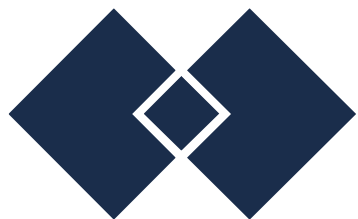




SaaS & AI M&A Market Observations

October 2026



Executive Summary

Executive Summary



SaaS has largely recovered from the SaaSocalypse, but on new terms – buyers and investors are paying up for workflow ownership, proprietary data and vertical depth, and deeply discounting point solutions AI can replace

+71.6%¹

SaaS rebound after 34.5% “SaaSocalypse”; now 12.4% above prior peak

\$179B^{2*}

H1'26 SaaS deal value, ~98% of full-year 2025 (\$183B)

\$306B^{2}**

H1'26 AI/ML deal value vs. \$80B in 2025 (incl. a \$250B megadeal)

+41%¹

Vertical premium (5.8x vs. 4.1x); 57% of H1'26 SaaS deals, up from 45%

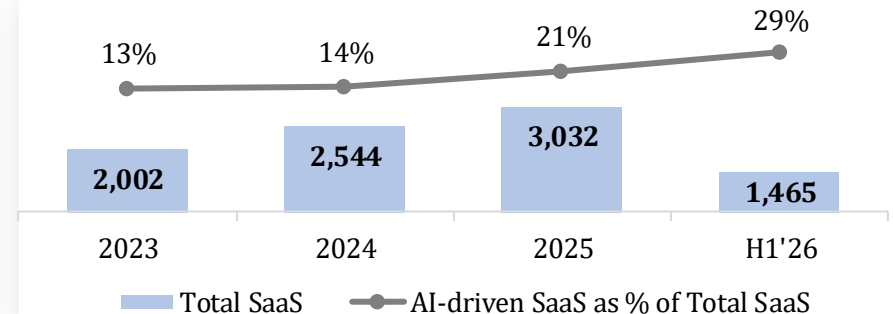
\$100B³

Potential U.S. Market for automation of which 90%+ remains untapped

Market Reset & Valuation

- SaaS recovery is driven by stronger earnings, resilient customer demand for critical workflow and improved guidance
- Valuation regime has moved from growth-led to **growth led with profitability or clear path to profitability**
- SaaS durability drivers**
 - Workflow ownership
 - Proprietary data
 - Vertical depth
 - System of record
 - Compliance & governance

AI Share Increasing in SaaS Deals^{2**}



Deal Diligence Checklist – What Buyers Are Testing For?

Workflow Depth

Does it run process buyers can't route around?



Retention Quality

GRR>90 & NRR >110% backing the growth story?



AI Monetization

Pricing capturing AI usage, or still flat per-seat?



Agent Readiness

Can data & workflow be safely exposed to AI agent?



Substitution Risk

Thin UI wrapper AI can bypass or a true system of record?

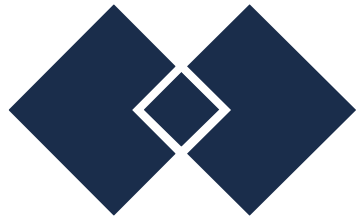


What's Next

With \$1.5T² of PE dry powder seeking deployment, PE buyers will prioritize scalable, mission-critical software platforms that combine recurring revenue and measurable AI value. Francisco Partners' \$21B 2026 fundraise reinforces continued PE conviction in software

Sources: 1. S&P Capital IQ, 2. PitchBook, 3. Bain & Company

Note: * SaaS deal value is driven by mega-deals like Google-Wiz (\$32B), Palo Alto-Cyberark (\$22B), ** AI/ML deal value has increased in a similar manner primarily due to the SpaceX-Xai deal (\$250B), ** AI-driven SaaS deals are defined as SaaS transactions involving high level AI capabilities



