# FROST & SULLIVAN

*Palo Alto Networks*

# 2022
# COMPANY OF THE YEAR

*Global*
*Secure Access*
*Service Edge Industry*

FROST & SULLIVAN

## Best Practices Criteria for World-Class Performance

Frost & Sullivan applies a rigorous analytical process to evaluate multiple nominees for each award category before determining the final award recipient. The process involves a detailed evaluation of best practices criteria across two dimensions for each nominated company. Palo Alto Networks excels in many of the criteria in the secure access service edge (SASE) space.

## AWARD CRITERIA

| Visionary Innovation & Performance | Customer Impact |
|---|---|
| Addressing Unmet Needs | Price/Performance Value |
| Visionary Scenarios Through Mega Trends | Customer Purchase Experience |
| Implementation of Best Practices | Customer Ownership Experience |
| Leadership Focus | Customer Service Experience |
| Financial Performance | Brand Equity |

### *Addressing Unmet Needs*

Organizations worldwide seek to transform their networking and security architecture to reduce or eliminate dependence on traditional wide area network (WAN) and appliance-based security architecture. They demand flexible and affordable connectivity, secure access, and security capabilities to support work-from-home requirements and cloud migration strategies. With the acceleration of digital initiatives, cloud adoption, and workforce mobility, the traditional approach of enabling access and backhauling all traffic to one data center location no longer meets the fast-changing business needs of today's digital world. Users, applications, data, and workloads are now everywhere and anywhere. To optimize business continuity and address evolving security challenges, organizations need to transform their networking and security architecture for secure access and optimal connectivity for users, devices, and applications. These dramatic changes in the business environment have driven global organizations to transition to SASE to meet all network, security, and user experience requirements.

According to Frost & Sullivan's 2022 Global SASE study, organizations find it challenging to replace or fully transition to the new SASE architecture that cuts across networking and security stakeholders because of their legacy technology stacks. Many still take a component-based approach to SASE, adopting software-defined WAN (SD-WAN), firewall as a service (FWaaS), secure web gateway (SWG), and zero-trust network access (ZTNA). Organizations are also concerned over vendor lock-in and lock-out issues, preferring to choose the best-of-breed product for their services to avoid poor user experience and dissatisfaction.

Large enterprises and those in highly regulated industries maintain their data and applications in a hybrid environment. They find it necessary to retain on-premises security solutions to protect on-premises data and applications in their physical data centers, likely preferring on-premises deployment of SASE components (that is, to deploy a physical SASE platform or thick edges). Many of them still rely on SD-WAN for critical traffic or security, especially those with multiple branches, stores, or offices. This demand drives the need for a unique SASE approach that can support customers' digital transformation and address challenges of legacy infrastructure while monetizing their existing investment.

Palo Alto Networks is a leading US-based network security company well-known for its comprehensive security portfolio comprising a flagship next-generation firewall (NGFW) platform, cloud security, endpoint security (extended detection and response), security operation platform (SOAR), and SASE solution. Its security solutions provide holistic protection across clouds, networks, endpoints, and internet of things devices.

Palo Alto Networks' Prisma SASE is one of the market's few cloud-native SASE platforms that can support customers to digitalize their business securely with a cloud-first approach and address specific use cases related to legacy systems. Unlike network security competitors redesigning existing hardware security solutions to adapt to SASE architecture, Palo Alto Networks has built Prisma SASE with a cloud-native vision that capitalizes on its strong cloud security infrastructure. Prima SASE is a cloud-delivered platform converging the company's best-of-breed security capabilities with next-generation SD-WAN.

