

WINDSOR DRAKE

SaaS Valuations: Q2 2026

MAY 2026

Windsor Drake · Market Intelligence

A Structural Reset

Windsor Drake's working benchmark for the broad SaaS market has reset to a **3.5x EV/Revenue** core.

- The public median fell to 3.3x at March 2026, from 6.2x at year-end 2024 (PitchBook).
- Roughly \$1T of aggregate SaaS market value was erased across Q1 2026.
- This is a re-rating of the business model itself, not a cyclical dip.
- Q2 has brought stabilisation, not recovery: the new floor is holding, narrowly.

Profitable, but Slower

Operating fundamentals held up even as multiples fell sharply.

- Median EBITDA margin is set to widen to **~22.6%** in 2026 (PitchBook).
- That is up from 20.0% in 2025 and 17.4% in 2024, a clear efficiency dividend.
- Median revenue growth, however, steps down to roughly **12.7%** for 2026.
- The market is paying for durable growth, and there is now less of it to buy.

The Agentic AI Shock

Agentic AI has moved software from a tool that assists work to a system that performs it.

- Public markets are repricing the durability of seat-based revenue.
- B2B software equities compressed roughly **25%** year to date (Morgan Stanley).
- Investors now discount per-seat pricing, expansion growth and product moats.
- The repricing is forcing incumbents to re-architect, faster than capability alone would.

Macroeconomic Backdrop

Monetary policy is stable; the shock to software valuations is idiosyncratic.

- The Fed funds range holds at **3.50%-3.75%** after the April 2026 hold.
- The Committee split 8-4, its widest dissent since 1992, on the easing path.
- Markets price roughly no change through year-end, a neutral rate backdrop.
- The SaaS de-rating is therefore a sector story, not a cost-of-capital story.

Service as Software

The model is shifting from selling access to selling completed outcomes.

- Seat-based ARR captures roughly **\$1,200** per user per year.
- Outcome-based pricing can capture roughly **\$10,000** per workflow per year.
- That is an **~8x** revenue uplift per unit for vendors that execute the pivot.
- Software's addressable market expands from IT budgets toward labour budgets.

The Buyer's Window

Acquirers see a repriced sector as an opening, not a warning.

- Private equity holds about **\$3.7T** of global dry powder (McKinsey).
- Sponsors led roughly **57%** of Q1 2026 SaaS transactions, a record share.
- Strategics are buying AI capability and proprietary data, not just revenue.
- Quality assets are scarce; competitive tension still favours the prepared seller.

Capital Markets Reopen

The listing window is open, but it rewards a narrow profile.

- **Figma** debuted in July 2025 near a **\$68B** valuation, up sharply on day one.
- The 2026 pipeline is among the deepest in a decade, led by AI and security.
- Dual-track processes are now standard practice for sponsor-backed assets.
- Scale, profitability and a credible AI narrative gate access to the tape.

The Great Divergence

Headline averages mask a widening split between winners and the rest.

- AI-infrastructure and cybersecurity names still command double-digit multiples.
- Horizontal, seat-priced application software has compressed to **2x-4x**.
- The middle is hollowing as capital concentrates on defensible assets.
- AI exposure, not sector label, now decides which side of the line an asset sits.

1. Own an AI Narrative

AI exposure is now the primary swing factor in a SaaS multiple. Buyers separate AI-native and AI-defensible assets from those they view as disruption targets.

- Proprietary models and embedded workflows re-rate; thin AI features do not.
- Document where agentic AI is a tailwind for your revenue, with evidence.

2. Re-Engineer Pricing

Per-seat pricing is being discounted by public markets; the move to usage and outcome-based models is now a valuation lever, not a roadmap footnote.

- Outcome-based workflows can lift revenue per unit by close to 8x.
- Show a credible path from seats to consumption before a process.

3. Defend Revenue Durability

Diligence now centres on whether revenue survives agentic substitution. Net revenue retention, gross retention and contract structure are scrutinised harder than growth.

- Sustain NRR above 120% and lengthen contract duration where possible.
- Evidence switching costs: data gravity, integrations, workflow depth.

4. The Rule of 40 Still Gates Premiums

In a repriced market the Rule of 40 is a sharper filter than ever; growth and profit balance separates the priced-for-quality cohort from the priced-for-decline one.

