Battery

APRIL 2025

State of Enterprise Tech Spending

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Market Volatility Post Survey Data Collection

We conducted the survey in late March 2025, prior to the Trump administration's tariff announcement on April 2.

While the subsequent market volatility may impact buyer sentiment score—particularly in sectors with greater exposure to tariffs—most enterprise IT budgets aren't subject to major revisions due to short-term macroeconomic factors. In some categories, IT spending may be actually accelerated by such forces—for instance, investments in AI or cloud for modernization and reducing risk to future development. The technology sector's tariff risk is also not yet known.

Tech Spend Steady Amid Continued AI Enthusiasm

TECH SPEND OUTLOOK

1. TECH BUDGET GROWTH SLOWS, REMAINS NET POSITIVE

74% of enterprises expect tech budgets to rise (vs. 55% in Q1 2024), yet sentiment declined from 65.1 to 55.78. Approval times are slowing (30% report delays) and 50% are adopting more conservative strategies.

2. CLOUD VS. ON-PREM HITS AN INFLECTION POINT

54% of enterprises still have a majority of compute on-prem. However, 73% are either accelerating or continuing their move to the public cloud. VMware pricing changes are pushing 38% to re-evaluate or move to hybrid/cloud-first models.

AI INVESTMENTS STAY STRONG

3. CORE SYSTEM OVERHAULS & AI UPGRADES DRIVING INVESTMENT

38% are rebuilding core enterprise systems, with 63% citing dissatisfaction with existing vendors. AI-powered upgrades are gaining traction, with a noticeable tilt toward new vendors for GenAI capabilities across CRM, ITSM and Contact Center Systems.

4. GENAI & AGENTIC AI NOW TOP ENTERPRISE PRIORITIES

GenAI has overtaken cloud as the #1 CXO priority for 2025. AI/ML budgets are rising, with 60% planning increases—90% of them citing GenAI as the driver. Agentic AI adoption is also ramping fast, with 46% actively deploying or in R&D.

BRINGING AI TO LIFE

5. PRODUCTION AI USE CASES TRIPLE, BUT GAPS REMAIN

AI deployments grew significantly: Production use cases surged from 5.5% in Q3 2024 to 16% in Q1 2025. However, adoption still trails expectations, with in-house expertise and observability infrastructure emerging as key blockers.

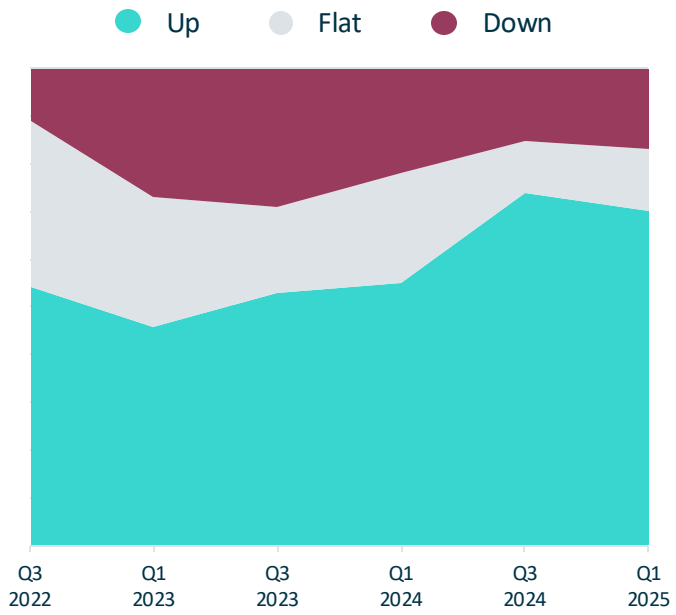
6. AI-POWERED CYBERSECURITY IS GAINING GROUND, BUT STILL EARLY

AI-powered cybersecurity is gaining traction, but investment remains early-stage. 71% of enterprises allocate under 10% of their security budget to AI-driven solutions, and less than 20% have dedicated budget for securing or governing AI systems, though over a third are experimenting with both.

Source: Battery Q1 2025 Cloud Software Spending Survey

Budgets, AI Use Case Identification and Agentic AI

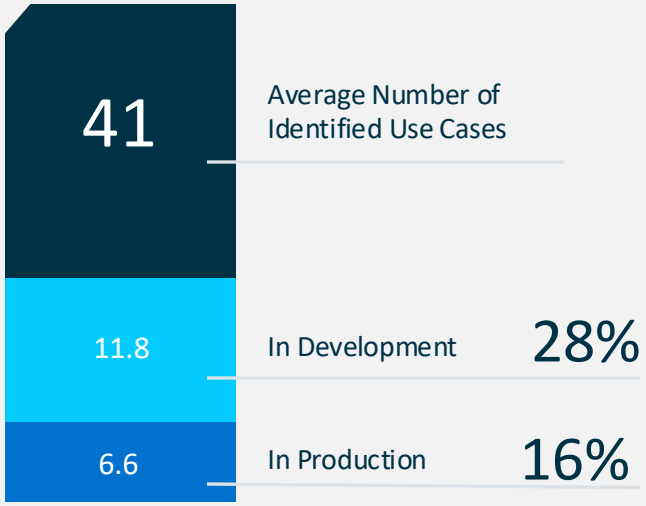
BUDGETS REMAIN STEADY



70% of organizations report an increase in their 2025 technology budgets compared to 2024. Only 17% of respondents expect any decline - 76% cite vendor consolidation. Enterprises are prioritizing investments in emerging technologies like AI, cloud and automation.

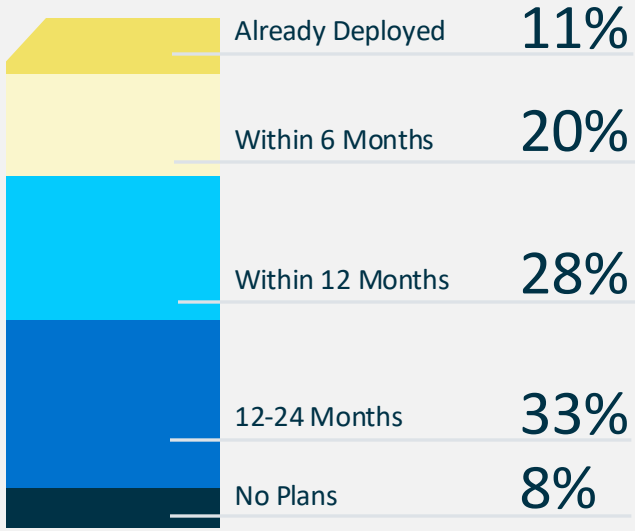
AI WAVE STILL BUILDING

STATUS OF GEN AI ADOPTION OF USE CASES, Q1 2025



Over the past six months, we've seen a significant leap forward in how enterprises are operationalizing AI. The average number of GenAI use cases identified per company has jumped from **36.5 to 41.0, with a 2x increase in use cases under development and a 3x surge in those in production**.

AGENTIC AI DEPLOYMENT



Agentic AI is quickly shifting from buzzword to budget line. As enterprises increasingly adopt Agentic AI frameworks—designed to reason, act and learn autonomously—technology leaders are allocating fresh budget toward a new class of tools built to augment human capabilities, not just automate workflows.

Source: Battery Q1 2025 Cloud Software Spending Survey

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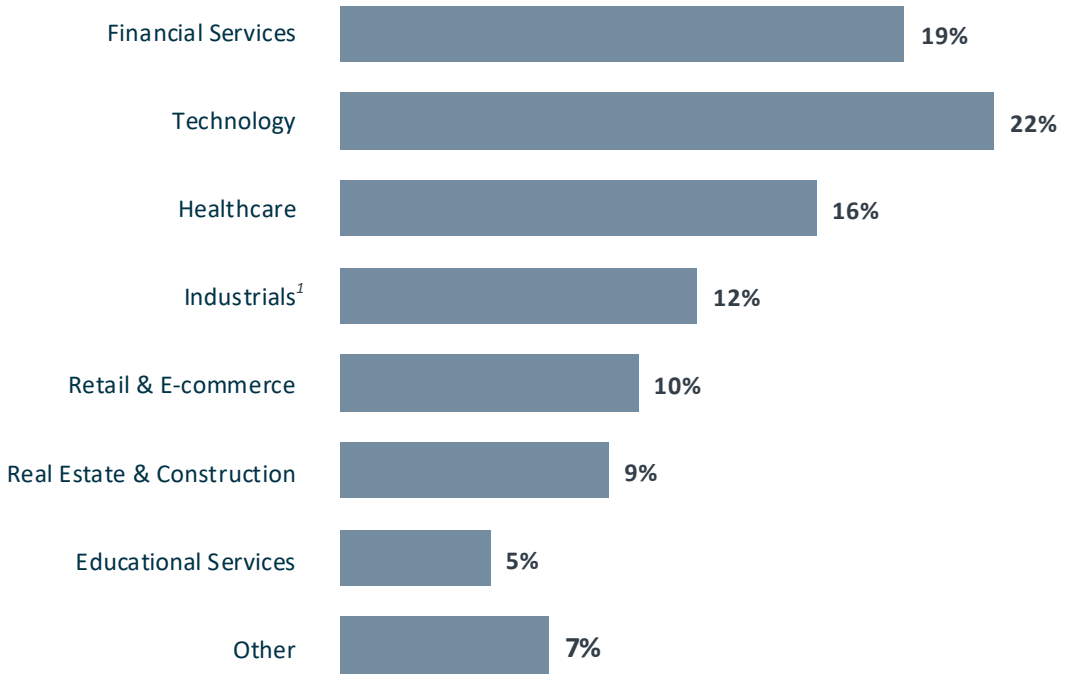
Demographics and Macro Trends

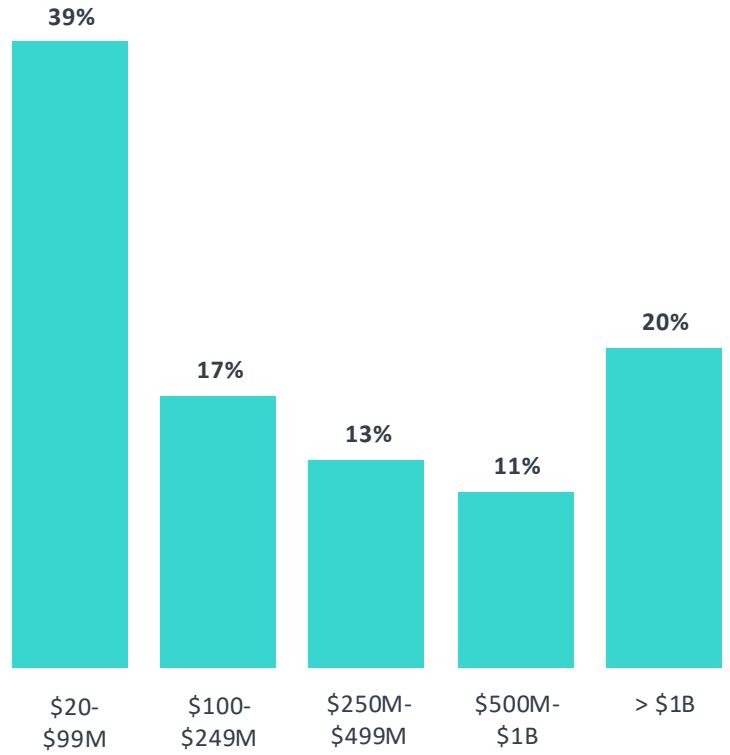
Survey Composition

- The Battery State of Enterprise Tech Spending survey saw participation from **100 CXOs representing over $36B in annual technology spend**.
- **61%** of respondents spend **$100M+ on cloud infrastructure, application software, data platforms and ML tooling**.
- **89%** of respondents are from **companies with 1,000+ FTEs** in industries such as financial services, technology, healthcare and manufacturing.

