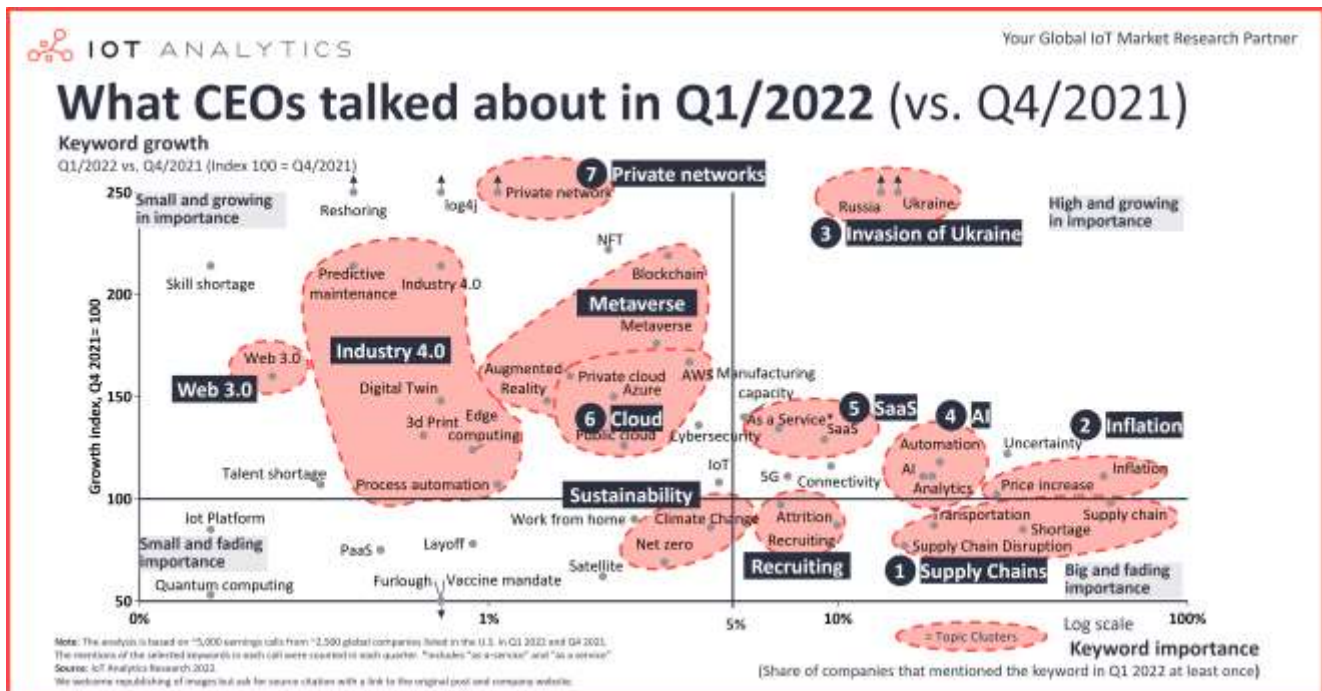


# INSIGHTS RELEASE

## What CEOs talked about in Q1/2022: War in Ukraine, Inflation, and SaaS



### Key insights:

- Inflation and increasing prices were among executives' most-discussed themes in Q1/2022. Other important and increasingly common themes on the CEO agenda were the invasion of Ukraine, AI, SaaS, and the cloud.
- The frequency of supply chain-related topics has decreased slightly but is stabilizing at a very high level.

**Hamburg/Germany, April 12, 2022:** IoT Analytics, a leading global provider of market insights and strategic business intelligence for the Internet of Things (IoT), AI, Cloud, Edge, and Industry 4.0, conducted a keyword analysis of nearly 2,500 earnings calls of US-listed companies and found seven topics of major importance in Q1 2022 that are likely to influence the strategic agenda going forward.