- Assets clearing 40 with NRR above 120% still clear **7x-9x** revenue.
- Below the threshold, multiples compress quickly toward 2x-4x.

5. Marks Will Reset

Private valuations have not fully repriced to public reality; founders raising or selling should expect public comparables to anchor the conversation.

- The public median sits near 3.3x; price new rounds against it.
- Stale 2024-vintage marks face a delayed but unavoidable reckoning.

6. Prepared Assets Win the Window

With record dry powder hunting a thin supply of quality, the buyer-ready asset captures the competitive tension that a repriced market otherwise suppresses.

- Clean financials, documented APIs, a defensible and current data room.
- Map your AI thesis to each of your top five strategic acquirers.

Founder FAQs: Valuations, Timing & Strategy

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The questions founders ask most, answered against the Q2 2026 market.

Q1 What is my SaaS business actually worth today?

Anchor to the correct cohort, not the headline average. The broad public median sits near **3.3x EV/Revenue**; Windsor Drake's working benchmark for the broad private market is **~3.5x**. Cybersecurity, data infrastructure and credible AI-native assets trade well into double digits; seat-priced horizontal software trades **2x-4x**.

Q3 Is this a cyclical dip or a structural reset?

Structural. Rates are stable at 3.50%-3.75%, so this is not a cost-of-capital event. It is a re-rating of the business model. The durable winners are those repositioning toward outcome-based pricing and AI-native architecture, a transition the repricing is accelerating, not pausing.

Q5 Should I worry that my pricing is per-seat?

It is a discount today and an opportunity tomorrow. Public markets penalise seat-based revenue on agentic substitution risk. Outcome-based pricing can capture roughly **8x** the revenue per unit. A credible, evidenced path from seats to consumption is now a direct valuation lever.

Q7 Is an IPO a realistic alternative to a sale?

It has reopened, but selectively. Figma listed near a \$68B valuation in 2025 and the 2026 pipeline is deep, yet the tape rewards scale, profitability and a clear AI tailwind. For most assets a dual-track process, run toward both a sale and a listing, preserves optionality and competitive tension.

Q2 Why have multiples fallen so far, so fast?

Agentic AI has reframed software from a tool that assists work to a system that performs it. Public markets are repricing the durability of seat-based revenue, expansion-led growth and product moats. B2B software equities compressed roughly **25%** year to date; close to **\$1T** of SaaS market value was erased in Q1 2026.

Q4 How does the Rule of 40 matter in this market?

More than ever. It is the cleanest filter separating priced-for-quality assets from priced-for-decline ones. Companies clearing **40** with net revenue retention above **120%** still transact at **7x-9x** revenue. Below the threshold, multiples compress quickly. Growth quality, not the raw score, is what buyers underwrite.

Q6 Who is buying SaaS companies right now?

Private equity, holding about **\$3.7T** of dry powder, led roughly **57%** of Q1 2026 SaaS transactions. Strategic software acquirers are buying AI capability, proprietary data and talent. Both groups read the repricing as a buying window, not a reason to wait.