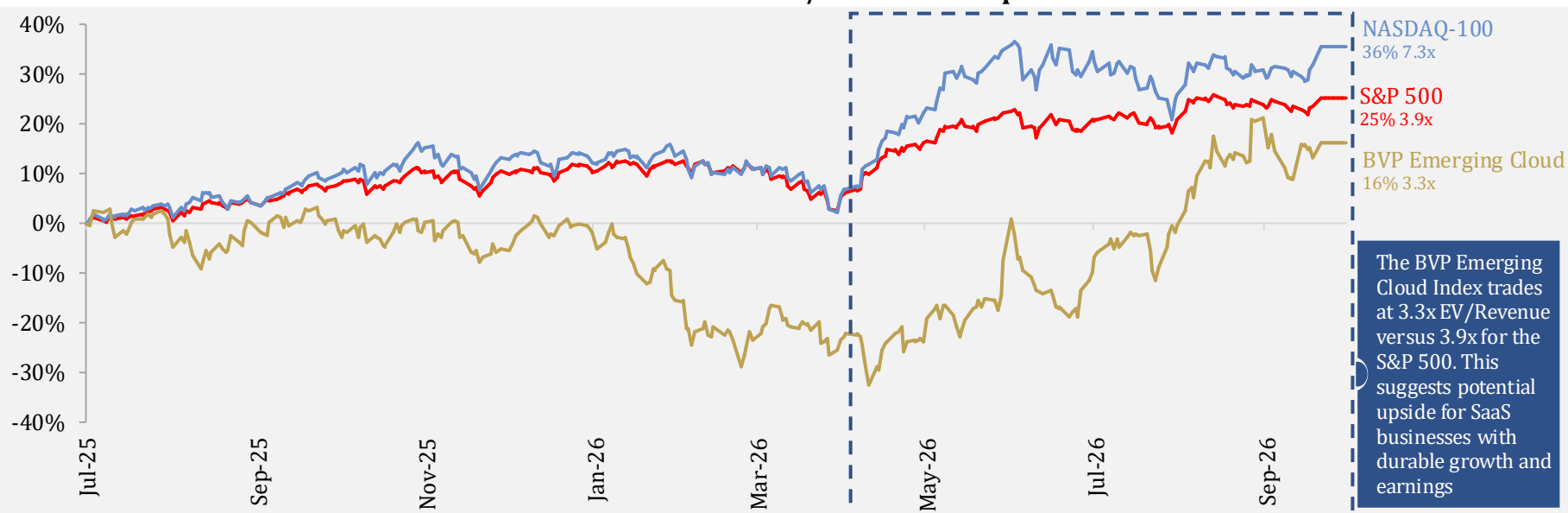
SaaS Market Reset & Valuation Drivers

Public SaaS Has Recovered From the SaaSocalypse but Still Trades at a Discount to Market Indices



The BVP Emerging Cloud Index fell 34.5%, rebounded 71.6% off the April low and now sits 12.4% above its prior peak, yet trades at 3.3x EV/Revenue against 3.9x for the S&P 500

Index Performance & EV/Revenue Multiples¹



-34.5%

PUBLIC SAAS SELLOFF

Decline from September 22, 2025 to April 10, 2026

+71.6%

RECOVERY FROM THE LOW

Rebound from April 10 to September 21, 2026

+12.4%

ABOVE THE PRE-SELLOFF PEAK

By September 21, 2026, the index exceeded its previous peak within the exhibit

Megadeals Lift Value

Headline software M&A value is influenced by a few large transactions. SaaS acquisitions such as Wiz, Dayforce and Confluent highlight demand for security, core workflows and data infrastructure that can support AI adoption

Growth Drives Valuations, but Only With Strong Fundamentals



Following the SaaS reset, revenue growth has re-emerged as a key valuation driver, but the largest premiums go to companies that pair it with durable, high-quality fundamentals

SaaS Valuation Multiples Rise with Revenue Growth^a

Across leading public SaaS companies, valuation multiples rise with revenue growth. Flat growers trade near the bottom of the multiple range, while the fast-growing companies command the high multiples.

blackbaud

0.6 % TTM growth¹
2.7x EV/Revenue

zoom

5.0 %¹
3.7x



+11.2%¹
5.0x

servicenow

+22.2%¹
9.5x

SAMSARA

+29.5%¹
11.6x

SaaS Valuation Priorities Have Rebalanced

2021-22

2023-24

2025-26^a

Growth Led

Hyper-valuations supported purely by high growth.

(e.g.,  **asana** reached ~25x average EV/Rev. despite steep losses^{1,2}.)

Profitability Led

Massive market reset. Free cash flow and margins prioritized by investors; median multiples collapsed from ~20-22x down to ~5-7x¹.

Durable Growth & Profitability Led

Growth is rewarded only alongside strong retention, visible margins, and a **durable business**. Now top-quartile growers trade at ~14.5x average, while  **asana** has levelled out at ~2.4x¹.

Other Drivers of Premium SaaS Valuations



Profitability, Efficiency & Scale

Profitable growth (R40), with margin and cash flow expansion.



Revenue Retention & Expansion

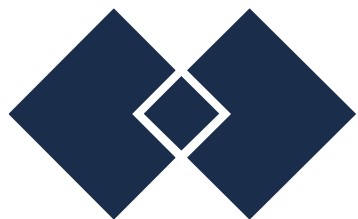
High GRR and NRR demonstrating sticky relationships (90%+ GRR, 110%+ NRR).



AI Defensibility

Owns the workflows, proprietary data and system of record that AI can't easily replace.

Premium valuations now go to companies that combine durable growth with profitability and capital efficiency.

