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## Disruptive Technology

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### ***The Software Armageddon is Here; 5 Names to Buy in this "Software Garage Sale"***

We believe the market is baking in a doomsday scenario for software companies in the near-term, which we believe is extremely overblown, as many customers won't be willing to put their data at risk to capitalize on AI implementation strategies until there is less risk with these migration projects. Is AI a headwind in the near-term for software? YES!...however, the magnitude of this software sell-off is a major head scratcher and is factoring in an Armageddon scenario for the sector that is far from reality in our view. While we understand the white-knuckle concerns surrounding the software landscape, we believe the AI risks to current enterprise software budgets are overblown as enterprises won't completely overhaul tens of billions of dollars of prior software infrastructure investments to migrate over to Anthropic, OpenAI, and others. Not only have large enterprise installed bases taken many decades to accumulate with trillions of data points now ingrained in software infrastructure company ecosystems and new players like OpenAI/Anthropic don't have the current capacity to hold all enterprise data to power AI integrations and protect organizational data structures from malware.

We are currently in a historic sell-off in software due to rising fears that AI will continue to erode market share from major players as the IGV index is down ~18% YTD vs. the S&P 500 being is roughly flat YTD, wiping out more than \$300 billion in overall market value as the market continues to price in a worst-case scenario for the software complex. One of the largest concerns is that AI will continue to take more share of seat-based models following the recent updates from Anthropic where it released a slew of new AI tools designed to automate high-value work. This work including legal, sales, marketing, and more, created a major panic moment across the software complex as more investors feared that the normal SaaS models would come under fire. OpenClaw poses another risk to enterprise software companies looking to integrate AI across products as this product runs directly across operating systems and applications to automate real-world tasks. Another major theme driving the software sector down so far is budget reallocation towards AI players and away from standalone software vendors. With ~80% of CIOs focused on implementing AI and ML capabilities across organizations, there is growing speculation that enterprise software budgets have started to shift towards AI initiatives cannibalizing the spend left for software advancements. While SaaS models in the past have provided stable recurring revenue streams and predictable economics seen as a "safe haven" for investors, this perspective has started to erode with AI agents automating a significant amount of tasks adding more uncertainty to the stable unit economics software models provided and budgets tied to software integrations.

**While the software complex has become a "Do Not Enter" zone over the past month, we believe there are winners and opportunities in the software space. These are the Top 5 Software Names that we believe are the top names to own in this software apocalypse: MSFT, PLTR, CRWD, SNOW, CRM.**

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**MSFT** - We believe that Microsoft is on its way to accelerating cloud and AI monetization, which is going to comprise a bigger piece of Redmond going forward and will ultimately spur growth and margins over the coming years. While Anthropic has seen significant advancements in model performance and integrations, MSFT is installing these capabilities across its massive enterprise install base within its 365 ecosystems looking for a trusted distribution of new AI systems with many enterprises still in the early stages of embedding AI into their data across the MSFT tech stack. As model performance continues to rapidly improve, we believe this will expand Azure acting as the compute, networking, and security backbone for new AI workload deployments. While MSFT's close relation with OpenAI has been a headwind in the MSFT story over the last few months as it was reported at 45% of its current backlog \$625 billion represents an overall risk but with the rumored \$100 billion funding round by OpenAI at a valuation of over ~\$800 billion will provide more stability and reinforce confidence in MSFT's backlog with ~45% of its backlog to translate to revenue while seeing also 30% growth in its non-OpenAI backlog led by new Anthropic commitments which will drive further uplift to revenue expectations moving forward. Overall, we believe that the Street continues to underestimate the Azure growth story moving forward with 2026 set to be an inflection year and remains one of the core winners in the AI Revolution. **We maintain our OUTPERFORM rating and our \$575 price target.**