INDUSTRY REPRESENTATION



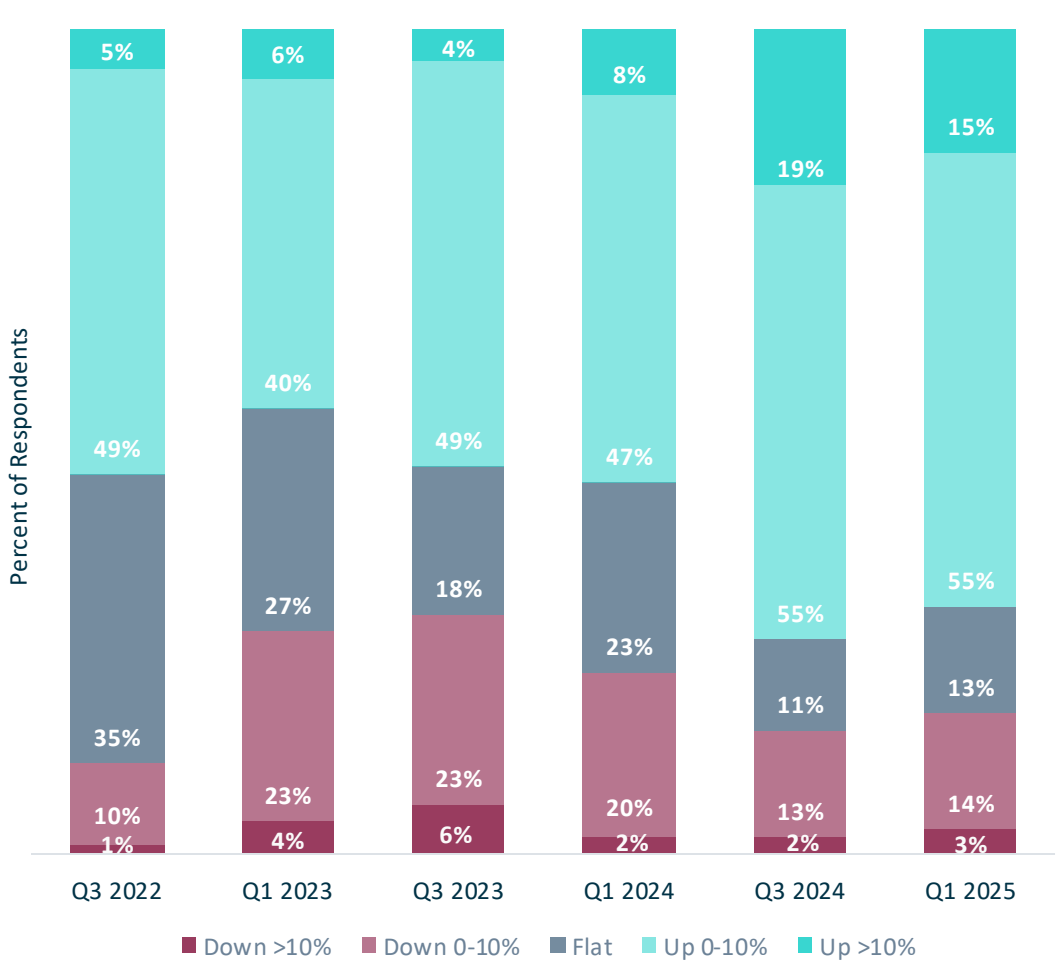
BUDGET DISTRIBUTION: TOTAL TECHNOLOGY SPEND PER COMPANY



Source: Battery Q1 2025 Cloud Software Spending Survey, Notes: 1) Industrials segment includes aviation, construction, utilities, manufacturing, transportation and warehousing. 2) Annual technology spend calculated based on mid-point of total technology budget.

Technology Budget and Spending Trends

POSITIVE MOMENTUM IN CXO BUDGET PLANS



BUDGET DISTRIBUTION: TOTAL TECHNOLOGY SPEND

1. In comparison to **Q3 2024 overall budgets are stable: 70% vs. 74%** expect budget increases, with AI (Generative & Agentic) a meaningful contributor to spend.

2. For companies with decreasing technology budgets, **76% cite vendor consolidation as the main driver**. Startups will need to articulate clear ROI and value for enterprises during renewals.

3. **Generative AI deployment plans are influencing budget**. 42% of organizations increasing budgets plan to implement GenAI over the next 12 months vs. 35% for those with decreased budget.

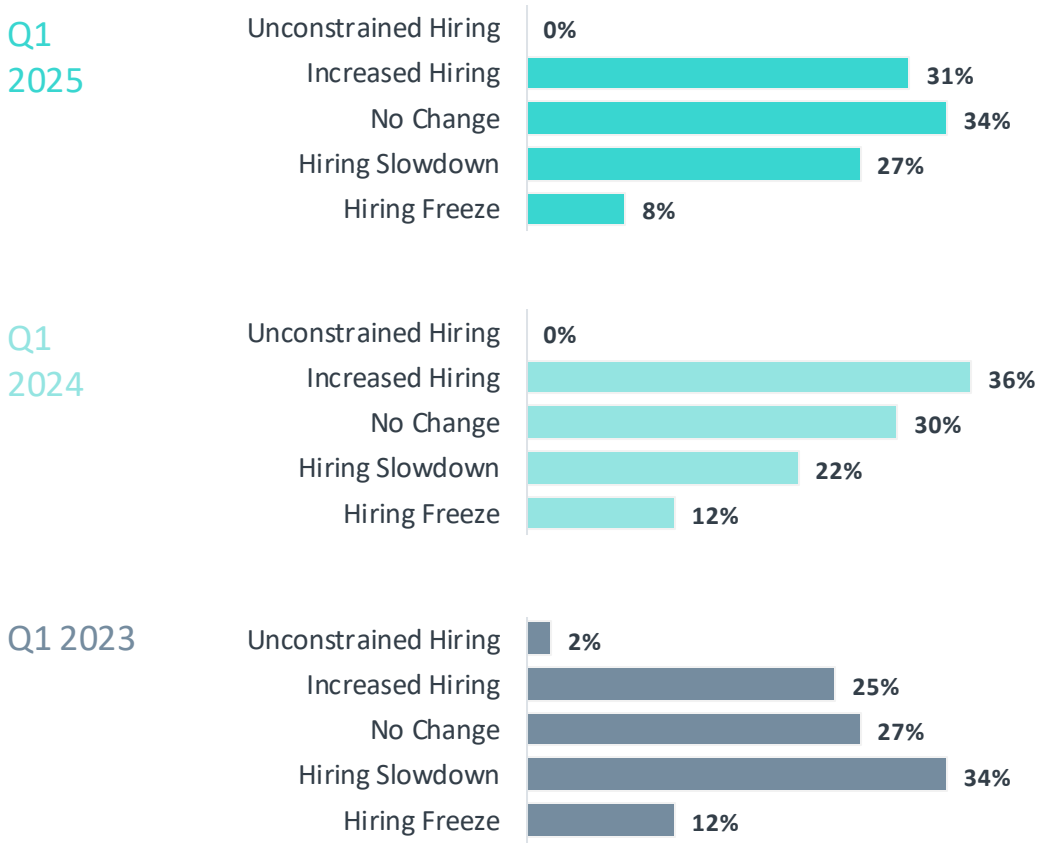
4. Of those companies with budgets increasing, **36% indicate an over 25% increase to AI/ML budget due to Generative AI.**

5. For SaaS contract renewals, a **Generative AI component matters. 29% of respondents rated GenAI high (above 7)** and 59% rated it above 5 on a 10-point scale of importance.

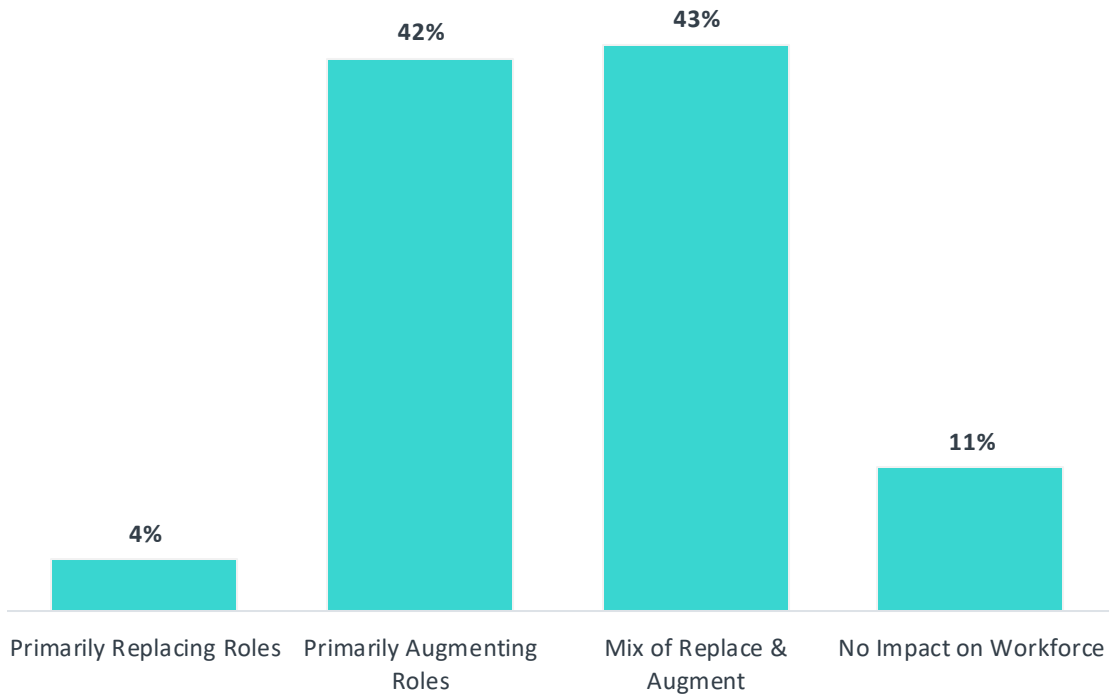
Source: Battery Q1 2025 Cloud Software Spending Survey

Agentic AI – Augmentation vs. Replacing Humans

HIRING PLAN



DO YOU FORESEE AGENTIC AI REPLACING OR AUGMENTING HUMAN ROLES IN YOUR ORGANIZATION?



Agentic AI is seen as an investment in efficiency of human capital rather than an overall reduction in workforce initiatives.

Source: Battery Q1 2025 Cloud Software Spending Survey

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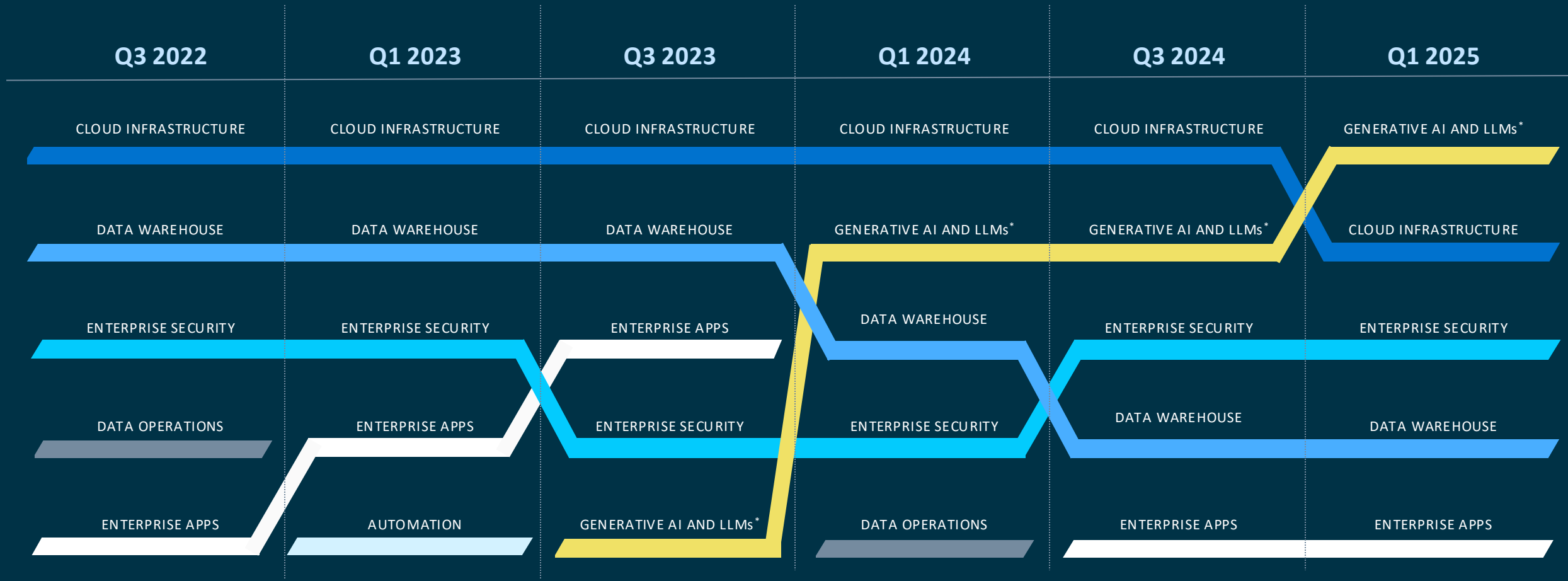
Priorities for 2025 Budget Planning