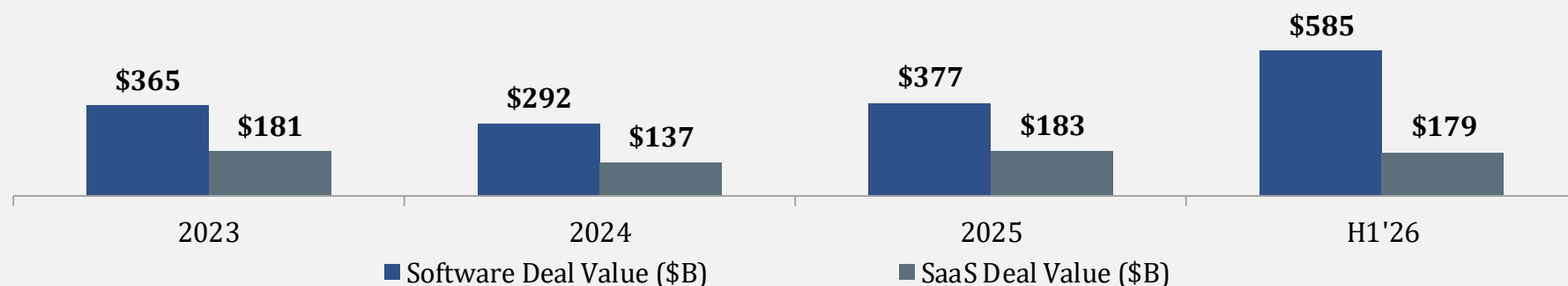


SaaS M&A: Who's Buying, and How

H1'26 SaaS Deal Value Nearly Matched All of 2025



\$179B in six months, ~98% of full-year 2025, though the recovery is concentrated in a small number of large security, data-infrastructure and core-application transactions

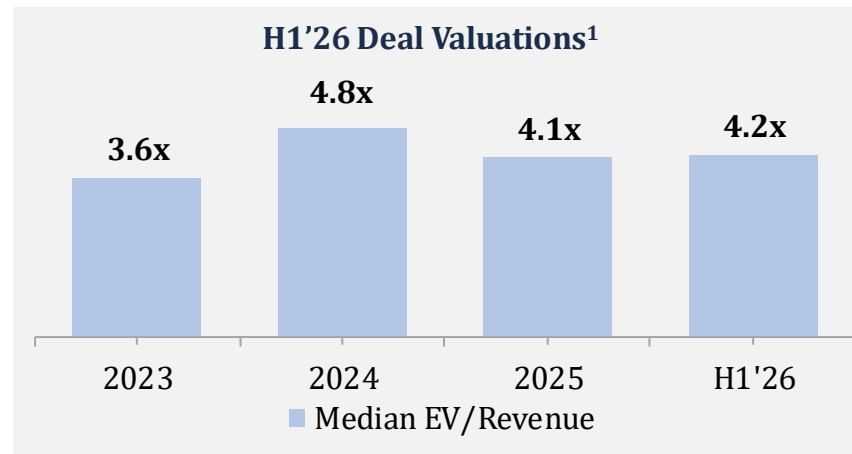
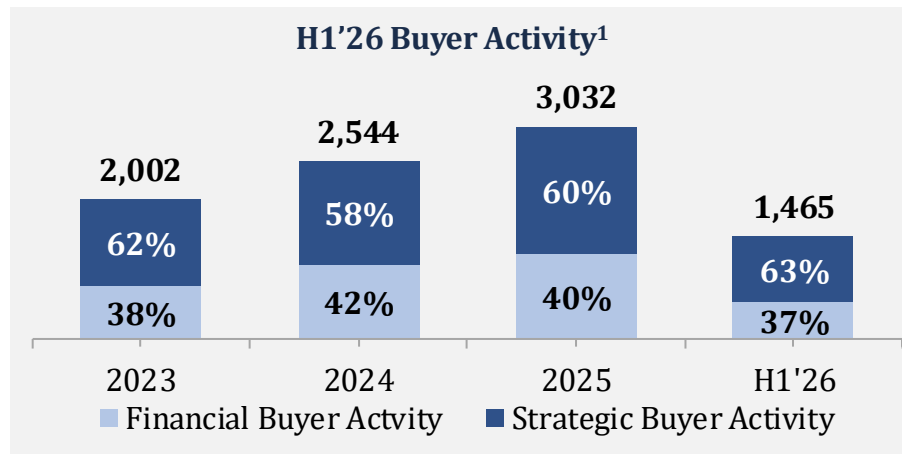