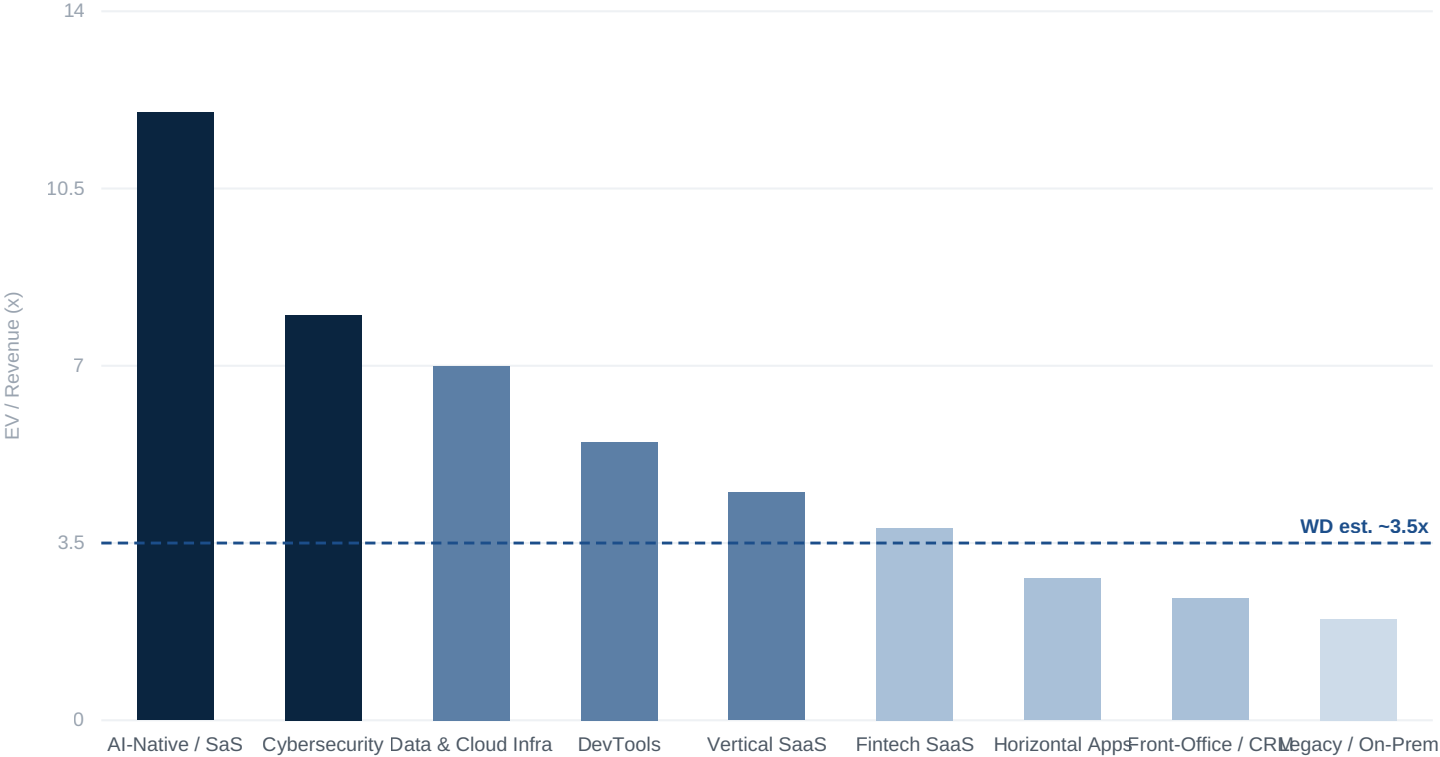
Q8 How do I protect my multiple through diligence?

Defend revenue durability. Sustain **NRR above 120%**, evidence switching costs through data gravity and workflow depth, and present a documented AI strategy. Expect **earn-outs** to bridge valuation gaps on AI-exposed revenue; they are now standard structure, typically paid over 12-24 months.

Q2 2026 Valuation Landscape Overview

Premium multiples concentrate in AI-native, security and infrastructure software; seat-priced applications have compressed.

Median EV / Revenue Multiple by SaaS Segment (x)



BROAD-MARKET BENCHMARK

~3.5x

Windsor Drake's working EV/Revenue benchmark for the broad SaaS cohort.

PUBLIC MEDIAN (MAR 2026)

3.3x

Down from 6.2x at year-end 2024 as the agentic AI repricing took hold.

Q1 2026 VALUE ERASED

~\$1T

Aggregate SaaS market capitalisation lost across the quarter.

Key Driver

The market now prices software on revenue durability under agentic AI. Topline growth alone no longer commands a premium; defensibility does.