**PLTR** - Despite the market grouping PLTR along with the rest of software/generic AI or analytics vendors in this software sell-off, the company continues to see unprecedented demand for AIP especially across the commercial & federal landscapes by taking AI solutions that solve mission-critical use cases at enterprise scale with shorter sales cycles, expanding deal sizes, faster deployment/ROI timelines. As enterprises move from AI experimentation to production, Palantir's value proposition becomes more relevant, not less as AI demand is leading to new uses where speed-to-deployment and outcome-driven ROI matter more than model performance. While Anthropic has made very impressive progress in improving reasoning and other capabilities of its Claude models, the models do not solve deployment inside live operational systems. Palantir's value is not in model performance, but in embedding AI into workflows with guardrails, approvals, and real-time feedback. As frontier models improve, the bottleneck shifts to safe execution, where Palantir becomes more critical and as AI frontier model usage continues to rapidly increase from enterprises, complexity increases, not decreases and Palantir acts as the orchestration and control layer that allows organizations to deploy, monitor, and switch AI systems without operational risk. We note that PLTR continues to accelerate within its commercial revenue, including US Commercial, which grew 137% y/y and is expected to grow at least 115% in FY26 pointing to the use cases PLTR can provide organizations looking to undergo significant AI transformation projects. Overall, we believe that PLTR has a golden path to becoming a trillion-dollar market cap company and will grow into its valuation as Karp & Co. remains one of the largest players in the AI Revolution. **We maintain our OUTPERFORM rating and our \$230 price target.**

**SNOW** - The market is treating advances at Anthropic as if better models reduce the need for data platforms, when in reality as models continue to improve, enterprises will significantly push more proprietary/sensitive data into AI workflows which actually increases the need for clean, governed, auditable data layers and continued strength with SNOW's core data warehousing business. One of the misconceptions in this sell-off is that enterprises are going to bypass software platforms and connect frontier models directly in the data, but enterprises require security, access controls, lineage, and governance before AI interacts/connects with production systems. This positions SNOW as the trusted layer between enterprise data and external models like Anthropic, further reinforcing SNOW'S position as an AI winner moving forward. As frontier models converge in quality, value shifts away from the model layer and toward data orchestration; this is where SNOW benefits as it is model-agnostic, allowing customers to switch between Anthropic, OpenAI, and open-source models without re-architecting data pipelines. SNOW recently signed multi-year, \$200 million partnerships with both Anthropic and OpenAI further accelerating AI use cases and usage on the SNOW platform. Snowflake remains at the forefront of innovation with its cloud-based data platform providing advanced capabilities for data processing and warehousing while looking to simplify platform architectures for customers across industries, so enterprises always ingest more data easily within this growing data environment while capitalizing on more AI use cases. **We maintain our OUTPERFORM rating and our \$270 price target.**

**CRM** - We believe that CRM is still a long-term winner of the AI Revolution despite the company finding itself in the epicenter of the Software sell-off as we think the market is overlooking key details about Salesforce's differentiated position against the negative overhang. The company's moat continues to be the massive pool of data it has collected over the decades that's sticky and difficult to replace, which is now being leveraged by Agentforce and the recent Informatica acquisition to provide the rich, trusted context AI agents need to function effectively. CRM's Data 360 solidifies the company's moat further as it has the unique ability to activate and unify that data with the entire enterprise ecosystem to create a holistic view, which is the key to creating customer stickiness. CRM has the opportunity to monetize its vast installed base of over 150,000 customers, which includes over 90% of the Fortune 500 and these customers have spent decades codifying their business logic and organizing their data within the Salesforce ecosystem, creating the critical last mile of deterministic execution and trusted context that generic AI models lack. Customers can then leverage Agentforce to create and maintain agents across the enterprise, which, contrary to the AI threat disrupting the SaaS landscape now, transforms AI from a threat into the company's most significant monetization catalyst and speaks to the massive TAM. With a strong pipeline to capitalize on, we believe that CRM remains well-positioned to be an AI winner as its Agentforce strategy continues to ride the wave of its install base. **We maintain our OUTPERFORM rating and our \$375 price target.**

