software business delivered strong double-digit growth in both subscription revenue and ARR.

² Billings rose 20% YoY to \$672 million and Security subscription revenues grew 10% YoY to \$305 million

NVIDIA) underpin its plan to build a full-stack AI security platform³, covering employee AI usage, application protection, and model robustness.

- **Qualys's** (index weight of 5.43%) Q3 earnings beat on both revenue (2.2% beat) and EPS (19.2% beat), driven by strong demand for Enterprise TruRisk Management (ETM) and early adoption of Risk Operations Center (ROC).⁴ Management highlighted customer interest in consolidating cybersecurity tools and leveraging automation and AI for efficiency. Revenue grew 10% YoY to \$169.9M. Earnings came in at \$1.86 per share, up from \$1.56 per share in the year-ago quarter.
- **Palo Alto Networks** (index weight of 5.71%) posted \$2.47B revenue (+16% YoY), in line with expectations (0.50% beat). Non-GAAP EPS came in at \$0.93, beating estimates by 4.3%. However, net income declined 5%. Following the \$3.35B Chronosphere deal announcement, investor sentiment has softened amid concerns over the company's aggressive expansion strategy, including the simultaneous \$25B acquisition of CyberArk, and whether it can successfully manage and integrate two major transactions at once.⁵ Against this backdrop, Palo Alto is pivoting to AI-centric security, emphasizing identity protection and observability as enterprises scale AI workloads, while also advancing a quantum-safe strategy through discovery tools, quantum-optimized firewalls, and a partnership with IBM to lead post-quantum cryptography migration.
- **Zscaler** (index weight of 0.44%) delivered strong quarterly results with non-GAAP EPS up 25% to \$0.96 (12.1% beat), revenue +25.5% YoY (1.9% beat), and RPO up 35% to \$5.9B, while ARR grew 26% YoY to \$3.2B. Its pivot from SASE to a full-spectrum cloud security platform is gaining traction, with three major growth pillars: AI Security, Zero Trust Everywhere, and Data Security Everywhere. AI Security is leading the way with 80% YoY increase, surpassing its FY26 target of \$400M ARR three quarters earlier than expected. The platform now secures 90B AI/ML transactions monthly, positioning Zscaler as a critical enabler of safe AI adoption. Despite these fundamentals, the stock fell in November as guidance raised only slightly above consensus, disappointing investors who expected a stronger "beat and raise" narrative.⁶
- **Cloudflare** (index weight of 5.70%) posted strong Q3 results with revenue up 30.7% YoY to \$562M (3.2% beat), raised its 2025 adjusted EPS guidance, and saw enterprise momentum with RPO up 42.6%. The company is rapidly evolving from a CDN provider into a global cloud platform, integrating cybersecurity, edge compute, and AI infrastructure, with its Workers AI platform gaining traction. However, a major global outage disrupting services like ChatGPT and X overshadowed the earnings beat, raising reliability concerns and contributing to a 21.2% stock drop in November. Cloudflare also advanced its quantum-safe security strategy, partnering with Google to deploy post-quantum cryptography across its network.
- **Akamai** (index weight of 6.03%) delivered a strong Q3 2025 performance, beating expectations and signaling a successful pivot from its legacy CDN business toward a security and compute-driven platform. Revenue grew 4.97% YoY to \$1.05B (1.1% beat), while EPS of \$1.86 exceeded consensus by \$0.22 (+13.5% beat). This marks the fourth consecutive quarter of beating both revenue and EPS

³ The acquisition of Lakera enhances its ability to protect against AI-specific threats such as prompt injection and model manipulation, reinforcing its prevention-first approach to cybersecurity. Additionally, the launch of AI Cloud Protect in partnership with NVIDIA delivers full-stack protection for AI development and inference environments. By leveraging NVIDIA's DPUs for security tasks, the solution mitigates risks like data poisoning and model theft without impacting performance, ensuring robust security for AI pipelines.

⁴ ETM - a Qualys framework that calculates risk scores to help prioritize and remediate the most critical vulnerabilities based on business impact. ROC - a centralized dashboard that uses automation and AI to monitor, manage, and respond to cybersecurity risks efficiently.

⁵ <https://uk.finance.yahoo.com/news/palo-alto-networks-plunges-14-150900530.html>

⁶ Source: Bloomberg - Zscaler shares fall as outlook underwhelms: street wrap

estimates. Akamai's security revenue climbed 10% YoY to \$568M, fueled by rapid adoption of API Security and Zero Trust Enterprise Security, which surged 34% YoY to \$77M in Q3. Shares climbed +19.1% over the past month, reflecting investor confidence.

Sources: Nasdaq Index Research, Bloomberg, FactSet.

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