*"The comprehensiveness of Palo Alto Networks' cloud-delivered security services and native SD-WAN solution integration sets the company apart from other SASE competitors that offer incomplete or disjointed solutions. With competing solutions, customers have to make unacceptable trade-offs between security effectiveness and network functionality and face maintenance issues when working in hybrid and multi-cloud environments."*

*– Anh Tien Vu, Industry Principal*

Prisma SASE consolidates multiple point products, including ZTNA 2.0, cloud SWG, next-generation cloud access security broker (NG CASB), FWaaS, SD-WAN, and autonomous digital experience management (ADEM), into a single integrated service to reduce network and security complexity while increasing organizational agility. The integrated, cloud-first platform enables companies to address operation challenges to networking and security services, offering simple management and consistent policies across security services. This approach is critical for digital customers transforming their information technology infrastructure radically into a cloud-native, converged SASE approach.

Palo Alto Networks also enables customers to monetize their existing investment in legacy systems by integrating its security services with third-party SD-WAN solutions. This approach is particularly vital to large businesses that rely heavily on on-premises infrastructure and maintaining thick edges on their premises. Customers can use either Palo Alto Networks's NGFW platform with SD-WAN capabilities to secure their networks and protect data and applications in their physical data centers or other cloud-delivered security services to secure access to public cloud resources and software-as-a-service (SaaS) applications.

Frost & Sullivan commends Palo Alto Networks' robust SASE solution and believes the company has earned strong preference among large global businesses that prioritize privacy, compliance, security, and performance in their services.

## *Visionary Scenarios through Mega Trends*

Frost & Sullivan has identified connectivity, cloud, security, and machine learning (ML) as Mega Trends critical to the digital transformation of organizations. These Mega Trends have been particularly salient when organizations had to adopt a hybrid working model due to the COVID-19 pandemic.

The legacy network architecture using a hub-and-spoke model with disparate network and security stacks cannot be scaled for hybrid and cloud environments. The hardware-based approach of connecting people and offices to resources worked well with legacy hub-and-spoke architectures and multi-protocol label switching services. However, it is no longer effective in the modern workplace as SaaS applications and cloud resources adoption increase. Backhauling traffic to a central data center has become inefficient, resulting in additional costs, performance issues, operational challenges, and poor user experience. Inconsistent network performance, security policies, and capabilities arise from using multiple point solutions and relying on the physical location of users, devices, data, and applications.

Palo Alto Networks recognizes that hardware-based architectures are not optimized to meet the needs of today's cloud-first digital businesses and hybrid workforces. Organizations need to move to a user-centric, cloud-delivered architecture to remain competitive in this digital age. The company acquired CloudGenix, now rebranded to Prisma SD-WAN, in 2020 to strengthen its portfolio and capabilities in SD-WAN and cloud-delivered security, converging them into its cloud-native SASE platform. Prisma SASE combines best-of-breed security services and the PrismaSD-WAN to enable seamless, secure, and connected future workplaces for organizations worldwide.

## *Leadership Focus and Best Practices Implementation*

Work-from-home, work-from-anywhere, and hybrid working models drive SASE adoption among businesses globally. Through these models, employees can access business-critical services and collaboration tools, such as enterprise resource planning, customer relationship management, voice over Internet Protocol, unified communications, collaboration, and video applications, using different devices. Organizations realize the importance of maintaining and enforcing appropriate and consistent security policies for all entities, devices, and users accessing applications, regardless of where they are hosted: physical data centers or the cloud.

Palo Alto Networks aims to remedy these shortcomings by integrating networking and security in the cloud through its SASE solutions, offering two deployment models to meet different customer requirements. Customers can subscribe to either Prisma SD-WAN to embark on their SASE journey or SD-WAN on Palo Alto Networks' NGFW platform. Flexible deployment caters to customers' current needs and digital strategy.

Palo Alto Networks recognizes organizations' increasing shift from vendor lock-in scenarios to the best-of-breed approach. It offers third-party service integration through its Prisma SD-WAN CloudBlades platform, allowing customers to configure third-party security, cloud, collaboration, operations, and

reporting. Customers can enable these capabilities at their cloud-delivered branches without additional hardware. Third-party technology partners available on CloudBlades include AWS, Microsoft Azure, Google Cloud Platform, ServiceNow, Zoom, and Microsoft Teams.