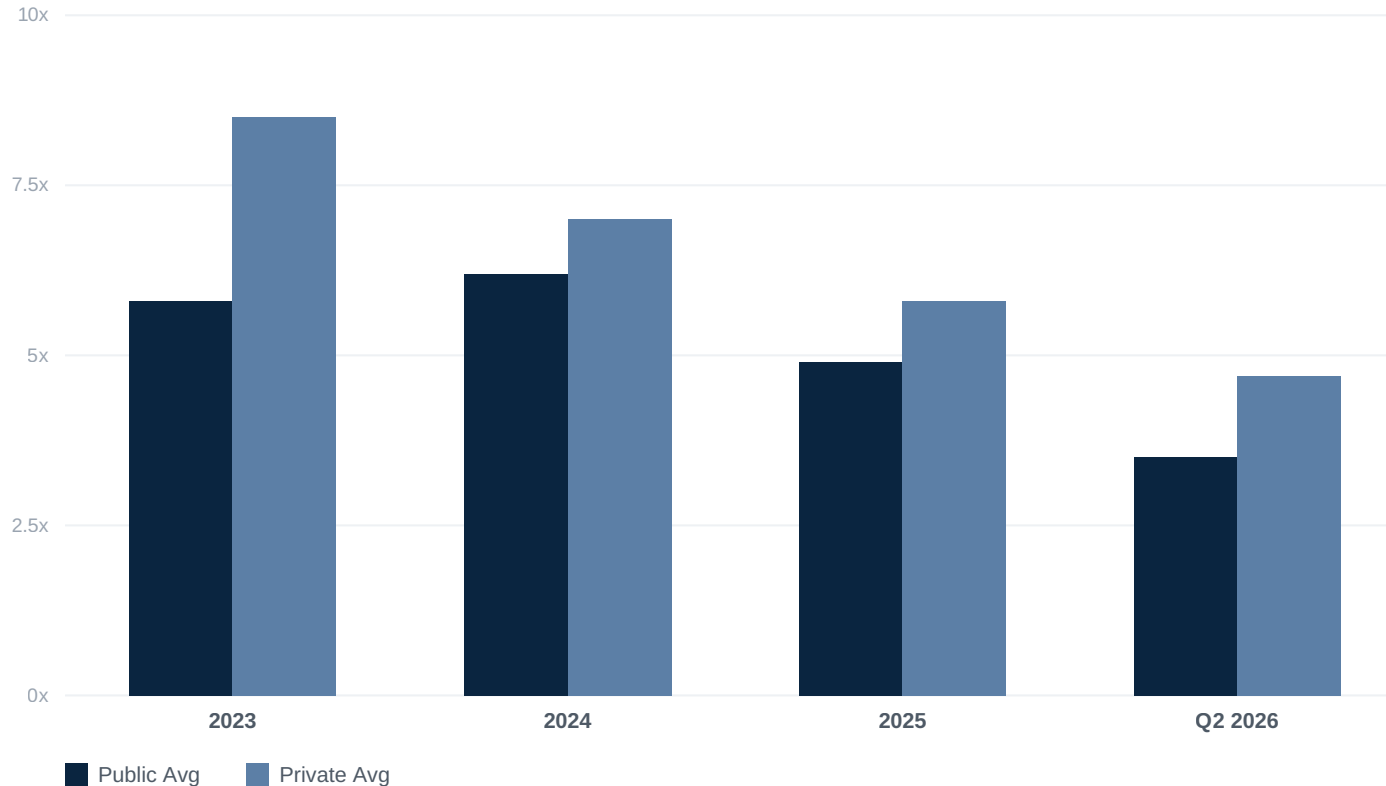
Deep bifurcation: the spread between AI-native infrastructure (double digits) and seat-priced application software (2x-4x) is the defining feature of the post-repricing market, driven by perceived exposure to agentic substitution.

Sources: PitchBook; S&P Global Market Intelligence; Morgan Stanley Research; Windsor Drake analysis. See appendix.

Public vs Private Market Convergence

Public multiples repriced fast; private marks lag, and a delayed reset is now the central risk for private holders.

Average EV / Revenue Multiple, Public vs Private (x)



PUBLIC / PRIVATE SPREAD

~1.2x

Private now sits above public, the reverse of an orderly convergence.

MARKS LAG REALITY

Delayed

2024-vintage private valuations have not yet absorbed the public repricing.