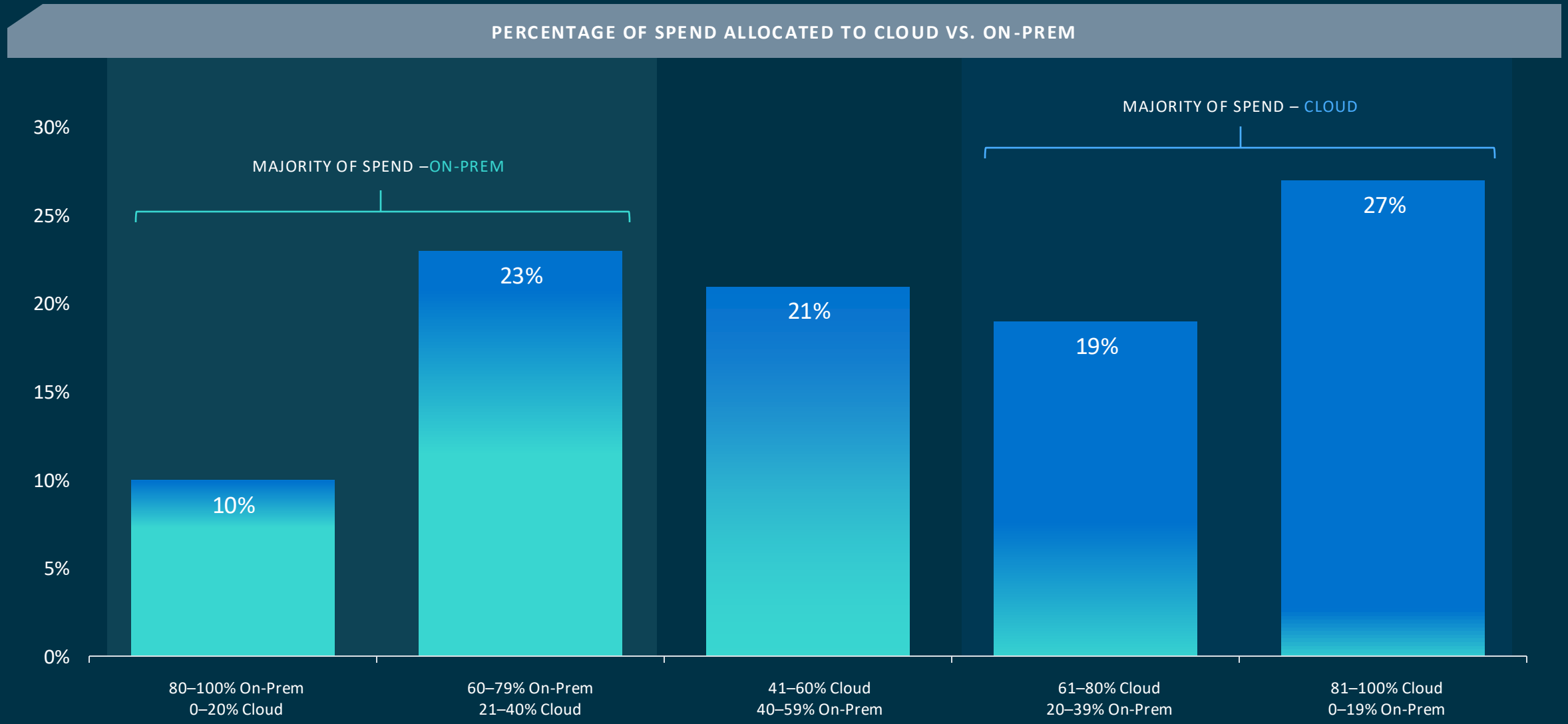
Top 5 CXO Spending Priorities (Next 12 Months)



Generative AI and LLMs have emerged at the top spending priority, surpassing foundational categories which drove innovation and spending over the last decade like cloud infrastructure and enterprise apps.

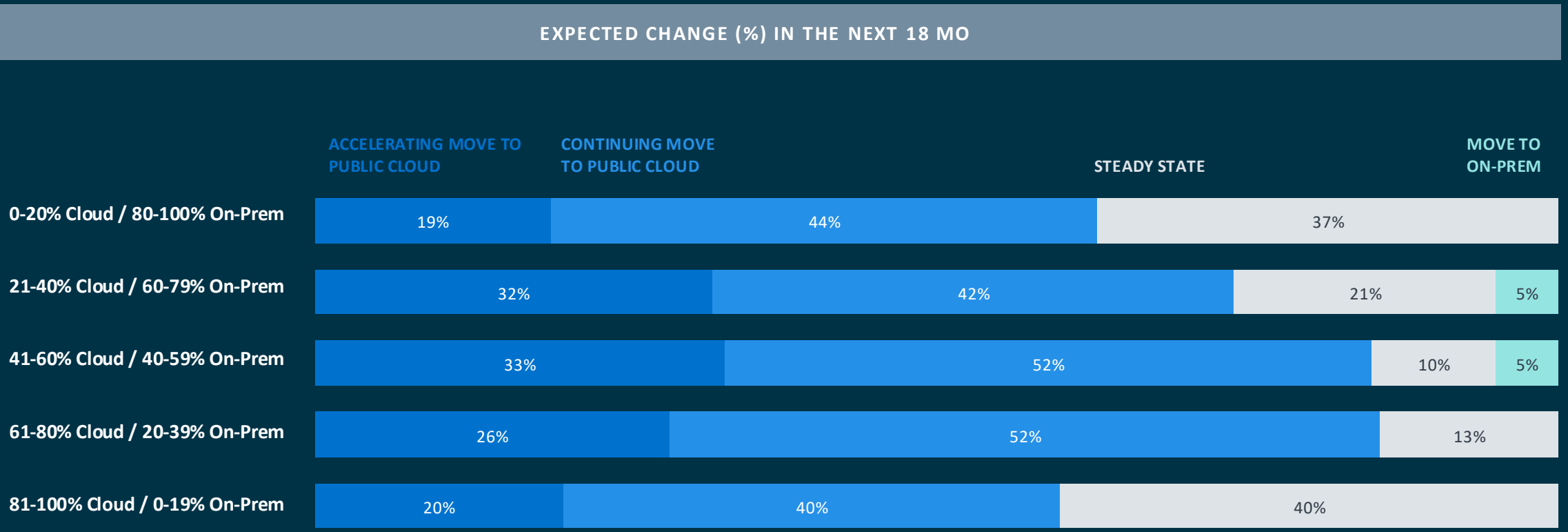
Source: Battery Q1 2025 Cloud Software Spending Survey
* Note: Generative AI and LLMs were new priority option in Q3 2023 Survey

Trend on Cloud and Cloud Compute



Source: Battery Q1 2025 Cloud Software Spending Survey

Cloud Tipping Point: Infrastructure Strategies in Transition

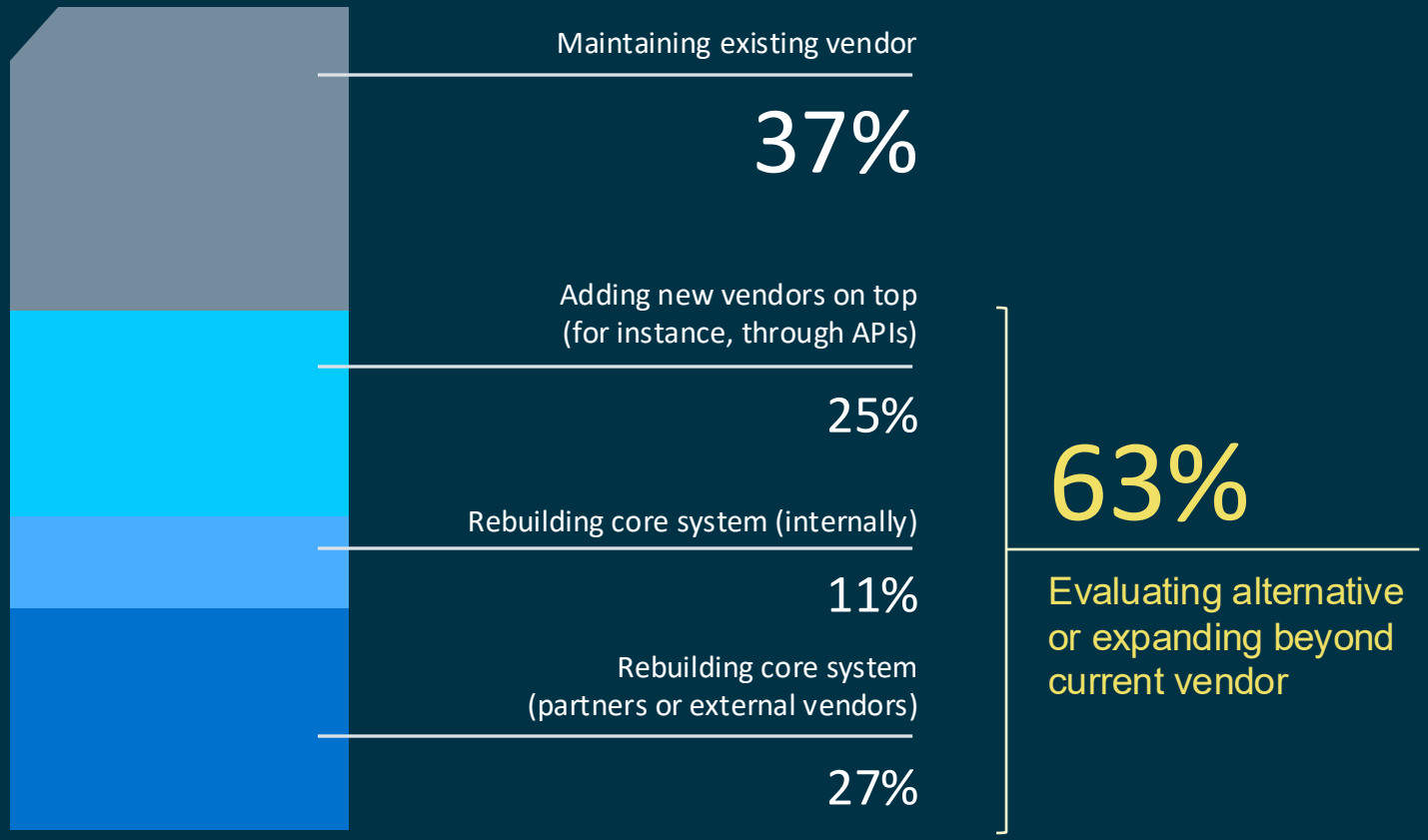


The balance between on-prem and cloud compute is reaching a critical tipping point—driven not just by cost or performance, but by AI. Over a quarter of enterprises are accelerating their move to the cloud, with generative and agentic AI acting as powerful incentives. AI is a driving force for move to cloud – 58% of those that are more than 60%+ on cloud currently implemented Generative AI vs. less than 40% for those with over 40% of there workloads on-prem. VMware's recent pricing hike appears to be driving a transformative push from on-prem to cloud infrastructure.