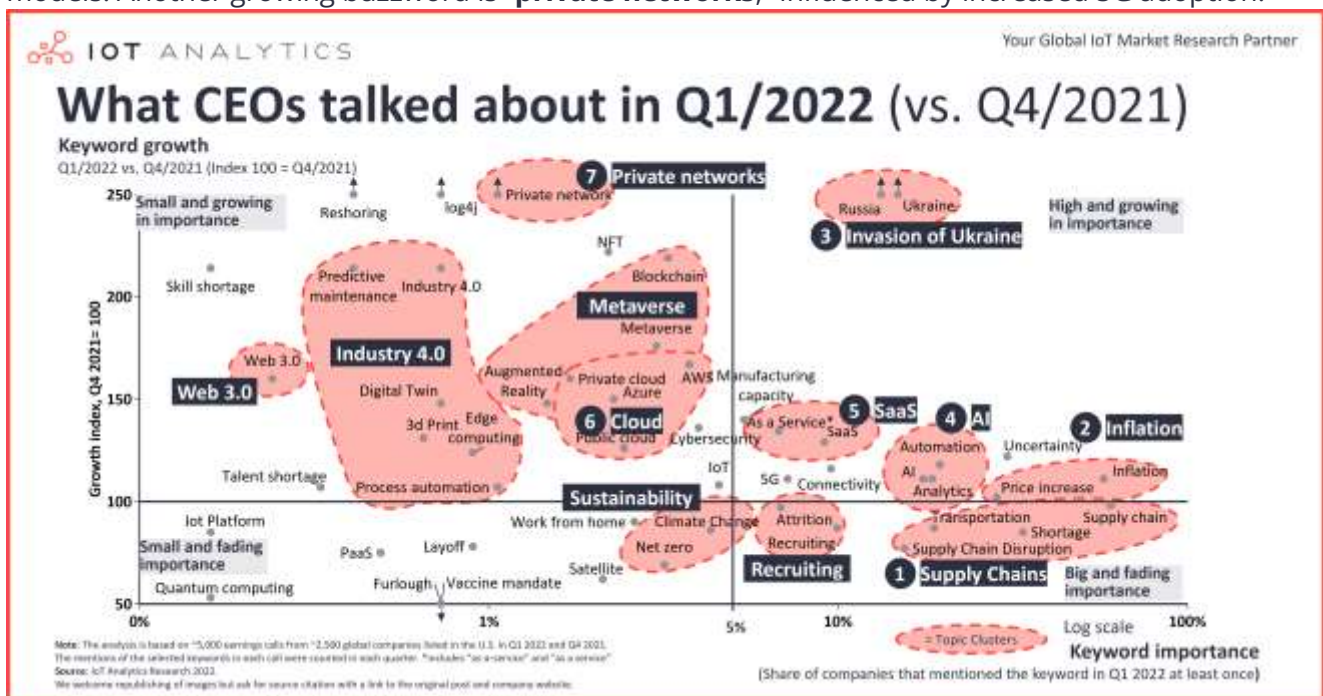
**Philipp Wegner, Principal Analyst at IoT Analytics** says: "In line with our research, at IoT Analytics, keywords such as AI, SaaS, and Cloud increased strongly in Q1 2022. The metaverse and blockchain are also topics that are increasingly present in boardroom discussions."

**Knud Lasse Lueth, CEO at IoT Analytics** adds: "We are living in highly dynamic times. Topics that had little importance in earnings calls 2 years ago have now become majorly important. Those topics include inflation, supply chain disruptions, or Ukraine."

## INTRODUCTION

15% of CEOs talked about **Ukraine** in their earnings calls in Q1/2022 (+2,888% growth compared to Q4/2021); the country has been put into the global spotlight since the Russian invasion. While **disrupted supply chains** are less frequently discussed (-23%) than in Q4/2021, a long-term analysis shows that this topic is still the elephant in the room. Increased input prices across most product groups have fueled discussions about **inflation, which** was mentioned in 57% of all Q1/2022 earnings calls (+11%).

Many companies discussed their **cloud** strategy and new (Software-)as-a-Service-based business models. Another growing buzzword is "**private networks**," influenced by increased 5G adoption.