Palo Alto Networks' Prisma SD-WAN natively integrates to Prisma Access to deliver integrated cloud-delivered networking and security solutions, securing customers' access to any location, including physical branches, data centers, the public cloud, and SaaS applications. Prisma SASE delivers cloud-based security services, including cloud firewall, SWG, CASB, ZTNA 2.0, and threat prevention. It enables a zero-trust posture by consistently securing all applications used by hybrid workforces, regardless of location. Its cloud-delivered security services use ML-powered threat prevention to stop 95% of web-based threats inline, significantly reducing data breach risks.

The platform also includes Autonomous Digital Experience Management (ADEM) to ensure an exceptional user experience. With end-to-end visibility and insights across mobile and branch users, Palo Alto Networks can provide performance service-level agreements (SLA) 10 times better than its closest competitors, helping customers improve end-user satisfaction and experience.

The comprehensiveness of Palo Alto Networks' cloud-delivered security services and native SD-WAN solution integration sets the company apart from other SASE competitors that offer incomplete offerings or disjointed solutions. With competing solutions, customers have to make unacceptable trade-offs between security effectiveness and network functionality and face maintenance issues when working in hybrid and multi-cloud environments.

Palo Alto Networks invests in the future of SASE by developing artificial intelligence and ML-powered capabilities and services, such as advanced threat detection and ADEM that operate across the full SASE architecture to automate operations and improve networking and security outcomes. The company has launched an integrated 5G SD-WAN appliance to ensure optimal uptime for business-critical applications relying on 5G/LTE for primary WAN connectivity or as a backup line for improved resilience. The 5G SD-WAN appliance addresses cellular WAN needs for small offices, retail, and kiosks, enabling organizations to leverage 5G connectivity for SASE deployment at branch offices without additional 5G hardware.

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>
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Frost & Sullivan recognizes Palo Alto Networks' steadfast commitment to technological innovations and ability to solidify its leadership position to support organizations in modernizing their environments for improved scalability and agility at their own pace and preference. Palo Alto Networks can elevate SASE adoption through its combined SD-WAN and cloud-delivered security solutions.

### Financial Performance

Palo Alto Networks experienced tremendous revenue growth in 2021 as its SASE business grew by 186.9% year-over-year (YoY) from 2020. Palo Alto Networks became the largest SASE vendor by revenue, accounting for 43.1% of the global market share in 2021. It has also emerged as the fastest-growing because its security services are widely adopted among large businesses globally, particularly in North America. The company has a well-established brand name for its next-generation security solutions, including NGFW and cloud-delivered security services.

In 2021, North America was the most significant revenue contributor for Palo Alto Networks at 68.9% of total market share YoY, followed by EMEA (Europe, the Middle East, and Africa) at 20.4% and Asia-Pacific at 238.3%. Asia-Pacific is expected to maintain its growth momentum in the next 5 years because of the region's increasing acceptance and positive perception of cloud-based security services.

### Customer Purchase and Service Experience

Palo Alto Networks' customer base primarily comprises large businesses and many medium-sized companies operating in manufacturing, healthcare, retail, and banking, financial services, and insurance. The company provides customer success offerings that include onboarding oversight, license activation, and ongoing solution guidance to expedite setup and initial configuration. It offers QuickStart deployment services for customers requiring complete deployment support. Through a community of authorized support partners, the company hires highly skilled technical support professionals to help customers seamlessly customize, migrate, and deploy solutions regardless of deployment method. The company's customer service cultivates customer confidence when helping them transition to a new architecture.

In terms of its go-to-market strategy, Palo Alto Networks uses a mature channel-first program that has been in the market for more than 12 years. The company continues to expand its channel ecosystem to support evolving networking and cloud security requirements. It actively broadens its managed service provider partner ecosystem by collaborating with Tier 1 providers like AT&T and Orange Business Services to push for managed SASE services. The company introduced a partner specialization program to incentivize its partners to deliver enhanced SASE outcomes for their customers.