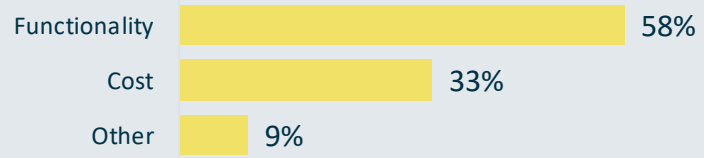
Source: Battery Q1 2025 Cloud Software Spending Survey

Core Enterprise Systems

APPROACH TO CORE SYSTEMS OVER THE NEXT 2 YEARS



Driver for core enterprise system refresh is functionality

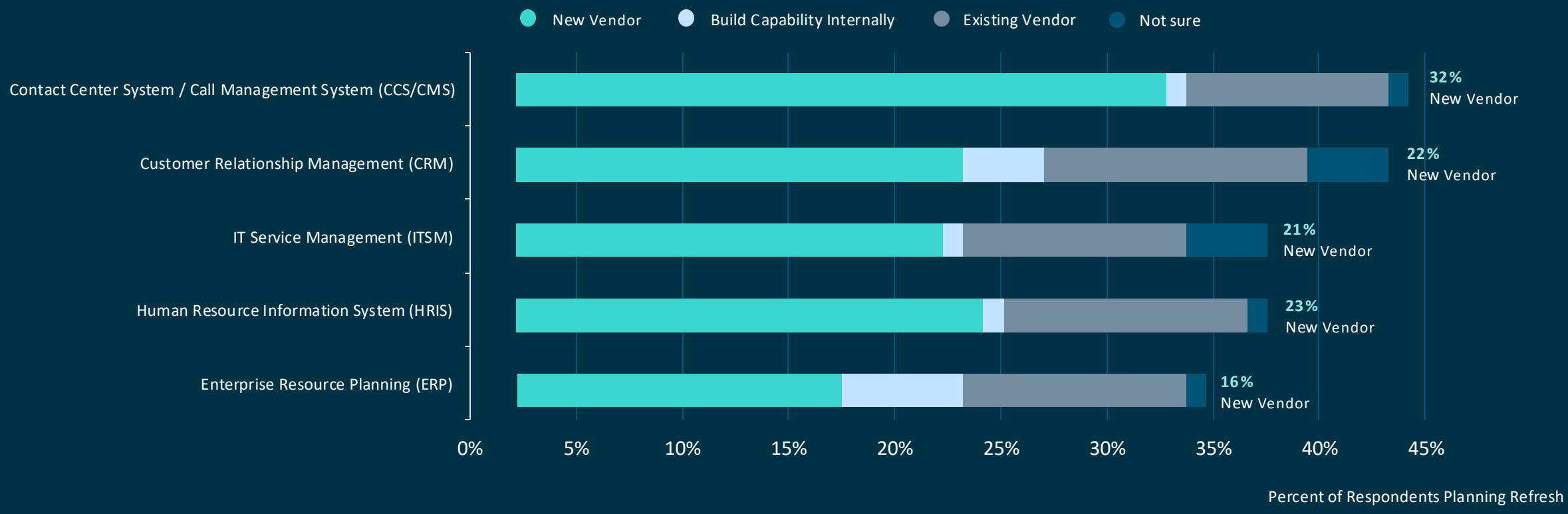


1. Many critical enterprises systems, like core banking applications or hotel reservation systems, have been in place for over a decade. **38% of enterprise execs are looking to rebuild their core system(s) within the next 2 years** to ensure modern functionality.

2. Enterprises with budgets over **$500M are most aggressive about rebuilding core systems. 71% of these deep-pocketed respondents are evaluating extending or rebuilding,** and 58% are looking to rebuild their core system entirely, rather than maintain or just extend through APIs.

GenAI Fuels Demand Across Horizontal Applications

CORE ENTERPRISE SYSTEMS PLANNED TO BE REFRESHED IN THE NEXT 2 YEARS

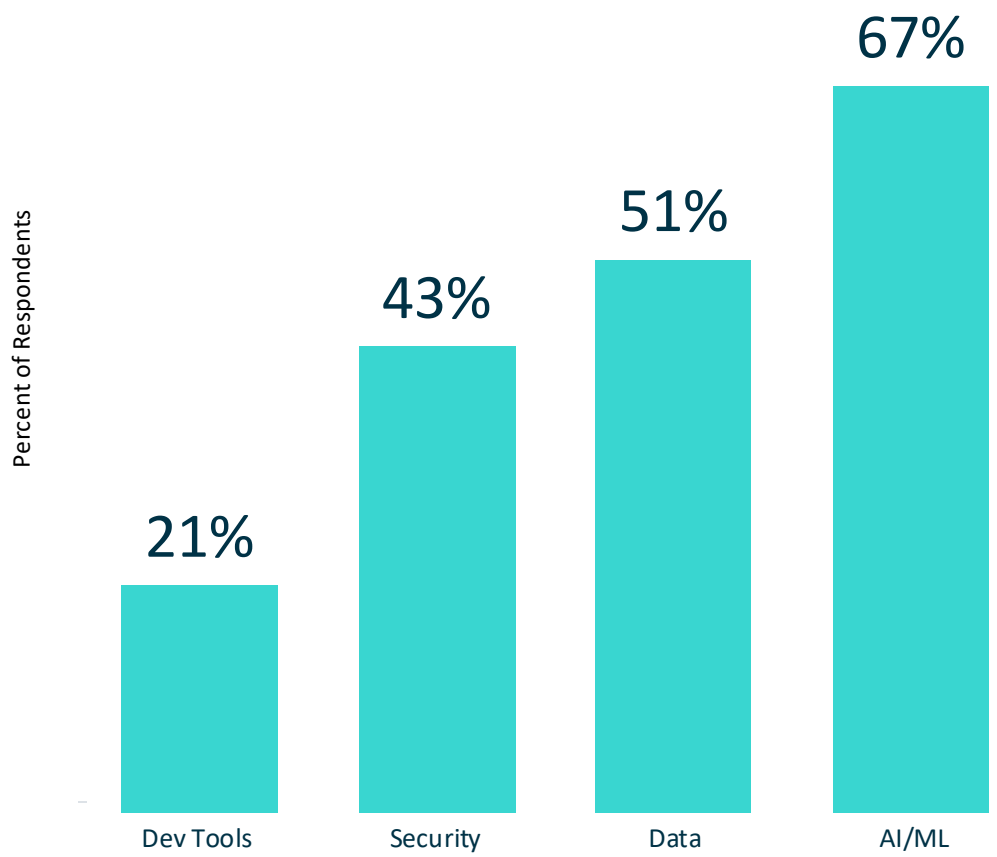


Given the rapid innovations in AI, more startups are challenging incumbents in enterprise applications, and with AI-native companies rapidly deploying new technologies, enterprises are taking notice. **57% of enterprises are planning to refresh major systems such as ITSM, ERP, CRM and HRIS**. Enterprises are more likely to purchase Generative AI capabilities from new vendors (22-32%) rather than relying on existing partners.

Source: Battery Q1 2025 Cloud Software Spending Survey

Trends in Spending by Category (Next 6 Months)

GROWTH IN CXO BUDGET PLANS OVER NEXT 6 MONTHS



WHERE ARE BUDGETS MOVING?

We asked respondents to forecast budget trends over the next six months. AI/ML, Data and Security saw the most significant increases.

AI/ML Takes the Lead: A strong 67% of enterprises plan to increase their AI/ML budgets, in an effort to enhance efficiency, automate workflows and extract deeper insights from growing data volumes. Generative AI and LLM initiatives fuel the momentum further. Of those enterprises increasing AI/ML spend, 90% cite GenAI as driver, with an average 30% boost to budgets attributed to focus on scaling Generative AI initiatives.

Data and Security Remain Essential: As data volumes soar and cyber threats become more complex, 43% of enterprises expect to increase their security spend, while 51% will grow their data-tooling investments. This growth far exceeds the modest 21% rise in spend on developer tools, reflecting a shift toward risk mitigation and governance.

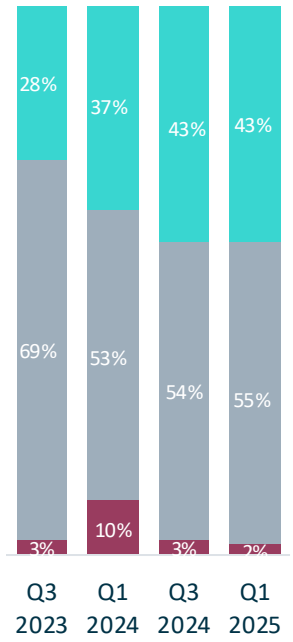
Opportunities for Startups: 70% of enterprises are increasing their overall budgets and most respondents are prioritizing emerging tech. Enterprises are proactively exploring new solutions in AI/ML, data and security, frequently outside existing vendor relationships. This spells opportunity early-stage companies positioned in these fast-moving sectors.

Source: Battery Q1 2025 Cloud Software Spending Survey

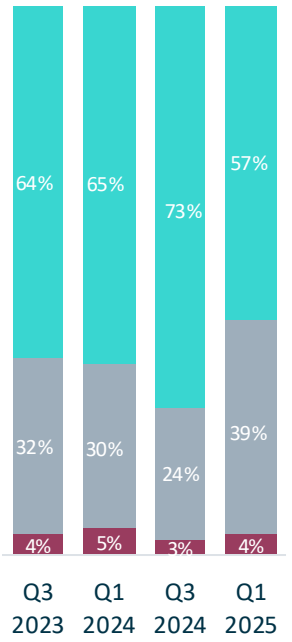
Expected Software Spending Change by Category

SECURITY

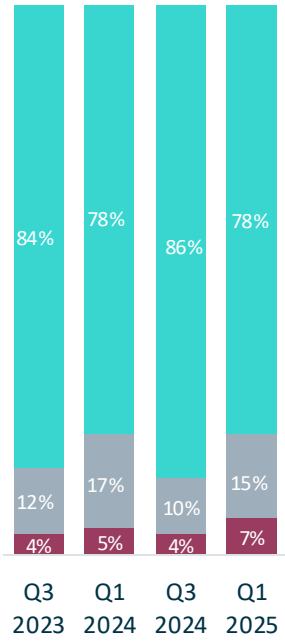
Next 6 months



Next year



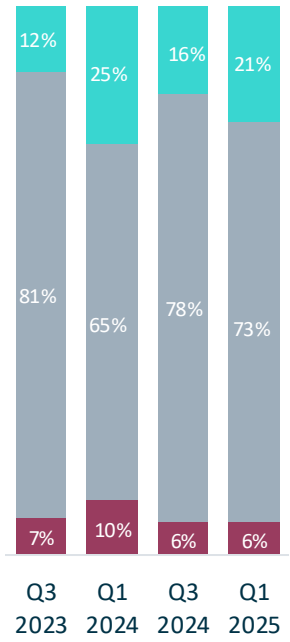
Next 5 years



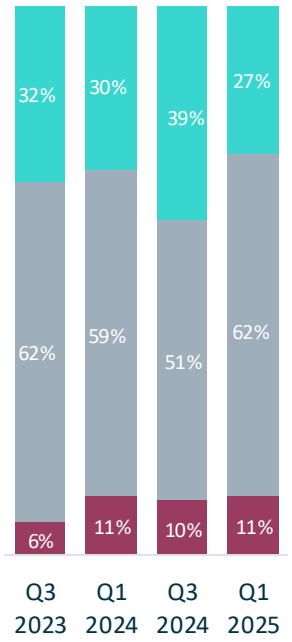
Despite broader economic conservatism, security spend is holding strong. Enterprises anticipate **incremental increases across all time horizons as threat complexity rises and AI adoption introduces new risk vectors**.

DEV TOOLS

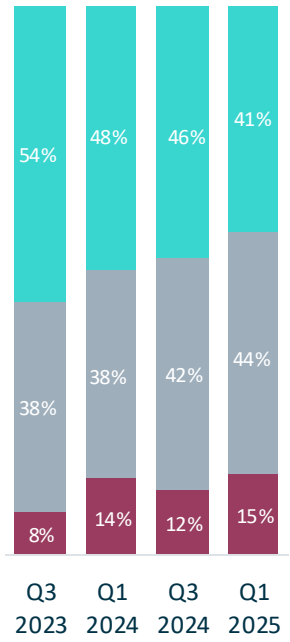
Next 6 months



Next year



Next 5 years



Budget shifts as developer tools spending continued to shrink, engineering teams are still getting funded—just through AI initiatives. 73% of orgs are implementing AI in software development, often augmenting legacy spend with higher-ROI capabilities like code gen, orchestration, and productivity boosts..