## | About the analysis

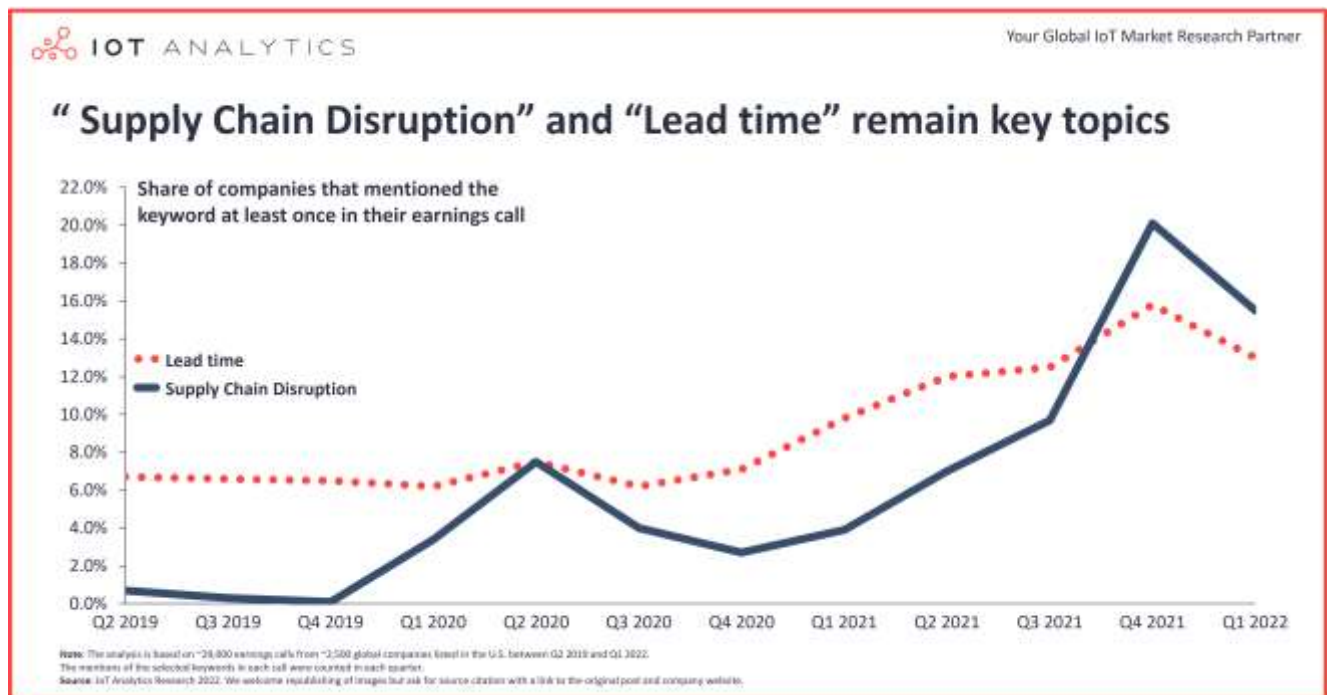
The "What CEOs talked about" analysis highlighted in this article presents the results of IoT Analytics' research involving the Q1/2022 earnings calls of ~2,500 US-listed companies. The resulting visualization is an indication of the digital and related topics CEOs prioritized in Q1/2022. The chart visualizes keyword importance and keyword growth:

**X-axis:** Keyword importance (i.e., how many companies mentioned the keyword in earnings calls in Q1). The further out the keyword falls on the x-axis, the more often the topic has been mentioned.

**Y-axis:** Keyword growth (i.e., the increase or decrease in mentions from Q4/2021 to Q1/2022, indexed to 100). A number >100 on the y-axis indicates the topic has gained importance, while a number <100 indicates the topic has decreased in importance.

**Read our Q4/2021 analysis [here](#).**

## #1 SUPPLY CHAIN DISRUPTION AND LEAD TIMES



15% of companies mentioned supply chain disruption in their earnings calls in Q1/2022—a decrease of 23% compared to Q4/2021. However, supply chain disruption is a long-term issue, and it is too early to declare a massive decline in the topic. Pre-pandemic (Q4/2019), only 0.1% of CEOs discussed this topic; after a peak during the first COVID-19 wave (Q2/2020) and a subsequent small decline, the topic took off again in the second half of 2021. The decline in Q1/2022 does not mean that this topic has left the boardroom; in fact, the opposite is true. Most CEOs expect supply chains to be shaky for the coming months, but there seems to be light at the end of the tunnel.

