Grassroots Research® Market Monitor

Military Drone Market—US

Grassroots Research® spoke with industry experts and consultants in the field of military drones, counter drone systems, and related AI technology to understand current market sentiment, the impact of AI, and investment opportunities in the sector. Sources said low cost swarming drones have meaningfully reshaped battlefield dynamics, with 83% noting they lower barriers to entry, 50% describing them as troop multipliers, and 33% emphasizing increased standoff distance between forces. One source explained the shift plainly: "They have allowed a small military force to level the playing field... A swarm of low cost drones can attack the enemy at a considerable distance with devastating effect without risking their soldiers."

At the same time, defending against these swarms remains incredibly challenging. 67% of sources cited detection and neutralization as their primary obstacle, while 50% said the sheer number of drones in a swarm can overwhelm air defense systems. One source summarized the issue: "A single drone is hard enough to detect. Multiply that by a dozen or more operating semi autonomously... and it becomes an exponential threat." Another source noted the risk of escalation once swarms reach larger sizes: "If we get to that level on the battlefield, the challenge will be the sheer size of the swarm."

Commercial innovation is further accelerating adoption. 83% of sources said advancements in the commercial drone sector are speeding military development, while 33% noted the expanding role of smaller, non traditional defense firms. One source described this shift: "They are taking what is available and modifying them... It is rapidly changing R&D in the defense world." Another source added that faster cycles are now expected: "We are applying the commercial pace of development to defense grade systems... more rapid prototyping, faster fielding, and tighter feedback loops."

AI continues to be the central force behind both autonomy and counter drone capabilities. 83% of sources highlighted AI's role in enabling autonomous response, 50% emphasized navigation, and 33% pointed to AI driven target tracking. One source stated, "AI and machine learning are rapidly transforming both UAS and counter UAS,enabling weapons to more effectively detect, track, identify, and neutralize drone swarms." Another source reinforced the strategic value of local autonomy: "AI can capture targets and minimize communication... That is definitely an advantage for AI powered drones." Another source added, "AI and machine learning is at the center of both drone autonomy and counter-drone systems. Onboard autonomy,

powered by AI, enables drones to navigate GPS-denied environments, recognize and track targets, and adapt to dynamic mission needs. On the counter-drone side, AI allows for pattern recogni-tion and anomaly detection in increasingly noisy airspaces.

Looking ahead, sources pointed to clear competitive differentiators. 67% cited low cost scalability as a key advantage, while 33% emphasized field tested AI systems and 33% highlighted frontline modifiable designs. One source summarized what now matters most: "In today's DoD landscape, they are looking for drones that are attributable, low-cost, and scalable. Businesses who pay attention to those three criteria can get an audience. The Big 5 are doing well in small drones; they are all out there trying to build that lower cost, attributable, scalable bird. Also, you have to be able to say the technology is not under development; rather the DoD is looking for tech readiness levels of 7, 8, or 9. They want to see what has already been developed and ready to test."

VOYA. INVESTMENT MANAGEMENT

Meta Advertisers –US

Grassroots® interviewed digital and social media advertising decision makers to assess near term performance trends, AI adoption, and ROI implications for Meta platforms. Sources expect advertising referrals from Meta to remain largely stable, with 35% anticipating an increase over the next six months driven by more precise AI targeting, while 45% expect flat performance and 10% forecast declines due to economic pressure and rising ad costs.

Traffic quality expectations skew more positive with 70% of sources expect ad-generated traffic quality to improve, largely attributed to AI-driven audience refinement, while the remaining 30% expect stability. However, conversion expectations remain mixed, with 45% forecasting flat conversion rates, 25% expecting improvement, and 20% anticipating declines, reflecting heightened competition within increasingly narrow AI-optimized audiences. As one source

summarized, "Clicks don't carry the same weight they used to… structure and objectives matter more than the platform" From a ROI perspective, 50% of advertisers report Meta ROI is unchanged year-over-year, while 25% cite improvement tied to AI tools such as Advantage+, and 15% report declines linked to higher costs. Relative to other channels, Google continues to lead on ROI, though several sources noted Meta ranks ahead of other social platforms.