**CRWD** - The increased adoption of AI is allowing for more sophisticated attacks in terms of scale and precision that has shrunk the attack lifecycle from weeks to mere minutes, and CRWD's agentic security platform continues to be durable through innovation to address the evolution of AI adversaries. CrowdStrike's role is industry agnostic in the sense that AI is disrupting the entire playing field, but the need to secure workloads and operations from AI continues to be essential, especially as usage is set to significantly increase. The attack surface for enterprises has significantly increased through a massive influx of new cloud workloads, models, and data pipelines which introduce new attack vectors that traditional legacy security products were not designed to secure. CRWD's differentiated agentic SOC orchestration driven by Charlotte AI operates across domains, identities, and endpoints to fight fire with fire by allowing enterprises to secure their domain with AI as CRWD becomes the cybersecurity operating system of the AI era. Not only do enterprises need protection from AI adversaries, but they also need to protect their own AI assets, and CRWD's AI Detection and Response approach creates guardrails for AI that provide visibility, governance, and protection across the AI lifecycle. We believe that CRWD's position as the gold standard of cybersecurity remains firmly unchanged in the face of this Software Armageddon with the company's innovative, best-in-class Falcon platform becoming increasingly effective in the modern threat landscape as AI adversaries become an incrementally larger threat. **We maintain our OUTPERFORM rating and our \$600 price target.**

**Risks to the Attainment of Our Price Targets and Ratings: Disruptive Technology**

Economic weakness

Technology disruption

Competition.

**Analyst Certification**

We, Dan Ives, Scott Devitt, Steven Wahrhaftig, Sam Brandeis, Matthew Weiss, Anish Jog and Chase Tohanczyn, certify that the views expressed in this report accurately reflect our personal opinions and that we have not and will not, directly or indirectly, receive compensation or other payments in connection with our specific recommendations or views contained in this report.

**Mentioned Companies**

Company	Rating	Price	Target
Salesforce.com	OUTPERFORM	\$196.38	\$375.00
CrowdStrike Holdings, Inc.	OUTPERFORM	\$421.73	\$600.00
Microsoft	OUTPERFORM	\$411.21	\$575.00
Palantir Technologies Inc.	OUTPERFORM	\$157.88	\$230.00
Snowflake Inc.	OUTPERFORM	\$173.24	\$270.00

**Investment Rating System:**

**OUTPERFORM:** Expect the total return of the stock to outperform relative to the median total return of the analyst's (or the analyst's team) coverage universe over the next 6-12 months.

**NEUTRAL:** Expect the total return of the stock to perform in-line with the median total return of the analyst's (or the analyst's team) coverage universe over the next 6-12 months.

**UNDERPERFORM:** Expect the total return of the stock to underperform relative to the median total return of the analyst's (or the analyst's team) coverage universe of the next 6-12 months.

The Investment Ratings are based on the expected performance of a stock (based on anticipated total return to price target) relative to the other stocks in the analyst's coverage universe (or the analyst's team coverage).\*

Rating distribution (as of January 26, 2026)	Investment Banking Relationships (as of January 26, 2026)
OUTPERFORM: 77.63%	OUTPERFORM: 12.43%
NEUTRAL: 20.61%	NEUTRAL: 2.13%
UNDERPERFORM: 1.75%	UNDERPERFORM: 0.00%

The Distribution of Ratings is required by FINRA rules; however, WS' stock ratings of Outperform, Neutral, and Underperform most closely conform to Buy, Hold, and Sell, respectively. Please note, however, the definitions are not the same as WS' stock ratings are on a relative basis.