*“We could have delivered more if it had not been for the supply chain disruptions. This includes component shortages, as well as strained logistics and tightening labor markets. [...] there is some added near-term uncertainty in relation to revenues due to the supply chain disruptions, which we expect to persist near term.”*

*Bjorn Rosengren—Chief Executive Officer, ABB, 3 February 2022*

*“It’s hard to predict 2022 because we still have lingering supply chain — there are still lingering supply chain issues globally. But I think the chip stuff — at least the chip side of things appears to — looks like it will alleviate end of this year or ‘23. I mean, there are a crazy number of chip fabs being built, which is great.”*

*Elon Musk—Chief Executive Officer and Product Architect, Tesla, 27 January 2022*

## #2 INFLATION

58% of companies discussed inflation in their earnings calls (+11% vs. Q4/2021). For comparison: two years ago (Q1/2020), only 18% of companies addressed this topic in the quarterly update. Inflation is on the rise in most economies globally. The increasing cost pressure lowers margins and profits, which in turn leaves less room for investments in innovative technologies. However, companies will look to IoT to improve operations and invest in cost-saving activities. The effect of high inflation on IoT may thus have a cushion. For more information, see our recent blogpost on the [factors affecting the IoT market](#).

*“Over the last four quarters, we’ve seen a consistent decline in gross margin due to inflationary headwinds and the challenges in [the] supply chain. Like others, we’re experiencing significant increases in input and transportation costs, as well as increased costs from our third-party manufacturers.”*

*Jay Rembolt—Vice President and Chief Financial Officer, WD 40, 7 January 2022*

*“We’ll keep addressing inflation by further enhancing our productivity through digital automation as we’ve done over the past few years by leveraging high-margin innovation and naturally by accelerating our value pricing.”*

*Christophe Beck—Chief Executive Officer, EcoLabs, 15 February 2022*

## #3 INVASION OF UKRAINE

The Russian invasion of Ukraine has become a prime topic in boardrooms. 14.8% of companies mentioned Ukraine, up from 0.4% in Q4/2021, and 13.2% mentioned Russia. The impact on the IoT market is expected to be rather low. However, effects on the supply of raw materials for semiconductors could influence the IoT market in the long term, as discussed in a recent [blog post](#) by IoT Analytics. Cybersecurity companies, such as Cloudflare, emphasize the cybersecurity angle of the war. Many Western companies have stopped doing business with or in Russia. This applies to tech companies and consumer brands.

*“We are watching the situation in Ukraine closely. Modern warfare increasingly includes the cyber battlefield. While they don’t generate meaningful revenue, we have onboarded a number of Ukrainian businesses, news outlets, and government organizations in anticipation of potential attacks.”*

*Matthew Prince—Co-Founder and Chief Executive Officer, Cloudflare, 11 February 2022*

*“From a business perspective, we have suspended all shipments into Russia at this time, and we’ll continue to adhere through all relevant sanctions and export controls.”*

*Antonio Neri—President and Chief Executive Officer, Hewlett Packard Enterprise, 2 March 2022*

*“We have suspended all Oracle operations in Russia.”*

*Safra Catz—Chief Executive Officer, Oracle, 11 March 2022*

*“Our own stores and digital commerce operations remain paused in Russia and Ukraine.”*

*Matt Friend—Chief Financial Officer, Nike, 21 March 2022*

## #4 AI AND ANALYTICS

17.5% of companies talked about AI, an increase of 11% since Q4/2021. Slightly more were talking about analytics (18.5%). The importance of AI, ML, and analytics is steadily increasing in all industries. Especially in the context of IoT and the vast amount of data collected by connected sensors, the upside potential is huge. A [2021 survey on IoT adoption](#) showed that only 16% of companies have fully adopted AI as part of IoT projects, while 70% are rolling it out or have a pilot.

*"[.]I think especially in the last year or so, the field of robotics itself has actually changed because — with AI and ML coming to the picture, there's significant developments in the robotics field."*

*Raj Subramaniam—President and Chief Operating Officer, FedEx, 18 March 2022*

*"We see Edge AI penetration increasing sixfold through 2025. So when you think about an autonomous building, there'll be more sensors, more AI deployed, more analytics."*

*George Oliver—Chairman and Chief Executive Officer, Johnson Controls, 2 February 2022*

## #5 SAAS

9% of companies discussed SaaS in their earnings calls. That is a strong increase of 29% since Q4/2021. Most CEOs report strong growth rates of their SaaS revenues and an additional focus going forward. Just last week, our team attended a media/analyst conference by Siemens. SaaS was a key theme, as Siemens has rebuilt a number of legacy software offerings in a cloud-native fashion in the cloud (e.g., their CAD software Siemens NX) and is now seeing thousands of customers switching to the cloud-based SaaS solution every quarter.