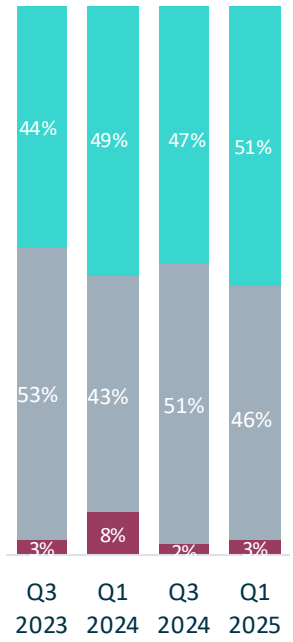
Increase Spend No Change in Spend Decrease in Spend

Source: Battery Q1 2025 Cloud Software Spending Survey

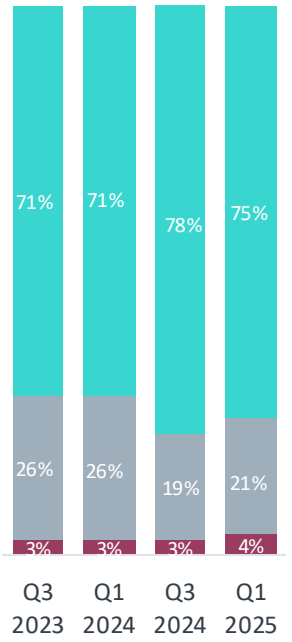
Expected Cloud Software Spending Change by Category

DATA

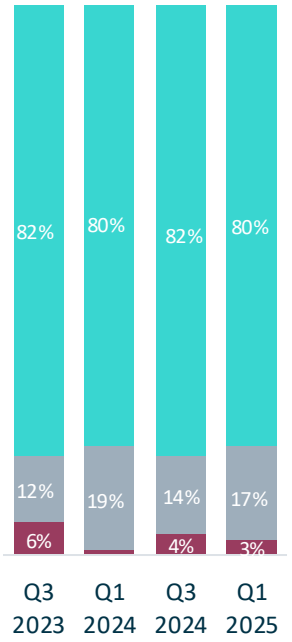
Next 6 months



Next year



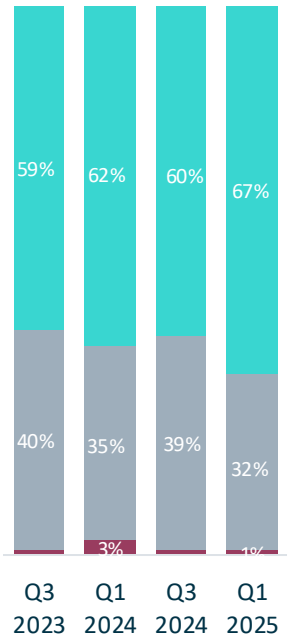
Next 5 years



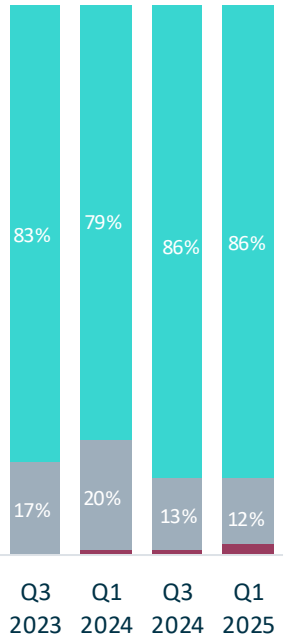
Enterprises are steadily investing in data infrastructure, with budgets expected to grow over the next 6 months, 1 year and 5 years. This reflects **rising urgency around data quality, governance and pipeline modernization**.

AI/ML

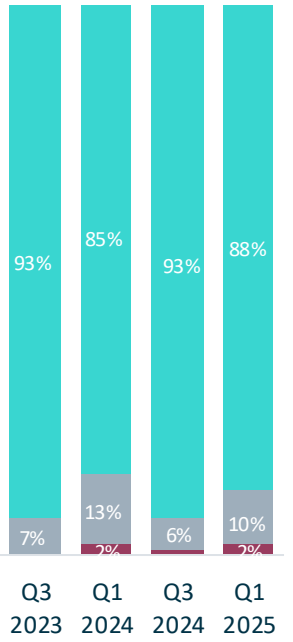
Next 6 months



Next year



Next 5 years



Among companies increasing AI/ML budgets, **90% cite GenAI and Agentic AI initiatives as the primary drivers.** This signals strong conviction in AI's long-term impact despite modest deployment maturity.

Increase Spend No Change in Spend Decrease in Spend

Source: Battery Q1 2025 Cloud Software Spending Survey

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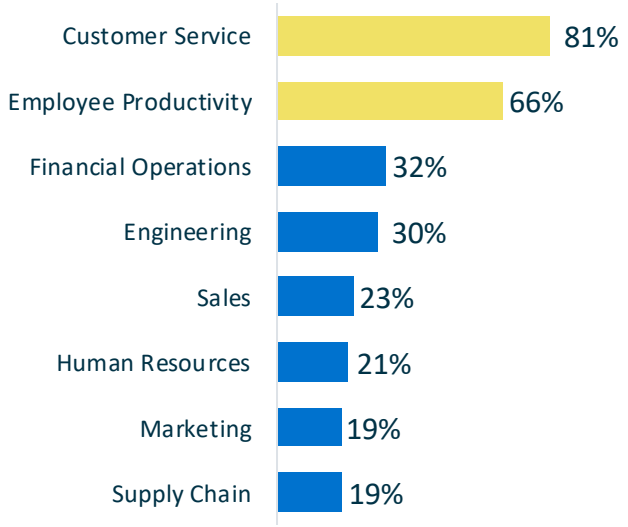
AI Adoption Wave: Scaling AI

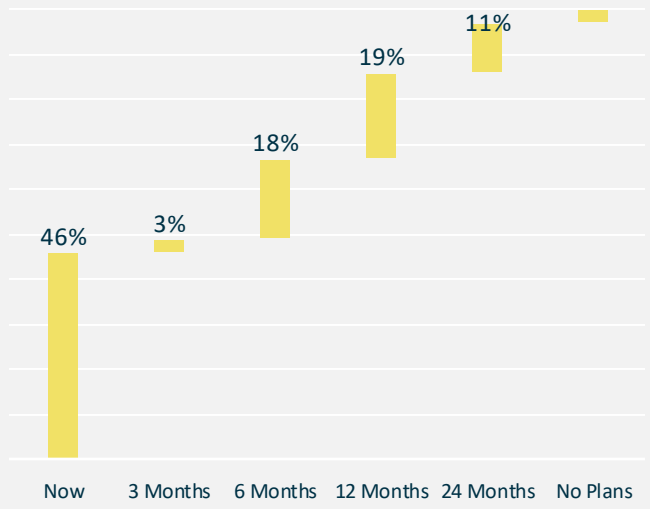
AI is Finally Accelerating Out of First Gear

TOP GEN AI FOCUS AREAS



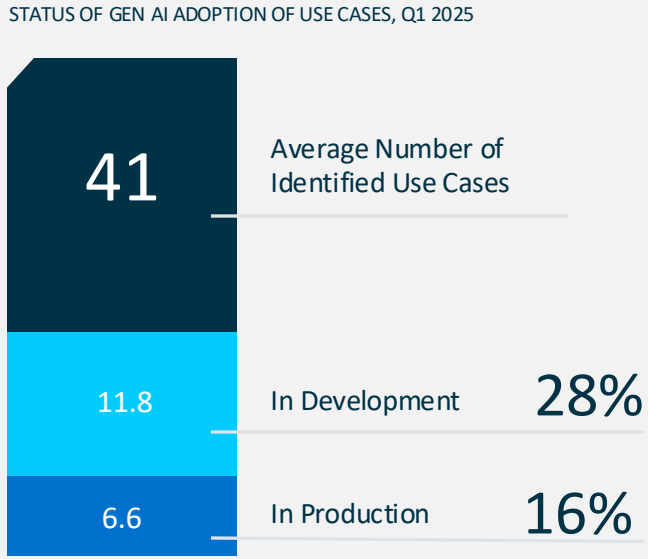
Top focus areas for Generative AI in the enterprise directly impact revenue, workforce efficiency and customer satisfaction—three critical business drivers. In customer service, GenAI powers intelligent agents that deliver faster, contextual support and reduce workloads through deflection and automation.

DEPLOYMENT CYCLE



Generative AI is moving beyond early adopters and the early majority. What began as experimentation and isolated use cases is now shifting toward broad integration, scaled workloads and meaningful enterprise spend. The early majority drove initial curiosity and piloting. Now we're reaching the inflection point where scaled deployment—and the dollars to match— take center stage.

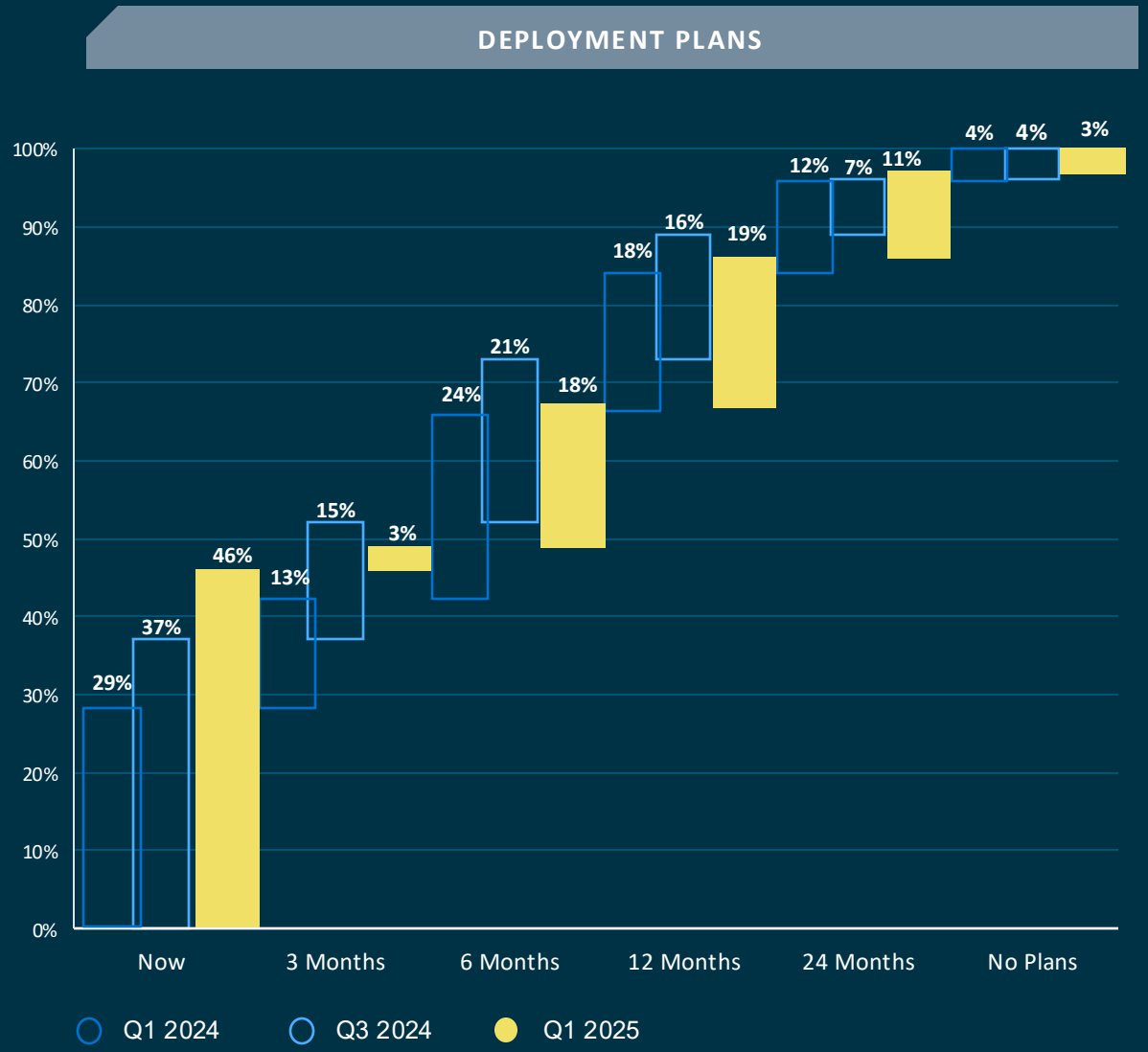
AI USE CASES



AI use cases in production have tripled, growing from 2 to 6.6 on average across 100 enterprises. This sharp rise marks a shift from experimentation to execution, as confidence in GenAI's business impact grows. While many projects remain in development, the surge in production highlights the need for tooling that ensures reliability, governance and performance at scale.

Source: Battery Q1 2025 Cloud Software Spending Survey

Production Deployment for Generative AI



Still Early In Evolution & Cycle– What's Next?