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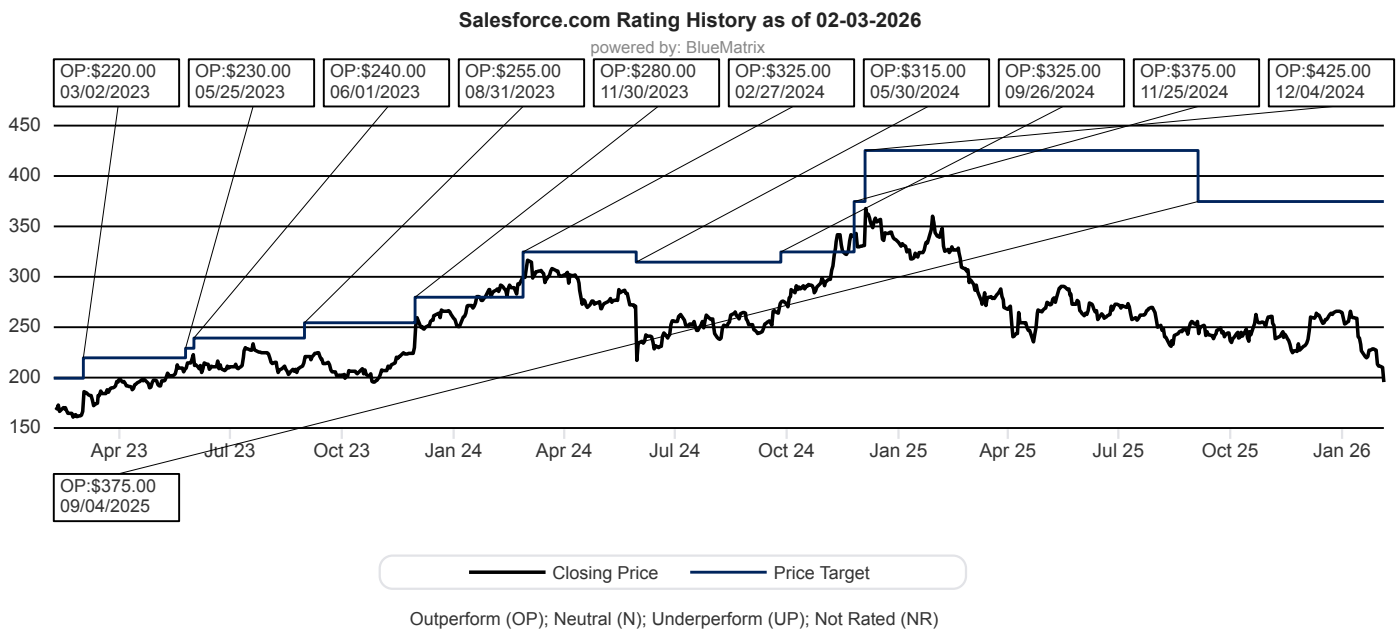
Note: the analyst did not provide certification specified in Rule 502 (a) of Regulation AC.