PUBLIC BENCHMARK ANCHOR

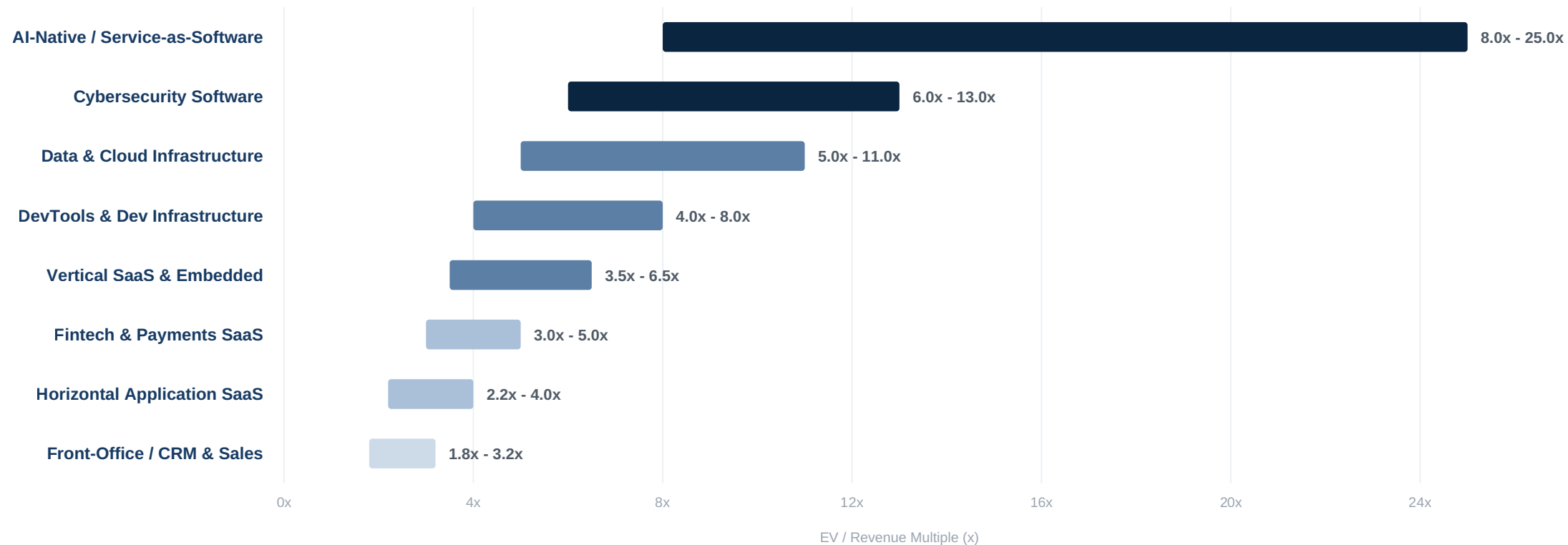
~3.3x

Public comparables now cap late-stage private round pricing for non-AI assets.

The gap has re-opened, inverted: public software repriced almost overnight on agentic AI risk, while private marks reset slowly. Private SaaS now screens above public comparables, an unstable position that points to further private-side compression.

Exit Valuation Multiples by SaaS Segment

A sharp bifurcation persists between AI-native and security software and seat-priced horizontal applications.



KEY OBSERVATION

The market is paying for revenue that survives agentic substitution. The wide gap between AI-native software and seat-priced front-office tools reflects a single question buyers now ask of every asset: does an autonomous agent extend this revenue, or replace it?

Valuation Multiple Drivers: The Repricing Bridge

Net compression from a 6.2x baseline to roughly 3.5x is dominated by the agentic AI re-rating, partly cushioned by an efficiency dividend.



NET COMPRESSION OF -2.7X

A 0.7x lift from margin expansion and rate stability is overwhelmed by a 3.4x drag, the bulk of it the agentic AI re-rating of seat-based revenue. The bridge reflects Windsor Drake analysis of the cited institutional data.

Capital Markets: IPO Window & Listing Benchmarks

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The listing window is open but discriminating: scale, profitability and a credible AI narrative gate access.

Figma (NYSE)

Listed July 2025, valued near **\$68B** with shares up sharply on the first day.

- Reopened the public window for high-growth design and creative software.
- Followed the failed \$20B Adobe acquisition, attempted and abandoned in 2023.
- Confirmed that category leadership and AI positioning still command demand.

ServiceTitan (Nasdaq)

The vertical SaaS platform for the trades listed in December 2024 at **\$71**.