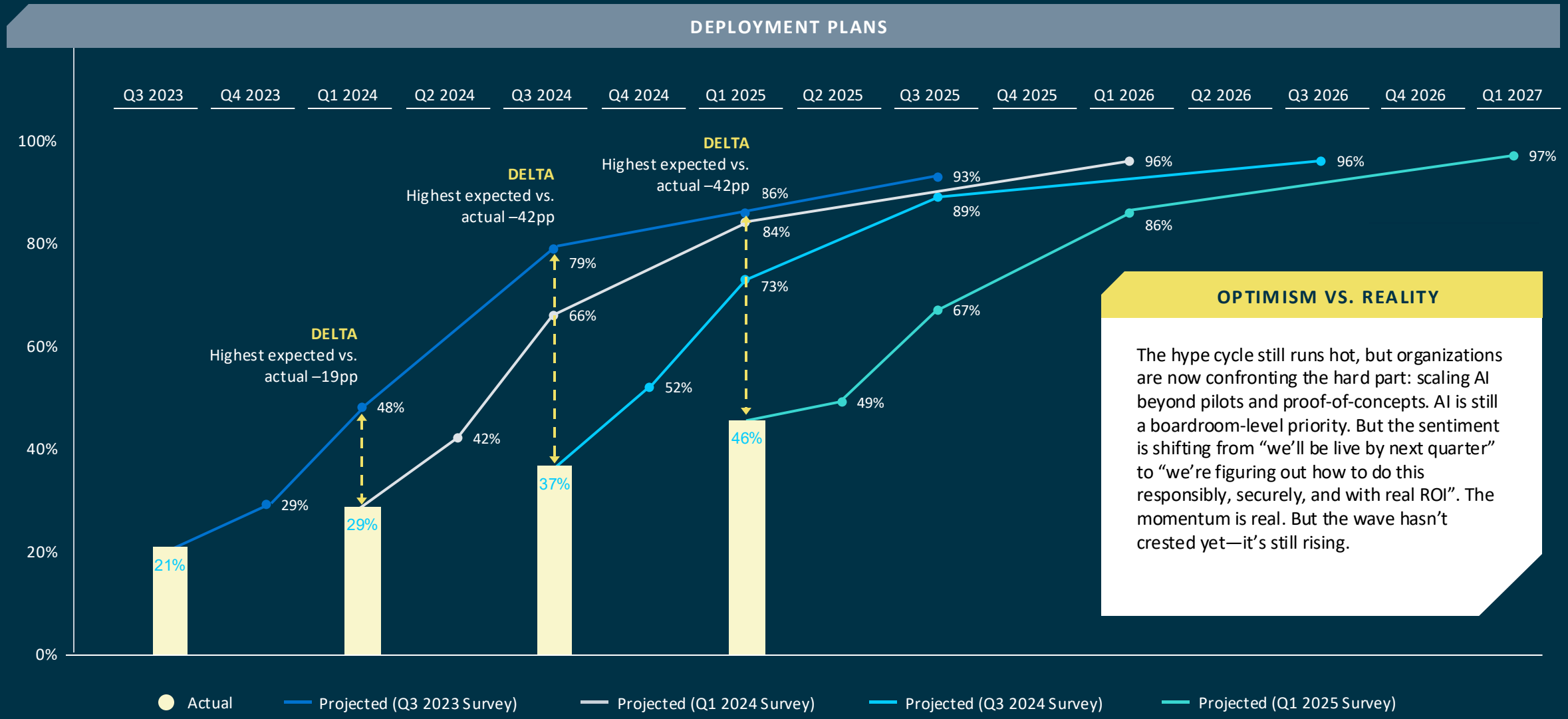
1. Generative AI **optimism continues, but deployment lags. Only 46% of enterprises have models in production today**— far below the aggressive timelines expected in early 2024. but 8 percentage points higher than our last survey.

2. AI skepticism is waning. Only 11% of CXOs now expect AI deployment to take over 2 years or not to happen at all— **down 5 points from Q1 2024 and 10 points from Q3 2023.**

3. Momentum is building, but moving past the early majority typically takes time. AI may resemble other adoption curves and slow over the next 3-6 months, with new enterprises adoptions slowing and longer-term plans to implement remaining high. An **additional 40% of enterprises plan to deploy within the next 12 months.**

Source: Pitchbook Data | Source: Battery Q1 2025 Cloud Spending Survey

Timeline Expectations for Generative AI



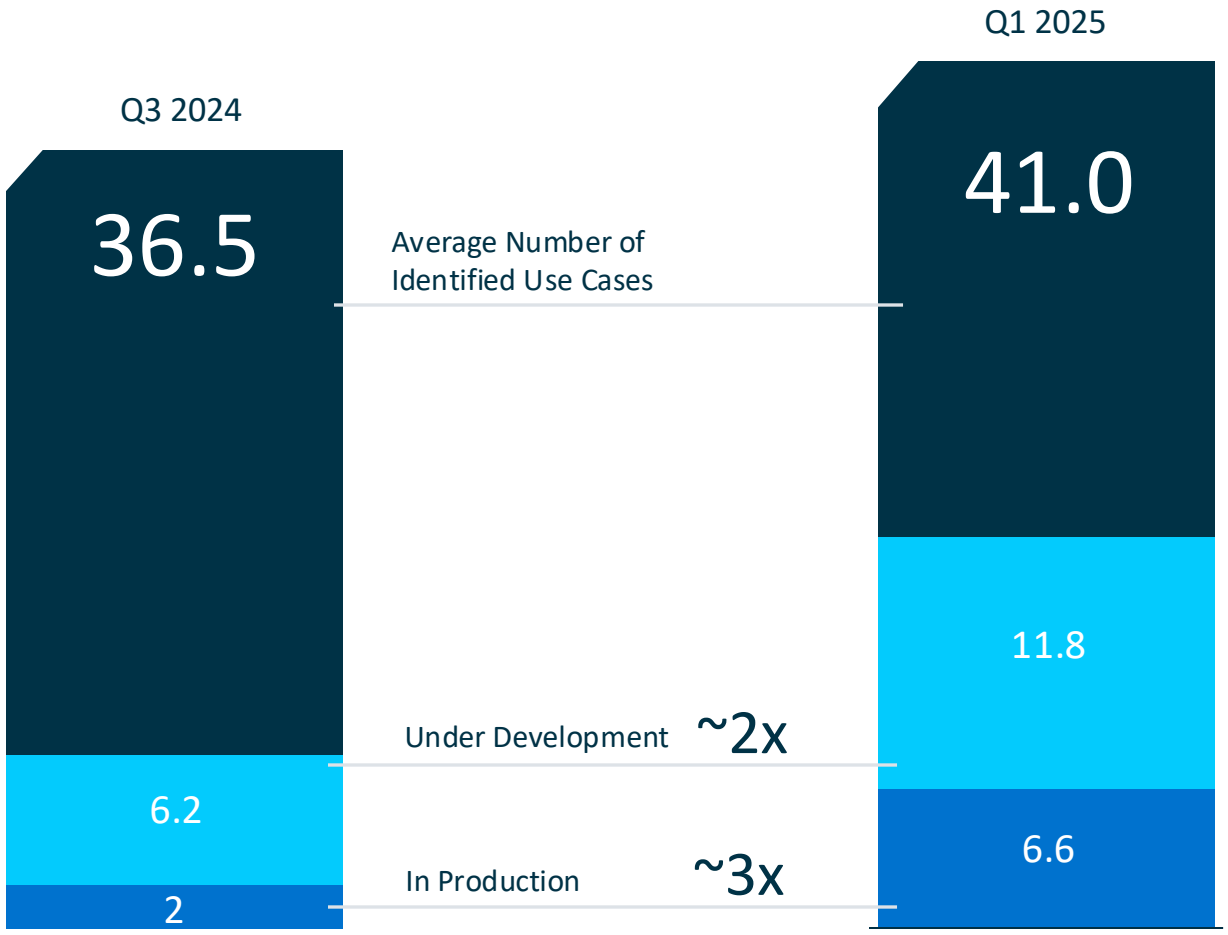
OPTIMISM VS. REALITY

The hype cycle still runs hot, but organizations are now confronting the hard part: scaling AI beyond pilots and proof-of-concepts. AI is still a boardroom-level priority. But the sentiment is shifting from "we'll be live by next quarter" to "we're figuring out how to do this responsibly, securely, and with real ROI". The momentum is real. But the wave hasn't crested yet—it's still rising.

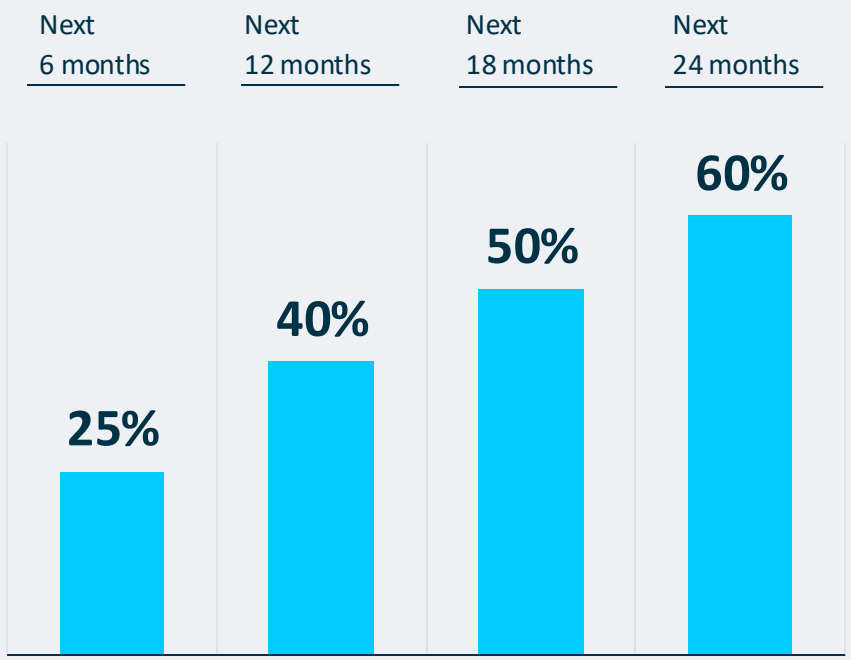
Source: Pitchbook Data | Source: Battery Q1 2025 Cloud Spending Survey

Generative AI Use Cases Grow

STATUS OF GEN AI ADOPTION OF USE CASES



EXPECTED PERCENT OF AI USE CASES INTO PRODUCTION

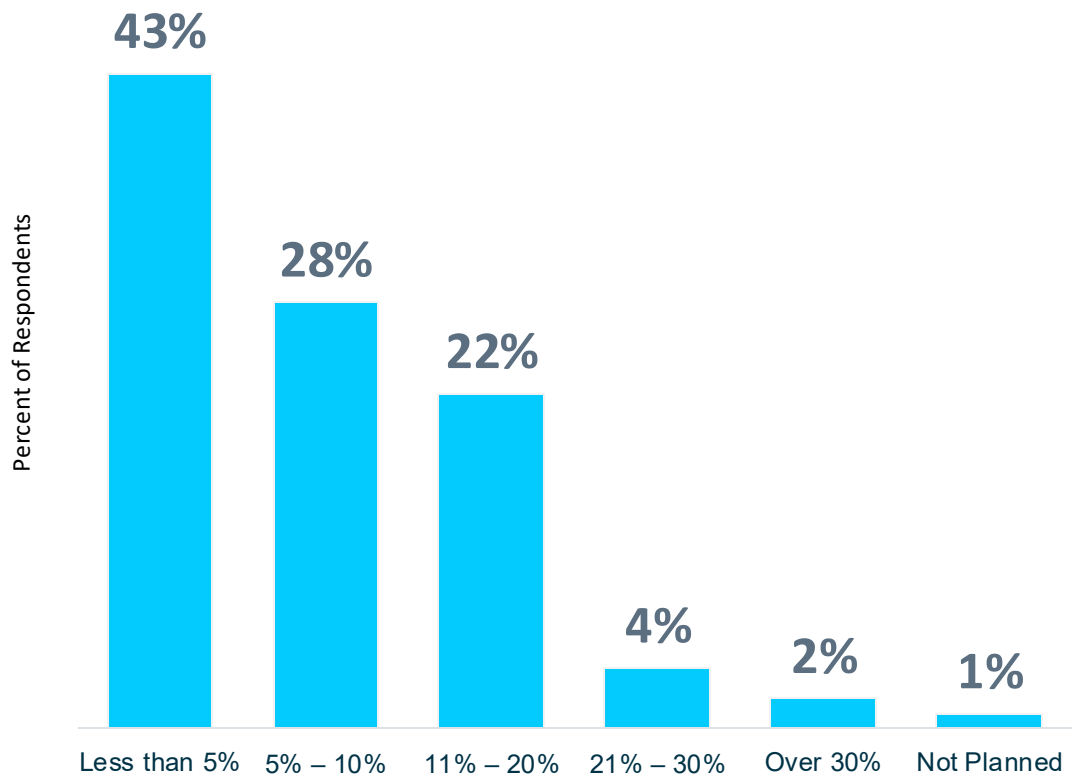


With 16% of AI use cases finally hitting production and another 29% under development , enterprises must rethink tooling to ensure visibility, reliability and control at scale.