AI adoption is broad but selective. 65% say Meta's automation tools have improved cost efficiency or effectiveness, and 55% have adopted new Meta AI features in the past year. Notably, 89% of those commenting reject Meta's creative AI, favoring third-party tools for faster iteration and higher-performing video content, a dynamic that may limit near-term monetization upside from in-platform generative tools.

Cybersecurity Spending–US

Grassroots® interviewed cybersecurity resellers, distributors, and consultants to understand how small and midsize businesses (SMBs) are reshaping their security priorities, adopting AI enabled tools, and planning for 2025 spending, sources said. Sources described major shifts unfolding over the past six months, including new AI driven innovations, evolving pricing dynamics, and the influence of recent high profile breaches, all of which are shaping how SMBs evaluate risk, justify returns, and decide where to invest next.

Sources reported that IT budgets remain mostly flat for 56%, with SMBs scrutinizing every purchase to ensure value. One source said SMBs "won't spend unless it clearly fixes a real weakness." At the same time, 74% expect security spending to rise, driven by compliance requirements, insurance demands, and growing exposure from AI driven threats. A source explained that clients "now see AI changing

risks faster than they can react." SMBs continue to prioritize endpoint protection, stronger identity controls, employee training, and zero trust style access policies, while also adding safeguards specifically designed to manage AI usage.

Another source described the shift simply: "People want tools that help them recover fast and see what's happening in their network." Sources reported that AI powered monitoring and automated threat detection are emerging as high ROI upgrades, especially for SMBs without 24/7 internal teams. One source noted that AI tools "cut through the noise and spot issues early." When discussing how AI related risk awareness is influencing demand, sources reported a clear uptick, with about 65% seeing rising interest as clients better understand new exposures. Recent high profile breaches are also accelerating decision making for roughly two thirds of SMB clients.

Global IT Spending

Grassroots® surveyed IT decision makers in Europe, Asia and the U.S., to understand how organizations are approaching IT budgets, accelerating generative AI adoption, and reshaping security and cloud spending priorities heading into a pivotal investment cycle. Across regions, the findings reflect a market where AI is becoming foundational, security remains non negotiable, and U.S. companies are outpacing global peers in measurable ROI and deployment maturity.

U.S. organizations report a strong spending environment with 83% of sources expecting their IT budgets to rise, led by 35% anticipating 6–10% growth and another 23% forecasting increases above 10%. Spending momentum also continues into the back half of the year, with 37% expecting mid year growth of 6–10% and nearly all sources signaling stable or expanding budgets. Despite macroeconomic pressures, 84% of U.S. companies expect to accelerate IT purchases in 2H 2025, highlighting sustained demand for next generation technologies.

AI continues to dominate as the central force driving IT transformation. In the U.S., 38% of sources report AI extensively incorporated at scale, while another 36% have integrated AI into select processes, positioning the U.S. ahead of global counterparts. The measurable impact from AI is also rising sharply, with 67% of U.S. organizations now report AI and big data benefits as very measurable, up from roughly half in prior years, underscoring growing confidence in AI driven productivity gains.

GenAI deployment is rapidly expanding, with 42% of U.S. sources already running

Cloud Infrastructure Trends –US

Another 37% of sources expect to go live in 2H 2025, positioning 2025 as an inflection point for enterprise scale AI. The top objectives mirror investor priorities: faster product development (54%), specialized labor productivity (46%), and enhancing customer satisfaction (44%). Over the next five years, AI/GenAI (56%) and Cybersecurity (41%) are expected to have the greatest impact on operations, ahead of cloud and IoT.

According to sources, security remains the top U.S. IT spending priority, ranking above AI and cloud computing. The leading security focus areas, data security (37%), cloud security (35%), and network security (28%) reflect heightened concerns tied to AI integration and cloud expansion. Looking forward, companies expect slightly more private cloud usage as AI driven data governance, sovereignty, and compliance considerations increase.

Sources said budget pressure from AI is also becoming more visible. 40% of U.S. companies report that GenAI initiatives have significantly or somewhat delayed software and services spending, reflecting early trade offs as organizations reallocate funds toward scalable AI infrastructure and model development.