- Demonstrated investor appetite for dominant, workflow-deep vertical software.
- Traded volatile through 2025 as the broad software de-rating took hold.
- Underlined that even category leaders are not immune to the repricing.

The 2026 Pipeline

The backlog of listing-ready software companies is among the deepest in a decade.

- More than 800 unicorns have spent extra years building balance-sheet discipline.
- AI infrastructure, security and applied AI software lead the near-term queue.
- Issuers without an AI tailwind face a markedly cooler reception on the tape.

Dual-Track Is Standard

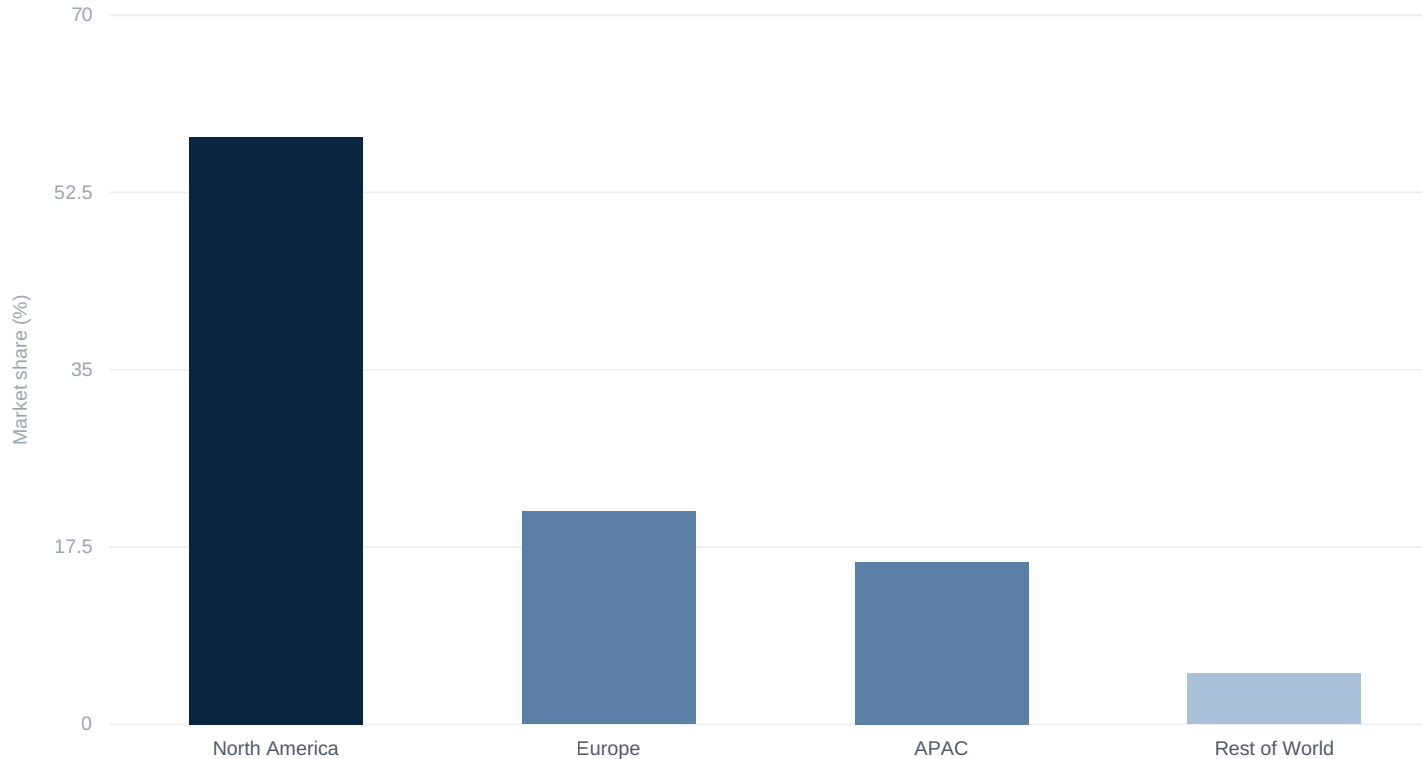
Sponsor-backed assets now prepare a sale and a listing in parallel.