Source: Battery Q1 2025 Cloud Software Spending Survey

AI-Driven Cybersecurity

CYBERSECURITY BUDGET ALLOCATED TO AI-DRIVEN SECURITY SOLUTIONS AND AUTOMATION



FOCUS IMPACTS OF AI-DRIVEN SECURITY

AI-driven security is reshaping the cybersecurity landscape by enabling faster threat detection, smarter automation and more proactive risk mitigation.

•**Proactive Defense**: AI systems now analyze massive real-time datasets to identify anomalies and respond to threats like zero-day exploits with minimal human intervention, significantly reducing incident response times.

•**Investment Momentum**: 57% of enterprises plan to increase their cybersecurity budgets, with many allocating spend to AI-powered tools and automation-driven defenses.

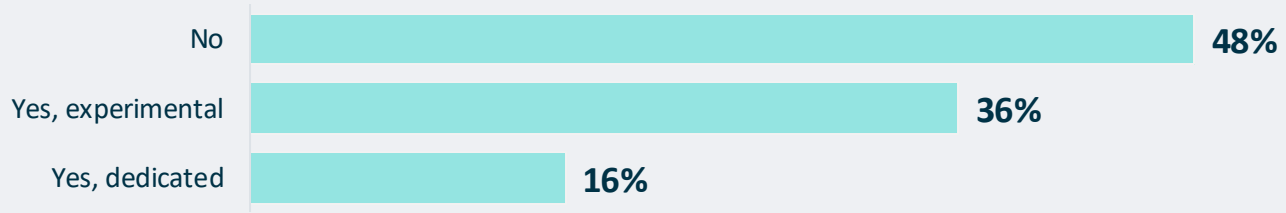
•**Adoption Challenges**: Legacy integration issues, regulatory compliance demands and a lack of in-house AI expertise are key blockers.

•**Toward Agentic Security**: The rise of agentic AI could lead to autonomous, self-managing security ecosystems—where AI agents handle tasks like threat triage, response orchestration and continuous learning across workflows.

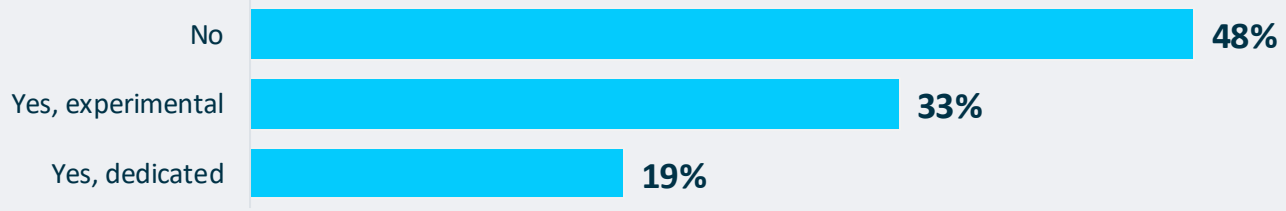
Source: Battery Q1 2025 Cloud Software Spending Survey

Cybersecurity for AI

VENDOR BUDGET ALLOCATED TO THE SECURITY OF AI (BUILD / RUN TIME)



VENDOR BUDGET ALLOCATED TO AI GOVERNANCE (GUARDRAILS / LEGAL / REGULATORY)



Lasso

Prompt:

PROTECT AI

Galileo[1]

arize[1]

Collibra[1]

Over 50% of enterprises have budget allocated to both AI governance and security of AI, highlighting present and future security concerns around AI. However, another half of enterprises don't have any budget allocations in these areas. This indicates the use cases going live don't have significant threat exposure. As use cases become more consumer-facing and/or mission critical, dedicated budgets will need to be allocated for enterprises to limit exposure.

Note: [1] denotes a past or current Battery company. For a full list of all Battery investments, please click here.

Source: Battery Q1 2025 Cloud Software Spending Survey

Decoupling of Security Information & Event Mgmt (SIEM)

Implementing

Integrating AI-driven automation layers on top of SIEM — 39%

Enables better AI-driven detections & automation solutions to help reduce manual overhead — 66%

Leveraging distributed search for query performance gains — 45%

More efficient ways to manage log ingestion and enrichment — 66%

38% of organizations are actively implementing or exploring a SIEM decoupling strategy within the next year, highlighting a shift towards more flexible security architectures.

AI-MDR: beyond traditional SIEM offering continuous monitoring, automated threat hunting and rapid response capabilities

Daylight, INTEZER, TENEX, expel

AI-SOC: Building automations directly on top of SIEM and taking share from MDRs

Dropzone AI, prophet, RadiantSecurity, CROGL, Legion, arcanna AI, CMU ZERO, ZAI

SOAR/Automation: Streamlining response with no-code automation and AI-driven decisions

blink, n8n, tines, SWIMLANE, mindflow, torq

Detection: Modernizing response by leveraging AI, automation and analytics

ANVILOGIC, panther, HUNTERS, runreveal

Search: Query logs across distributed storage or on streams

vega, SCANNER, runreveal, Cribl

Logs Pipelines: Optimizing data processing—collection, enrichment, compression, transformation

Cribl, tarsa, onum, beacon, LimaCharlie, DATABAHN, observo.ai

Scalable Storage: Optimizing security data retention, querying and analysis.

ClickHouse, Cribl, databricks[1], snowflake

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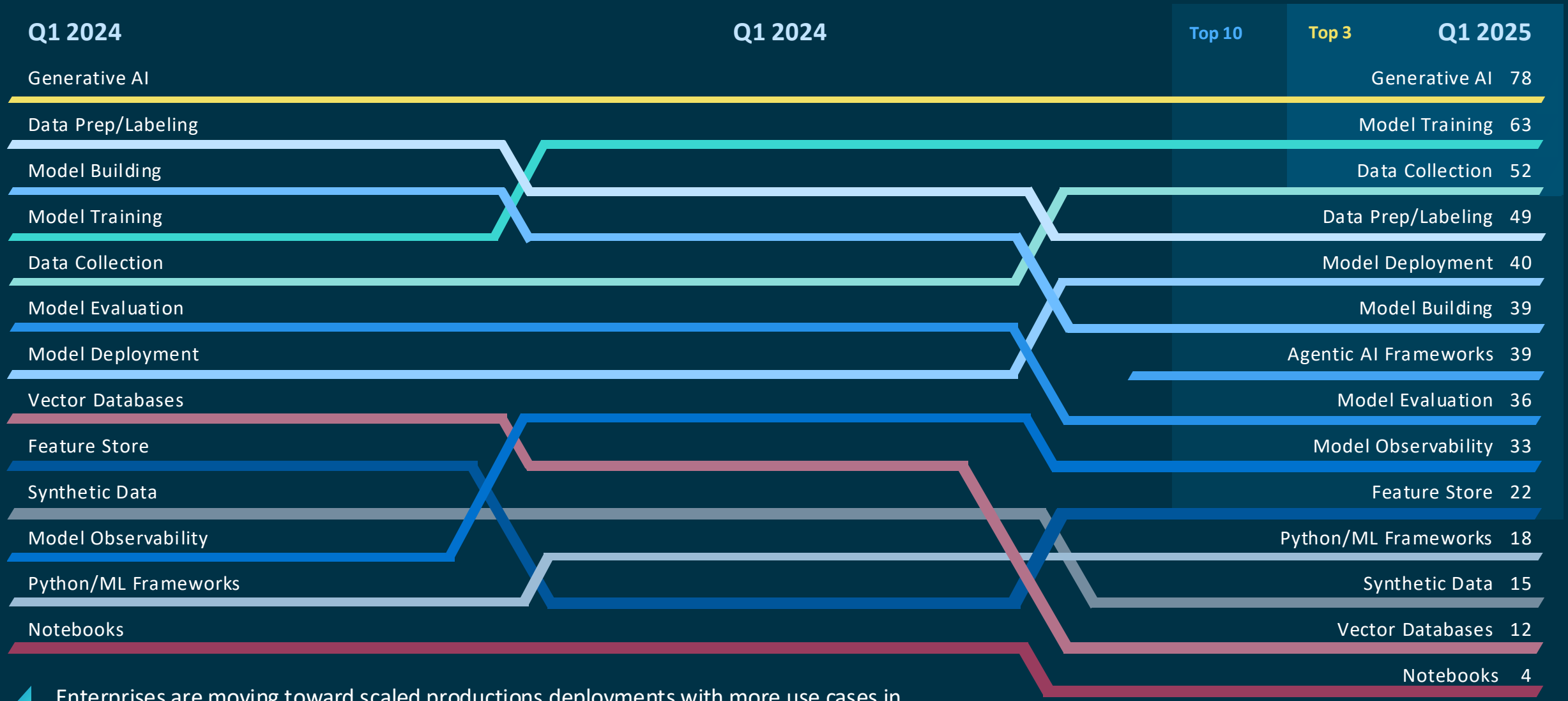
Source: Battery Q1 2025 Cloud Software Spending Survey

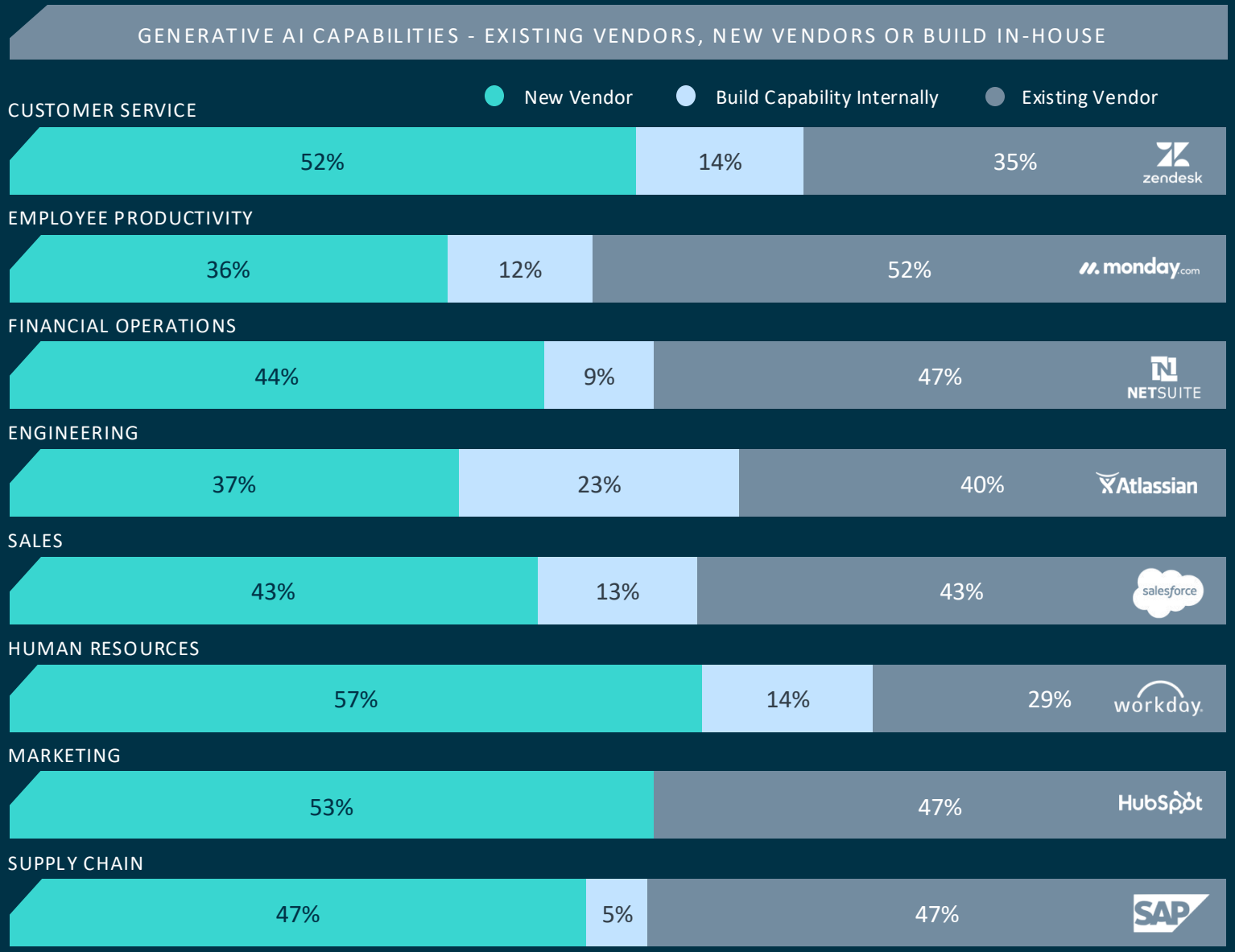
Technology Priorities for AI/ML Builders



Enterprises are moving toward scaled productions deployments with more use cases in production. They're also increasingly focused on deployment and model training.