	Google WIZ ⁺	paloalto [®] CYBERARK [®]	THOMABRAVO dayforce	IBM CONFLUENT
Completed the acquisition for	\$32B in Mar'26	\$22B in Feb'26	\$12B in Feb'26	\$12B in Mar'26
Deal Metrics	EV/Revenue: 42.7X Revenue Growth Rate: 50% (FY'25-26)	EV/Revenue: 15.5x Revenue Growth Rate: 96% (FY'25-26)	EV/Revenue: 6.2x Revenue Growth Rate: 12% (FY'24-25)	EV/Revenue: 9.1x Revenue Growth Rate: 21% (FY'25-26)
Main Objective	Strengthen security capabilities across customers' cloud environments	Combine identity protection and privileged access management with a broader cybersecurity platform	Invest in an established HR and payroll platform embedded in recurring customer workflows	Add data-streaming capabilities supporting real-time analytics and automation

Buyers Are Now Underwriting Retention, Pricing Power and AI Readiness



Following factors help acquisition appeal: Workflow depth, GRR and NRR, pricing that captures AI usage, and whether agents can access the product



What Supports SaaS Acquisition Appeal in the AI Era^{2,3}

Workflow Depth and Defensibility



Vertical SaaS and systems of record benefit from embedded workflows, proprietary data and switching costs. Security and infrastructure capabilities can reinforce their relevance as AI adoption expands

Customer and Revenue Retention



Buyers assess GRR to understand customer losses and NRR to evaluate expansion within existing accounts. Strong GRR is only compelling when supported by a healthy NRR, demonstrating growth without churn

Pricing That Captures AI Usage



Usage- and outcome-based pricing can capture value beyond human seat counts. Buyers must assess whether additional AI revenue offsets compute costs and preserves attractive margins

Connecting AI to SaaS Workflows



SaaS platforms can support AI agents by making their data and workflows accessible through secure integrations. Several SaaS companies have developed “Automated Agents” with the help of operational partnerships with AI Native companies

Acquisition appeal increasingly depends on whether a SaaS business can retain customers, defend its workflows and monetize AI adoption profitably.

Not Surprisingly, AI-Driven SaaS M&A Deal Volume Grew!



85%

of top 20 technology strategic deals mentioned AI in deal announcements in 2025

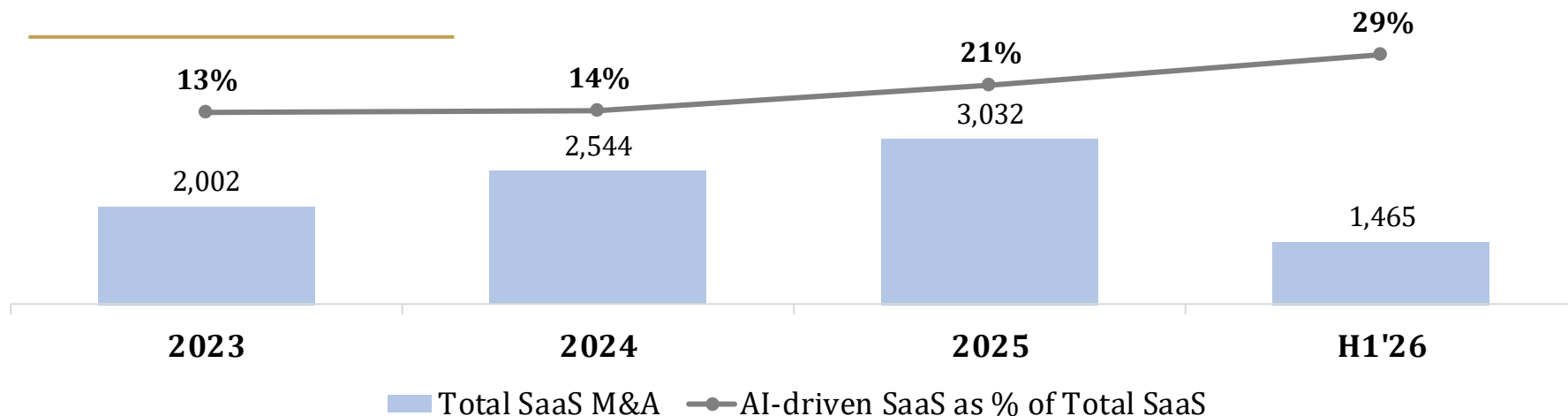
1 in 5

strategic buyers walked away from deals due to AI risk

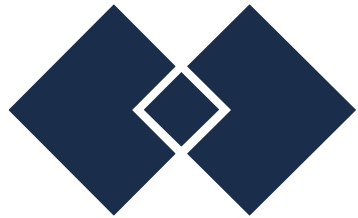
~29%

H1'26 software M&A deals were AI-focused and ~55% of those were SaaS transactions

Nov'22:
ChatGPT Public Launch
AI Inflection Point



*AI-driven SaaS deals have grown from ~13% of SaaS M&A in 2023 to ~21% in 2025 and ~29% in H1'26, highlighting a clear mix shift toward AI-relevant assets. However, AI is being evaluated as both a growth catalyst and a disruption risk, **making diligence around AI defensibility / Moat** increasingly important.*