*"And again, the key thing for investors is that we're going to continue to invest in top line growth in the business. We see no reason to slow it down. We'll be cognizant related to operating profitability. But you're all aware, base the SaaS model with 80% gross margin, getting to operating profitability, high operating profitability, it's not a difficult thing. Really trying to take advantage of this market is what we're after."*

*Remo Canessa—Chief Financial Officer, Zscaler, 24 February 2022*

*"The interest in digital transformation in SaaS has been driving strong bookings for what is very sticky software, which when layered into a recurring revenue model that is atypical of industry peers, has allowed PTC to deliver performance in excess of market growth rates."*

*Jim Heppelmann—Chief Executive Officer, PTC, 28 January 2022*

*"We don't probably talk about it often enough, but our Forge business, which we've been invested in pretty heavily...their SaaS growth [was] 39% last year."*

*Darius Adamczyk—Chairman and Chief Executive Officer, Honeywell, 3 February 2022*

*"We are building new business models like as-a-service. CNS has already launched the first as-a-service offerings, and this is something that we will expand."*

*Pekka Lundmark—President and Chief Executive Officer, Nokia, 3 February 2022*

## #6 CLOUD

Discussing cloud strategy has become a priority for many CEOs. 2.4% mentioned “public cloud,” and 1.7% talked about “private cloud.” Many earnings calls also discussed partnerships with AWS (3.7%, up 67% since last quarter) and Azure (2.3%, +50%). Earlier this year, IoT Analytics made the case for a \$2 trillion addressable public cloud market. Most CEOs seem to agree that the market is on a high growth trajectory.

The main hyperscalers, and especially AWS and Microsoft Azure, are also doubling down on IoT. The three leading global hyperscalers (**AWS, Microsoft, and Google Cloud**) hold more than 80% market share for global public cloud services—specifically for IoT workloads.

*“We have several growth drivers in data centers. There’s hyperscale, public cloud, enterprise core, and enterprise edge.”*

*Jensen Huang—President and Chief Executive Officer, Nvidia, 17 February 2022*

*“And at Palo Alto Networks, I will tell you, our consumption of public cloud has always outstripped our forecast because of the success we’re seeing in our NGS portfolio.”*

*Nikesh Arora—Chairman and Chief Executive Officer, Palo Alto Networks, 22 February 2022*

*“And as we talked about in our prepared remarks, [the] cloud market is absolutely taking off. AWS sees the cloud market at 5% to 15% penetrated. And this is at or past the point on the S-curve where markets really cross the chasm and accelerate. So [we see] great potential in multicloud, both on the private cloud side and on the public cloud side.”*

*Kevin Jones—Chief Executive Officer, Rackspace, 23 February 2022*

## #7 PRIVATE NETWORKS

IoT Analytics’ coverage of Mobile World Congress 2022 showed that one of the key themes was the shift from a consumer focus toward holistic social and business digital transformation. Most value chain players are now looking toward enterprise and industrial sectors as new opportunities. For them, the key to enterprise and industrial cellular adoption is often through private networks (most notably private 5G). Private networks are also more frequently discussed in earnings calls. 1.1% of all earnings calls discussed private networks (+152%).

*“And the converged offers in some cases are actually happening today, especially in the mid and upper part of the market. We bundle both wireless and fixed together on the same paper. And I think you’re going to now start to see things that are occurring in private networking that extend into the business space. We already are starting.”*

*John Stankey—Chief Executive Officer, AT&T, 26 January 2022*

MORE INFORMATION AND FURTHER READING

[www.iot-analytics.com/research-blog](http://www.iot-analytics.com/research-blog)

FOR FURTHER INQUIRIES

Please reach out to [press@iot-analytics.com](mailto:press@iot-analytics.com)