Source: Battery Q1 2025 Cloud Software Spending Survey
* Note: Agentic AI Frameworks - new priority option in Q1 2025 Survey

Startups vs. Incumbents for GenAI



AI continues to shift the landscape as executives consider alternatives over incumbents

1. Over **81% of of enterprises are seeking to implement AI in customer experience and 66% in employee productivity,** making those the two highest priority categories. Over half of these are looking to new vendors for customer service.

2. Human resources, customer service and marketing are the categories where incumbents are feeling the most pressure. **Engineering is the only category with a continued bias toward building capabilities internally**.

2. Enterprise interest in new vendors is spiking in three categories since our previous survey: **Marketing (31% -> 51%), Engineering (18%-37%), Customer Service (35% -> 52%).**

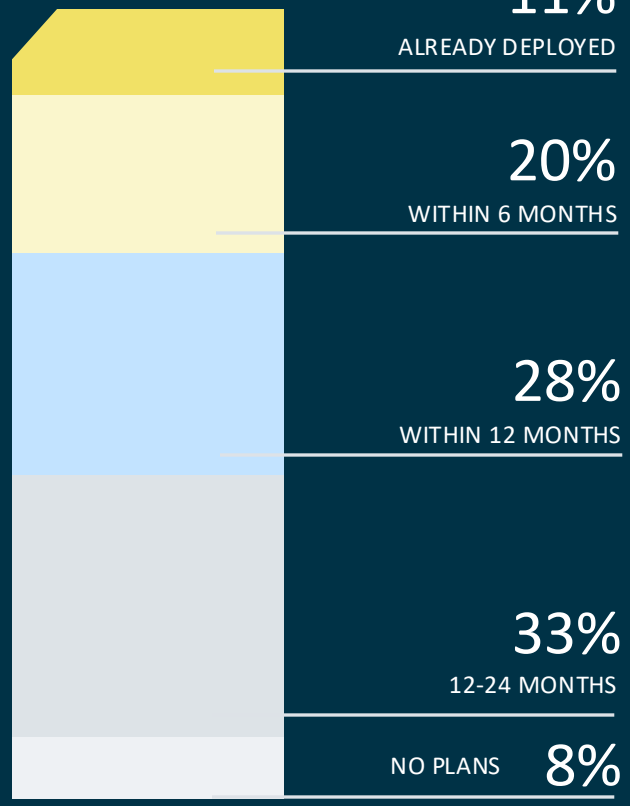
Source: Battery Q1 2025 Cloud Software Spending Survey, CBinsights Unicorn Tracker, Fidelity Market Caps

Battery

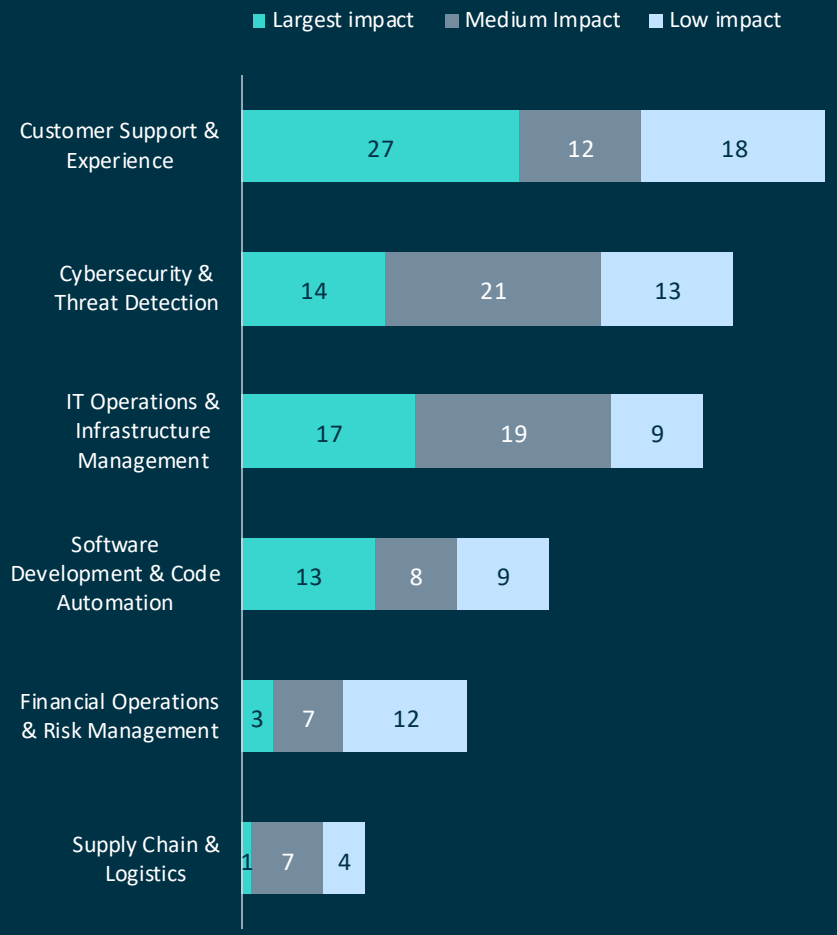
From Chatbots to Agents: Agentic AI

Agentic AI's Rise & Likely Focus Areas

ORGANIZATION'S TIMELINE FOR DEPLOYING AGENTIC AI IN PRODUCTION



MOST IMMEDIATE IMPACT OF AGENTIC AI ON THE ORGANIZATION



Future Impact

- **Revolutionizing Customer Support:** Agentic AI enables dynamic, multi-step service interactions—transforming chatbots into full-service digital agents that resolve issues, complete transactions and even manage escalations for complex cases.
- **Enhancing Cybersecurity Agility:** By autonomously detecting, triaging and responding to threats, agentic systems boost enterprise defenses— augmenting teams so they have the data the moment they look for solutions.

AGENTIC AI ROLL-OUT

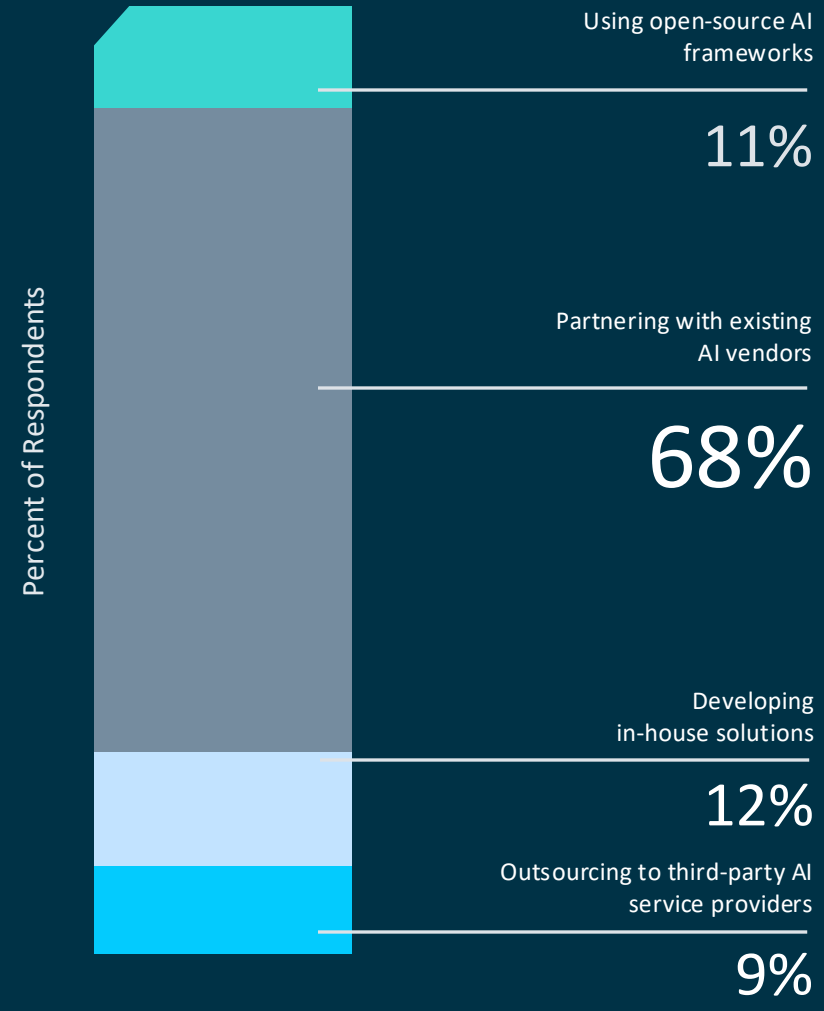
46%
are actively deploying or in R&D.

31%
plan to be live in 6 months with 59% in the next year. Only 8% have no plans.

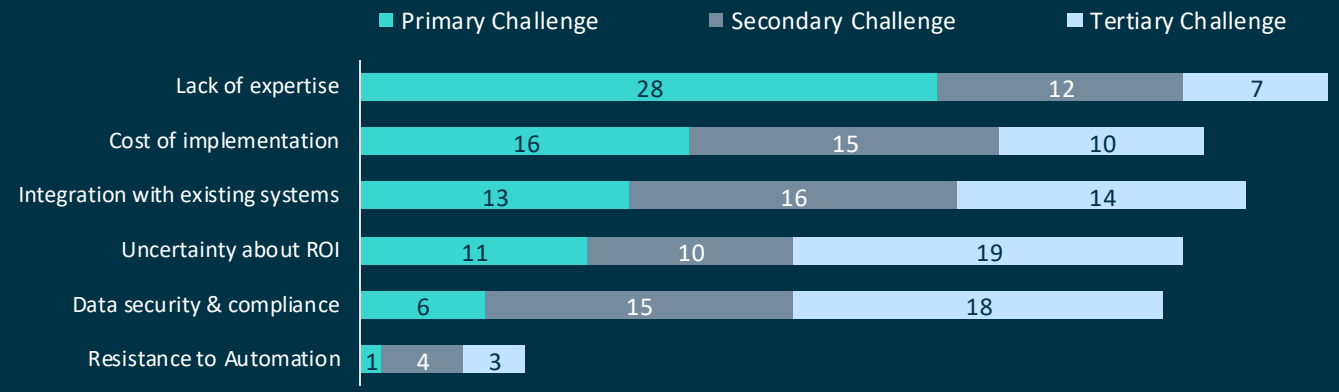
Source: Battery Q1 2025 Cloud Software Spending Survey

Agentic AI: Approach, Challenges & Budget

BUILDING & DEPLOYING AGENTIC AI SOLUTIONS



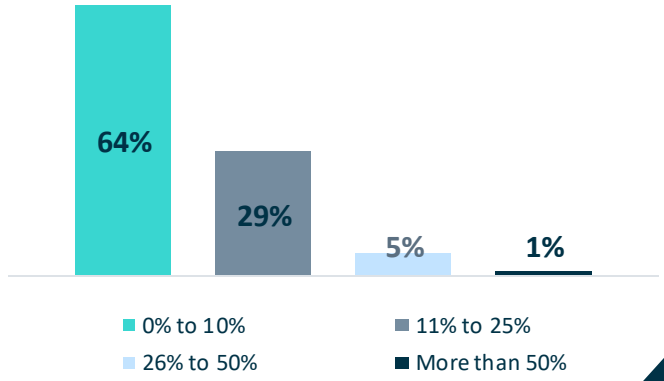
PRIMARY CHALLENGES IN ADOPTING AGENTIC AI?



BUDGET FOR AGENTIC AI

29%

of organizations are allocating **11–25% of their AI budget** towards implementing Agentic AI solutions paired with 59% planned to have Agentic AI in production over the next 12 months. We will see more startups and the tools around Agentic AI hitting meaningful scale, creating new solutions for challenges like integration and bridging the expertise gap.



Source: Battery Q1 2025 Cloud Software Spending Survey

The Battery Team

Evan Witte

ewitte@battery.com

Scott Goering

sgoering@battery.com

Danel Dayan

ddayan@battery.com

Barak Schoster

barak@battery.com

Jason Mendel

jmendel@battery.com