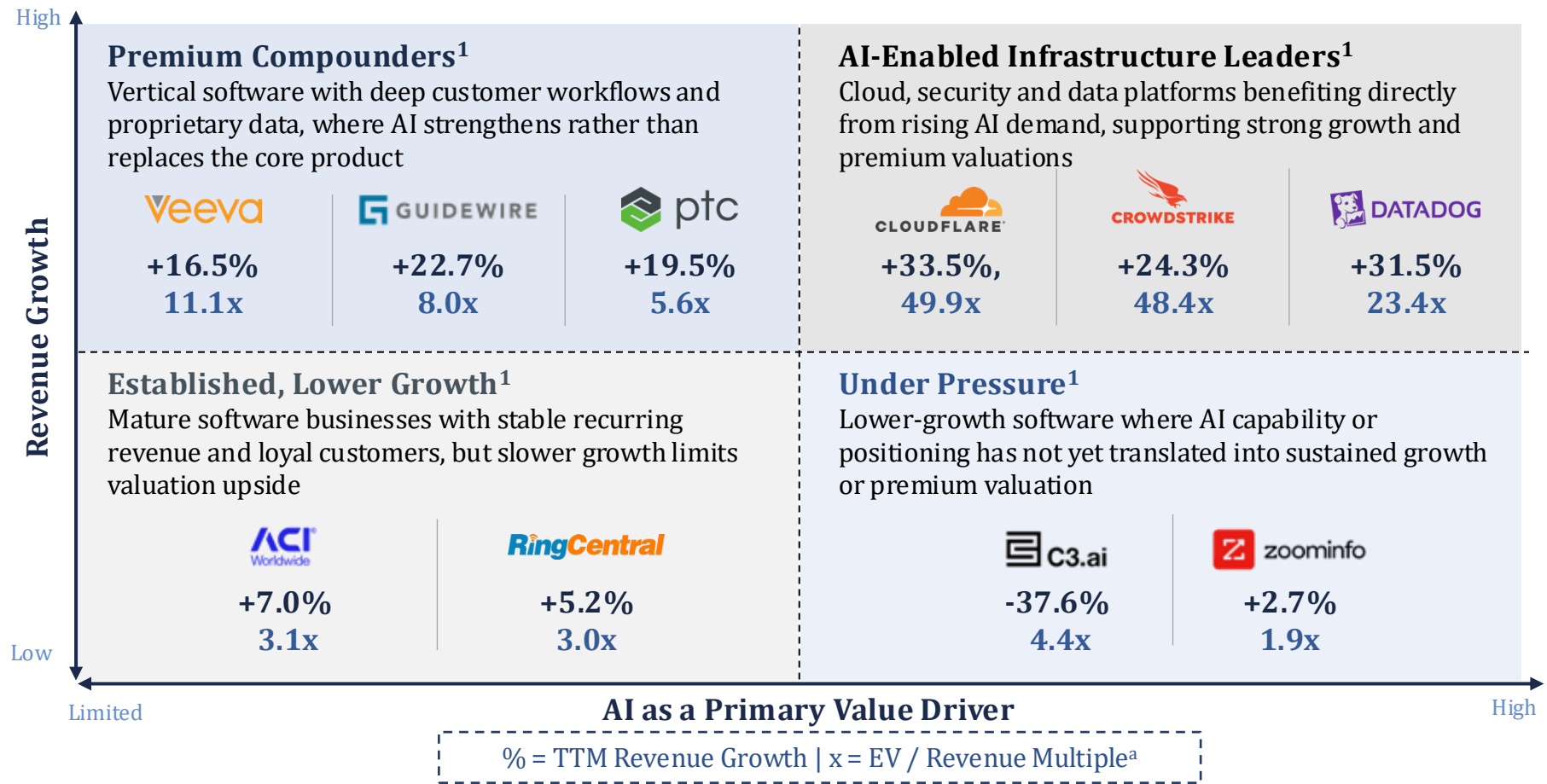


What Earns a Premium in SaaS

AI Exposure Earns a Premium Only When It Leads to Growth



Mapped against revenue growth and AI as a value driver, premium multiples cluster where AI demand translates into durable revenue not where AI is a positioning claim



Being an AI beneficiary isn't enough on its own - it has to convert into durable, high-quality growth to earn a premium.

Source: 1. PitchBook
 Note: a. Growth percentages reflect TTM Revenue Growth; valuation multiples (EV / Revenue) are as of September 30, 2026.