## Conclusion

Palo Alto Networks offers a robust SASE platform that combines networking and security capabilities to improve organizational agility while mitigating network and security complexity. It also provides flexible deployment options to support customers' digital transformation journey. Its strong market leadership in the global SASE industry and solid financial performance are primarily attributed to its continual investment in innovation and engagement with channel partners to support customers in integrating branch networking and security. Its next-generation solutions and visionary initiatives provide the company with a competitive edge and help it remain the top-of-mind choice among large and mid-sized organizations worldwide.

With its strong overall performance, Palo Alto Networks earns Frost & Sullivan's 2022 Global Company of the Year Award in the secure access service edge industry.

# What You Need to Know about the Company of the Year Recognition

Frost & Sullivan's Company of the Year Award is its top honor and recognizes the market participant that exemplifies visionary innovation, market-leading performance, and unmatched customer care.

## Best Practices Award Analysis

For the Company of the Year Award, Frost & Sullivan analysts independently evaluated the criteria listed below.

### Visionary Innovation & Performance

**Addressing Unmet Needs**: Customers' unmet or under-served needs are unearthed and addressed by a robust solution development process

**Visionary Scenarios Through Mega Trends**: Long-range, macro-level scenarios are incorporated into the innovation strategy through the use of Mega Trends, thereby enabling first-to-market solutions and new growth opportunities

**Leadership Focus**: Company focuses on building a leadership position in core markets and on creating stiff barriers to entry for new competitors

**Best Practices Implementation**: Best-in-class implementation is characterized by processes, tools, or activities that generate a consistent and repeatable level of success

**Financial Performance**: Strong overall business performance is achieved in terms of revenue, revenue growth, operating margin, and other key financial metrics

### Customer Impact

**Price/Performance Value**: Products or services provide the best value for the price compared to similar market offerings

**Customer Purchase Experience**: Quality of the purchase experience assures customers that they are buying the optimal solution for addressing their unique needs and constraints

**Customer Ownership Experience**: Customers proudly own the company's product or service and have a positive experience throughout the life of the product or service

**Customer Service Experience**: Customer service is accessible, fast, stress-free, and high quality

**Brand Equity**: Customers perceive the brand positively and exhibit high brand loyalty

## About Frost & Sullivan

Frost & Sullivan is the Growth Pipeline Company™. We power our clients to a future shaped by growth. Our Growth Pipeline as a Service™ provides the CEO and the CEO's growth team with a continuous and rigorous platform of growth opportunities, ensuring long-term success. To achieve positive outcomes, our team leverages over 60 years of experience, coaching organizations of all types and sizes across 6 continents with our proven best practices. To power your Growth Pipeline future, visit Frost & Sullivan at http://www.frost.com.

### The Growth Pipeline Engine™

Frost & Sullivan's proprietary model to systematically create ongoing growth opportunities and strategies for our clients is fuelled by the Innovation Generator™.

Learn more.

#### *Key Impacts*:

- ■ **Growth Pipeline:** *Continuous Flow of Growth Opportunities*
- ■ **Growth Strategies:** *Proven Best Practices*
- ■ **Innovation Culture:** *Optimized Customer Experience*
- ■ **ROI & Margin:** *Implementation Excellence*
- ■ **Transformational Growth:** *Industry Leadership*



### The Innovation Generator™

Our 6 analytical perspectives are crucial in capturing the broadest range of innovative growth opportunities, most of which occur at the points of these perspectives.

#### *Analytical Perspectives:*

- ■ **Mega Trend (MT)**
- ■ **Business Model (BM)**
- ■ **Technology (TE)**
- ■ **Industries (IN)**
- ■ **Customer (CU)**
- ■ **Geographies (GE)**