The areas most likely to experience budget reductions include IT operations (46%), R&D (30%), and front office processes (29%), suggesting a reshaping of traditional spend categories as AI modernization takes priority. Overall, the U.S. IT landscape is characterized by strong budget expansion, accelerated adoption of generative AI, rising confidence in measurable returns, and sustained demand for security capabilities.

Grassroots® interviews with data center builders, utility planners, and public sector officials point to a broad construction upswing across the U.S., largely propelled by accelerating AI and cloud use. Sources described the current pace as unlike past tech cycles and expect momentum to continue as organizations train larger models and roll out every day AI features.

While views differ on timing, most see a multi year buildout rather than a short lived spike. Power is now the first gate for site selection. Projects that once clustered near city centers are shifting toward regions with available electricity and predictable permitting. As one source put it, "Large scale GPU and TPU cloud projects have a massive impact on utility forecasts, long term power availability, and planning across the entire grid." With utility upgrades taking years, developers are pursuing vertical integration in power, signing long term PPAs, adding behind the meter solutions, and evaluating on site generation such as natural gas turbines, with longer term interest in small modular nuclear. Compute choices reflect pragmatic trade offs. GPUs remain the default for most AI/ML work thanks to mature software and fast scaling.

One source said, "GPUs remain the most flexible option for almost every AI and ML workload." TPUs can deliver stronger performance per watt for tensor heavy tasks when the stack is aligned, though availability and tooling fit can limit adoption. Custom ASICs promise efficiency but typically make sense only at hyperscale given cost and integration risk. Alongside hyperscalers and traditional colo, specialized "neo cloud" providers are gaining ground by turning up capacity quickly and supporting very high density racks.

Crypto & Bitcoin Investing – US

Grassroots® interviewed private wealth managers across the U.S. to assess how their views on cryptocurrency and bitcoin have shifted following recent regulatory developments. Prior to the approval of bitcoin ETFs, most advisors did not recommend cryptocurrencies with 76% citing firm policy or lack of alignment with their investment framework. As one source explained, "We were not recommending these products due to firm policy and regulatory concerns."

Since ETF approval, sentiment has shifted. 53% of sources now recommend bitcoin or crypto exposure, typically suggesting allocations around 5%, while others remain cautious given client demographics, risk tolerance, or uncertainty about intrinsic value. One source said, "The majority of my client base are tech professionals who are very interested and at least half already have a crypto allocation they established on their own. That being said, interest very much varies on a case by case basis and if someone expresses legitimate interest and wants to pursue this I help facilitate their investment. I would use a model with bitcoin ETFs and usually suggest a 2-3% allocation for bitcoin ETFs." Advisors agree that acceptance from major financial institutions, including BlackRock and Fidelity has increased legitimacy. Sources pointed to rising mainstream adoption, with one noting that "financial firms would be foolish to ignore a $4 trillion asset class." Perceived benefits center on store of value, diversification, and potential outsized returns, though risks remain top of mind. Volatility, fraud, government bans, and regulatory uncertainty were cited most frequently.

Looking ahead, advisors expect average investor allocations to rise to 7% over the next five years, supported by growing regulatory clarity and broader access. Importantly, all sources said recent price moves do not change their long term approach favoring strategic positions or dollar cost averaging over market timing.

About Grassroots Research®

The Grassroots Research® division combines a variety of resources and methodologies, including in-house employees; a global network of independent, experienced journalists and consumer researchers; more than 50,000 industry contacts; and online panel surveys. We use this network to apply innovative market research and investigative journalism techniques to identify stock and sector trends before our competitors do.

Advantages:

• Continuous exchange of information between Grassroots® analysts and our investment professionals

• Expertise of independent journalists and consumer surveys to reach sources on the ground

• Technological tools to target consumer and business panels online

• Timely business insights via quick turnaround times

• 30+ years of experience conducting customized investigative market research around the world

Resources:

• Access to thousands of consumers in more than 60 countries via targeted online consumer and business panels

• On-the-ground investigators who conduct quantitative market research among consumers

• 55+ reporters who conduct interviews with industry experts

• In-house team based in the US

• 50,000+ industry contacts worldwide from a wide range of industries, including consumer, technology, healthcare, materials, industrials, energy and financials companies

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