The SaaS Durability Framework

Five characteristics separate defensible platforms from the feature-led point solutions most exposed to substitution: workflow ownership, proprietary data, vertical depth, system of record, and C&G

What Makes SaaS Companies More Resilient to AI



Workflow Ownership

Runs critical processes, approvals, and handoffs

servicenow | 9.5x¹ EV/ Rev
Runs mission-critical enterprise workflows



Proprietary Data

Owns unique, contextual operational data

Verisk | 8.3x¹ EV/ Rev
Owns differentiated insurance and risk data



Vertical Depth

Embeds industry-specific workflows, rules and domain expertise

Veeva | 11.1x¹ EV/ Rev
Deep life-sciences workflow & regulatory expertise



System of Record

Holds the authoritative business data and rules

GUIDEWIRE | 8.0x¹ EV/ Rev
Core system for insurance policy, billing and claims



Compliance & Governance

Provides controls, validation, and auditability

SAMSARA | 11.6x¹ EV/ Rev
Compliance and safety platform for workflows



What Makes SaaS Companies More Exposed to AI Disruption

Narrow Point Solutions

Generic tasks can be automated, bundled or bypassed by AI-enabled platforms

Limited Data Moat

Limited proprietary data or context reduces differentiation against AI-native alternatives

Thin Workflow Integration

Product sits above core systems without owning critical workflows or records

Low Switching Costs

Limited integration or migration effort makes product easier to trial and replace

SMB Categories Most Exposed to Rapid AI-Led Product Replication

Marketing automation | CRM and sales add-ons | Horizontal productivity tools | Analytics, BI and reporting

SaaS durability therefore depends less on adding AI features and more on owning the underlying workflow, data, system of record and governance layer.

Vertical SaaS Commands a 41% Premium and a Rising Share of Deals



5.8x EV/Revenue against 4.1x for horizontal SaaS, with vertical targets rising to 57% of H1'26 SaaS deals from 45% a year earlier

Reported H1'26 M&A Subsector Medians¹

5.8x

Vertical SaaS

Median EV / Revenue

4.1x

Horizontal SaaS

Median EV / Revenue

+41% reported premium

H1'26 Key Sector Highlights^{1**}



Healthcare Tech

13.7x



Construction Tech

15.5x



Legal Tech

16.3x

Median
EV/Revenue

Deal activity Analysis

57%

of SaaS deals targeted vertical software in H1'26, up from 45% a year earlier for the same period*

WHAT SUPPORTS THE PREMIUM³



Embedded Workflows

Specialized processes and critical integrations can make platforms difficult to replace



Data & Domain Expertise

Industry-specific data and operating knowledge provide moats and support deeper automation



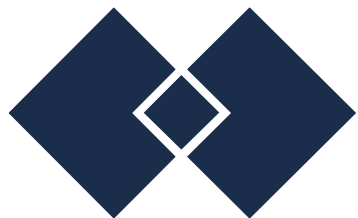
Efficient Customer Acquisition

Industry-focused sales and marketing can reduce acquisition costs, helping vertical SaaS providers reach specialized buyers efficiently

Industry depth is most valuable when paired with strong retention and sustained growth.

Source: 1. S&P Capital IQ, 2. PitchBook, 3. BCG

Note: *Global data as of June 30, 2026, ** Deal data considers Global H1'26 deals with disclosed multiples

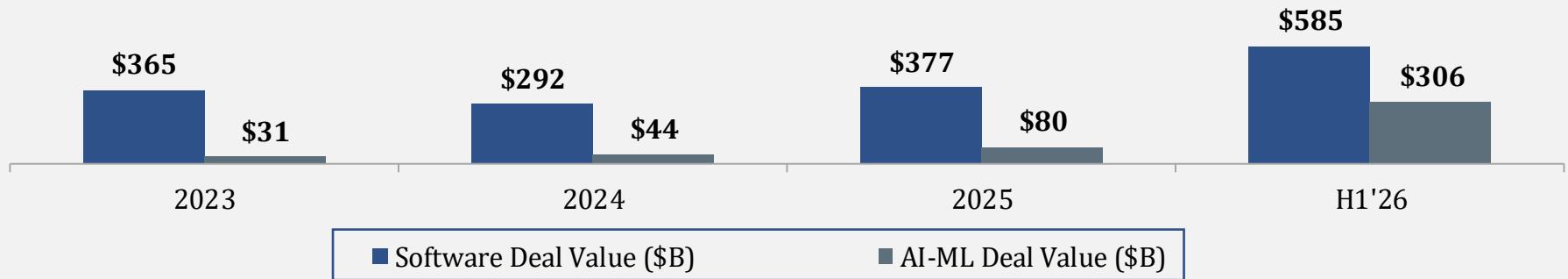


AI & Tech M&A – The AI Premium

Software Deal Value Held Steady While AI Deal Value Grew Exponentially



AI deal value rose sharply against a broadly flat software base though a single \$250B transaction announced in Feb'26, counted in both series, accounts for much of the step-up¹



SPACEX Acquired **XI**
Announced the acquisition for **\$250B** in Feb'26

The \$250B Deal

This deal is included in both software and AI totals and explains part of the increase in both series

AI EXIT ROUTES REFLECT DIFFERENT BUYER PRIORITIES¹



Product & Customers

Acquire adoption and distribution

Retention • Customer reach



Technology & IP

Acquire differentiated capabilities

Models • Data • Infrastructure



Talent & Licensing

Secure expertise and technology rights

Teams • Know-how • Usage rights

Deal structure shapes what is acquired and how shareholders realize value.