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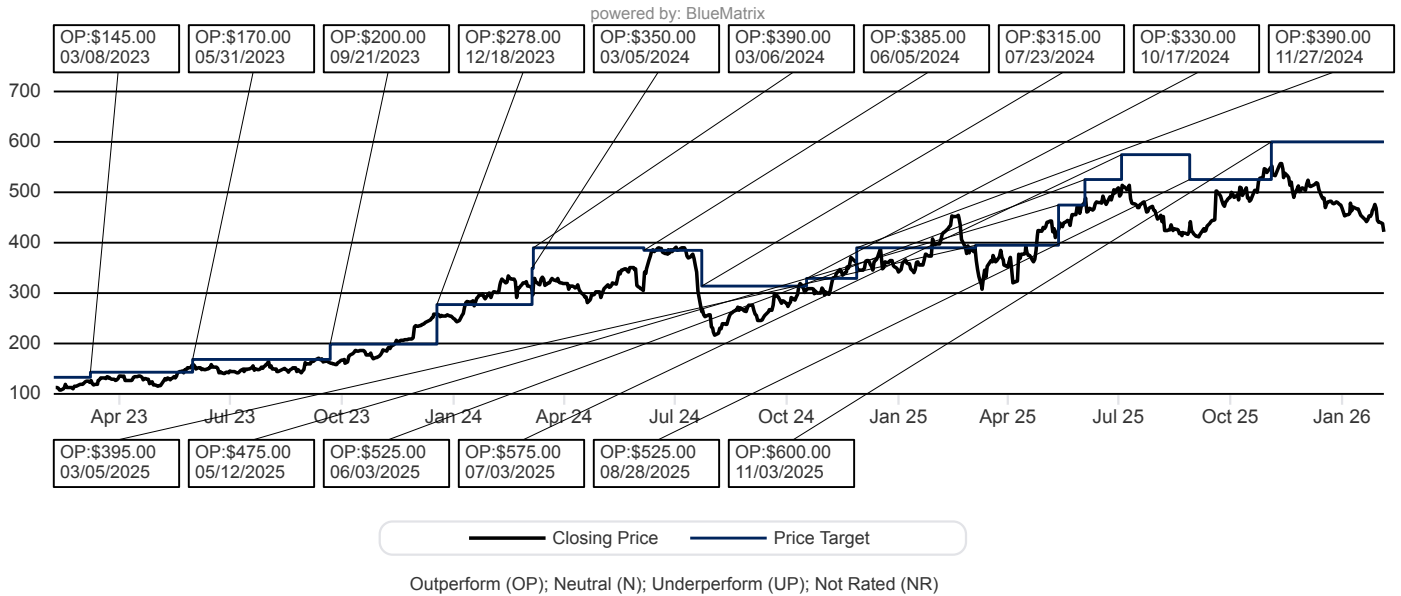
1. WS makes a market in the securities of Salesforce.com, Crowdstrike Holdings, Inc., Microsoft, Palantir Technologies Inc. and Snowflake Inc..

10. The research analyst, a member of the research analyst's household, any associate of the research analyst, or any individual directly involved in the preparation of this report has a long position in the common stocks of Microsoft.