AI Acqui-Hires: Buyers Are Licensing the Tech and Hiring Core Teams



To secure scarce AI talent quickly, large buyers are licensing AI technology and hiring founding teams, rather than acquiring startups outright

AI Acqui-hires in 2026

AI acqui-hires are evolving into **“acqui-license + talent”** deals, in which large technology companies license a startup’s IP and hire its founders and core technical team, without acquiring the entire company.

Why It’s Accelerating

Access to scarce AI talent

Faster time-to-market

Immediate technology access

Flexible alternative to M&A

Some Recent Deals ^{1,2,3,4}	Date	Target	Buyer	Deal Value	Rationale
	May '26	Contextual AI	Google DeepMind	~\$100M ⁶	Hire 20+ researchers, the CEO, and license enterprise AI tech
	Mar'26	cove	Microsoft	NA	Hire entire AI collaboration team into Microsoft AI
	Mar'26	Dreamer	Meta	NA	Hire founders and team for AI agents; license the tech
	Feb'26	OpenClaw	OpenAI	NA	Hire the creator of the desktop AI agent
	Jan '26	hume ai	Google DeepMind	NA	License voice AI and hire the CEO and ~7 engineers for Gemini

Key Challenges in AI Acqui-hires

Regulatory Scrutiny

The U.S. Department of Justice (DOJ) opened an antitrust investigation into Nvidia’s transaction with Groq.⁵



Employees Left Behind

Staff not hired by the buyer can be left holding equity of uncertain value.



Weakened Startups

Residual businesses often shrink or pivot, such as Character.AI moving to a cheaper model.⁶



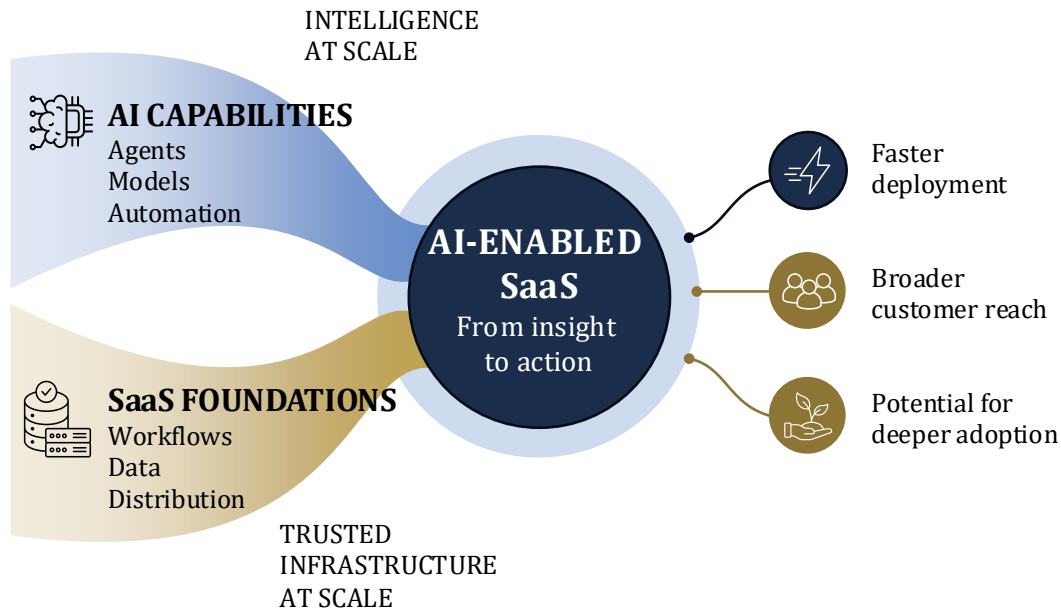
Unclear Investor Value

License proceeds may not equal an equity sale, leaving the value of remaining investor stakes uncertain.



Capital Is Already Repricing Around AI-SaaS Convergence

Buyers are assessing how AI affects product relevance, pricing, margins and long-term defensibility



Where AI Creates Durable SaaS Value¹



Embedded Workflows

AI becomes part of mission-critical processes rather than a standalone feature.



Proprietary Data

Customer-specific data improves accuracy and creates differentiation.



Distribution Advantage

Existing customer relationships accelerate AI adoption.

AI creates the strongest SaaS advantage when embedded into existing workflows, proprietary data and customer relationships

CONVERGENCE IN PRACTICE^{2,3}

Announced acquisition rationales



\$107B¹

AI-related tech deal value in the first three quarters of 2025, versus \$48B for all of 2024

>4x¹

Growth in pure AI component in SaaS deals in H1'26 compared to H1'25

Premium potential rests on measurable adoption, durable differentiation and profitable growth.

Recent Deals Highlight Diverging Dynamics Across SaaS and AI Assets



Large-scale software assets are being valued differently based on growth profile, competitive positioning and AI relevance

Mature SaaS with Limited Growth

Miro Acquisition by Bending Spoons¹

Established collaboration platform acquired at a reset valuation

10th Sep'26

Deal Date

~1.4B

Implied EV

90%

Business from Enterprises

~2.3x*

Implied EV/Revenue

Airtable Acquisition by Bending Spoons¹

Scaled no-code platform acquired below prior private-market valuations

4th Aug'26

Deal Date

~\$1.3B

Implied EV

20%

YoY Revenue Growth

~2.7x*

Implied EV/Revenue

Why the multiple was lower

- 01 Category maturity:** Collaboration software has become increasingly competitive and the space crowded
- 02 Limited differentiation:** Large platforms offer overlapping functionality
- 03 Growth normalization:** Scaled SaaS businesses face higher expectations for growth and profitability

Why the multiple was lower

- 01 Valuation reset:** Significant compression from prior private-market expectations from 2021
- 02 Increasing competition:** Enterprise buyers have more alternatives in workflow automation
- 03 AI pressure:** Buyers are reassessing standalone productivity tools versus AI-enabled platforms

Frontier Deep Tech Start-up

AMD Acquisition of World Labs¹

Technology + Talent acquisition targeting differentiated Spatial AI IP

18th Sep'26

Announcement Date

\$8.2B

Implied EV

AMD's World Labs deal is similar to Google's 2014 acquisition of DeepMind, as both provide early access to frontier AI research and unique talent

Why the valuation was very high

- 01 Highest Caliber Team:** This deal underwrites Fei-Fei Li ("Godmother of AI") and her world-class team
- 02 Physical-AI Leadership:** WL brings leading spatial-intelligence / "world model" expertise giving AMD a competitive edge vs NVIDIA
- 03 Getting Ahead of Demand:** AMD expects high demand across robotics, simulation, autonomous systems and other physical-AI applications

Software valuations are increasingly bifurcated, mature SaaS companies like Miro and Airtable face multiple compression, while frontier models like World Labs command unprecedented premiums



Implications & Outlook

SaaS M&A is accelerating, with buyers focusing on AI, data and mission-critical workflow platforms

M&A Drivers Likely to Persist

1 PE capital deployment

With **\$1.5T¹** in dry powder to deploy, software's resilience and recurring revenue will be top target.



Francisco Partners raised **\$21B** for software buyouts in FY'26¹

2 AI Buy-vs.-Build Race

Strategics will keep acquiring defensible agentic systems, proprietary data and AI talent faster than they can build internally.



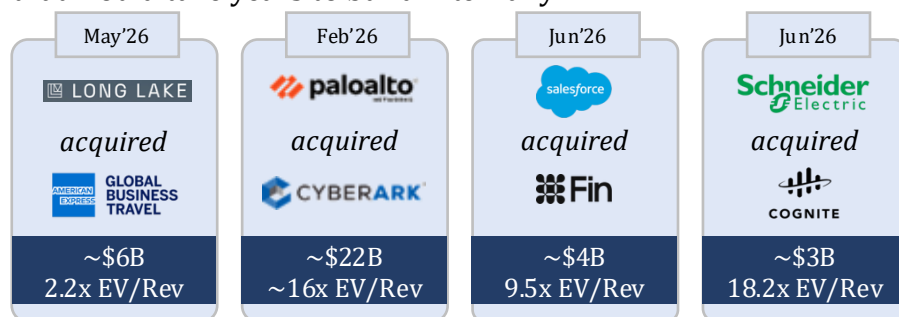
3 Vendor Consolidation

68%³ of surveyed tech leaders shifting budgets toward broader, integrated platforms to reduce operational friction.



Buyers Will Keep Prioritizing Workflow and Data²

Strategics are buying specialized AI, data and workflow capabilities that would take years to build internally.



Recent deals highlight demand for scaled, mission-critical platforms.

M&A Target Divergence

Buyers will favor deeply embedded systems of record over thin point solutions vulnerable to AI.

Preferred Targets

- Mission-critical vertical SaaS
- Proprietary data cores
- Compliance engines
- Deep ERP suites

⚠ Cautious Targets

- Thin UI wrappers
- Horizontal productivity apps
- SMB marketing tools
- Standalone point solutions

Over the next 2-4 quarters, the strongest M&A outcomes will go to companies that combine measurable AI adoption, durable differentiation and profitable growth.