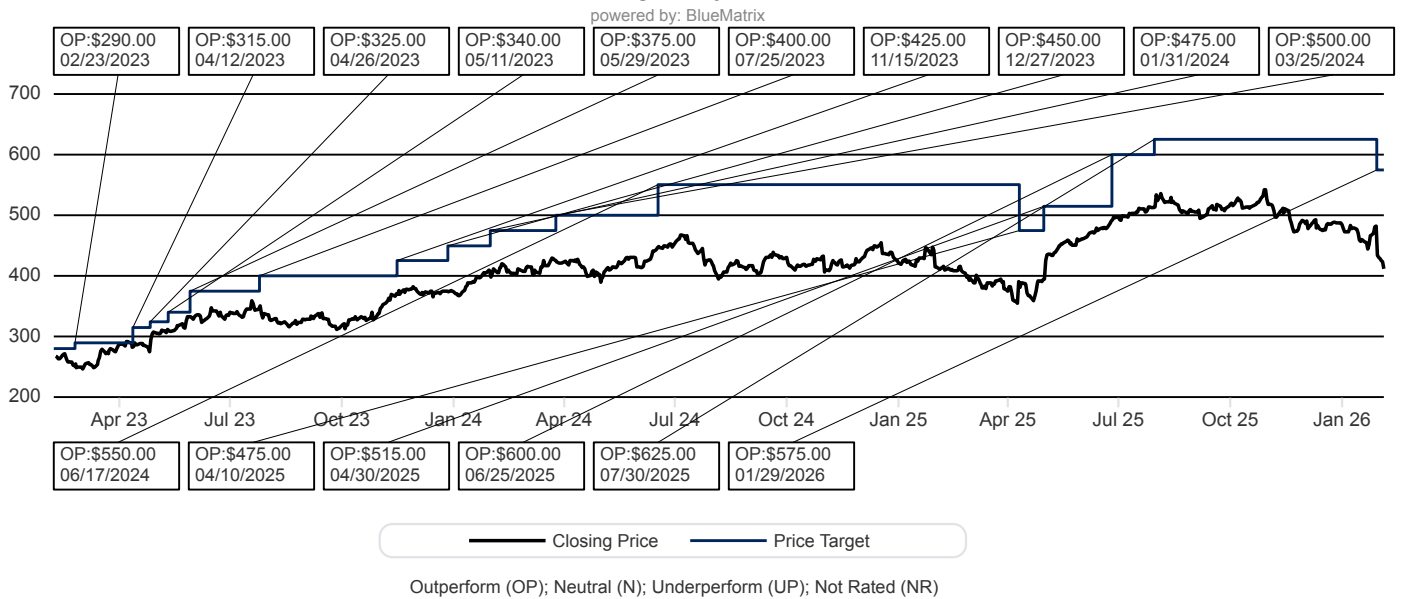
## Price Charts



### CrowdStrike Holdings, Inc. Rating History as of 02-03-2026



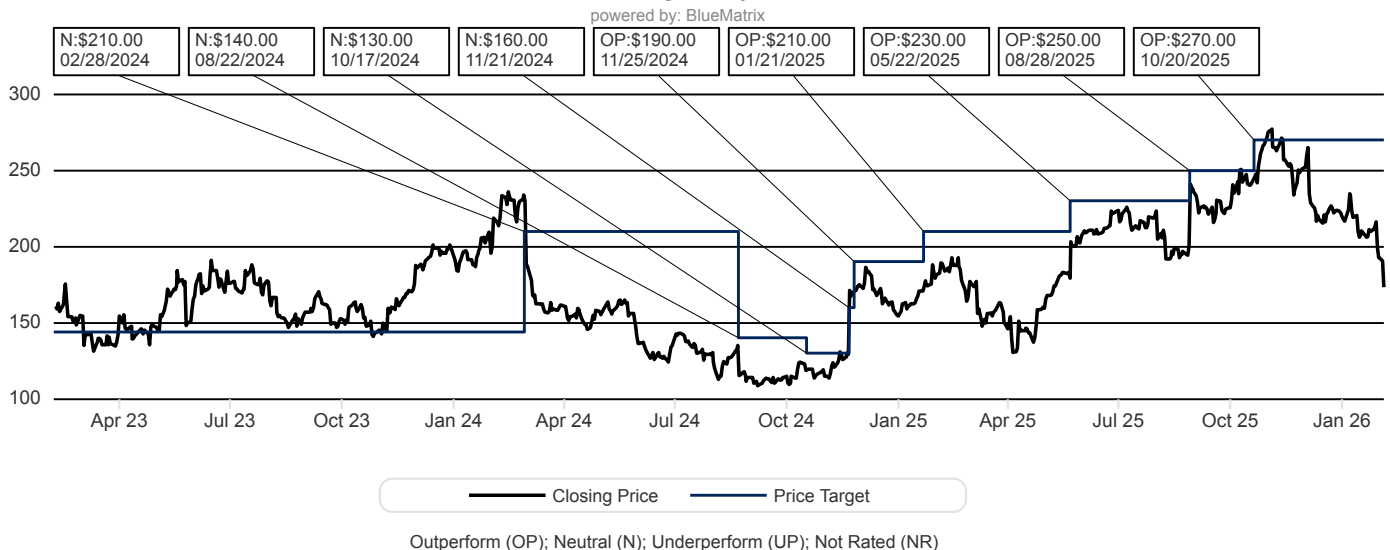
### Microsoft Rating History as of 02-03-2026



### Palantir Technologies Inc. Rating History as of 02-03-2026



### Snowflake Inc. Rating History as of 02-03-2026



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\*WS changed its rating system from (Strong Buy/ Buy/ Hold/ Sell) to (Outperform/ Neutral/ Underperform) on July 14, 2009.

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