- A strong M&A bid offers a credible, often faster alternative to a debut.
- Running both tracks manufactures competitive tension and protects pricing.
- The optionality matters most when the public window can narrow quickly.

Geographic Valuation Variations

North America commands a structural premium in software; Europe offers a value-arbitrage opportunity for cross-border acquirers.

Share of Global Enterprise SaaS Market by Region (%)



NORTH AMERICA

Premium

About 58% of global enterprise SaaS revenue, with the deepest pools of strategic and sponsor capital.

EUROPE

Discount

About 21% share; strong vertical assets trade below US peers on fragmentation and thinner exit liquidity.

APAC

Growth

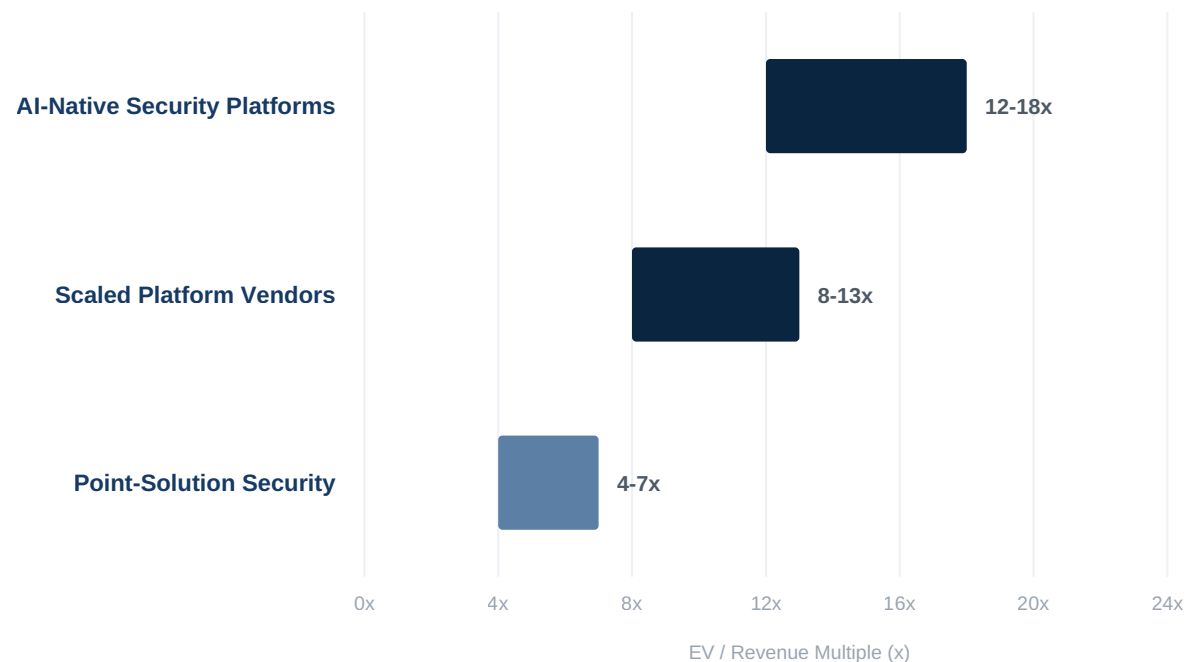
About 16% share; fast-growing but still maturing as a destination for large-cap software M&A.

Valuation gap: North America hosts the majority of enterprise SaaS revenue and the deepest exit liquidity, supporting premium purchase multiples. European software trades at a persistent discount that well-capitalised US acquirers are increasingly arbitraging.

Cybersecurity: The Resilient Premium

Security software has held double-digit multiples as enterprises spend to defend AI-enabled estates.

EV / Revenue Multiple Range (x)



Valuation Drivers

Spend Is Non-Discretionary

Security budgets are the least exposed line in enterprise software; AI-enabled workflows widen the attack surface and pull spend forward rather than back.

Consolidation Onto Platforms

Buyers are standardising on a small number of platform vendors, sustaining premium multiples for scaled assets and pressuring narrow point solutions.

Capability M&A

Record strategic demand for identity, cloud and agent-security capability has produced the sector's largest deals, with acquirers paying up for talent and IP.

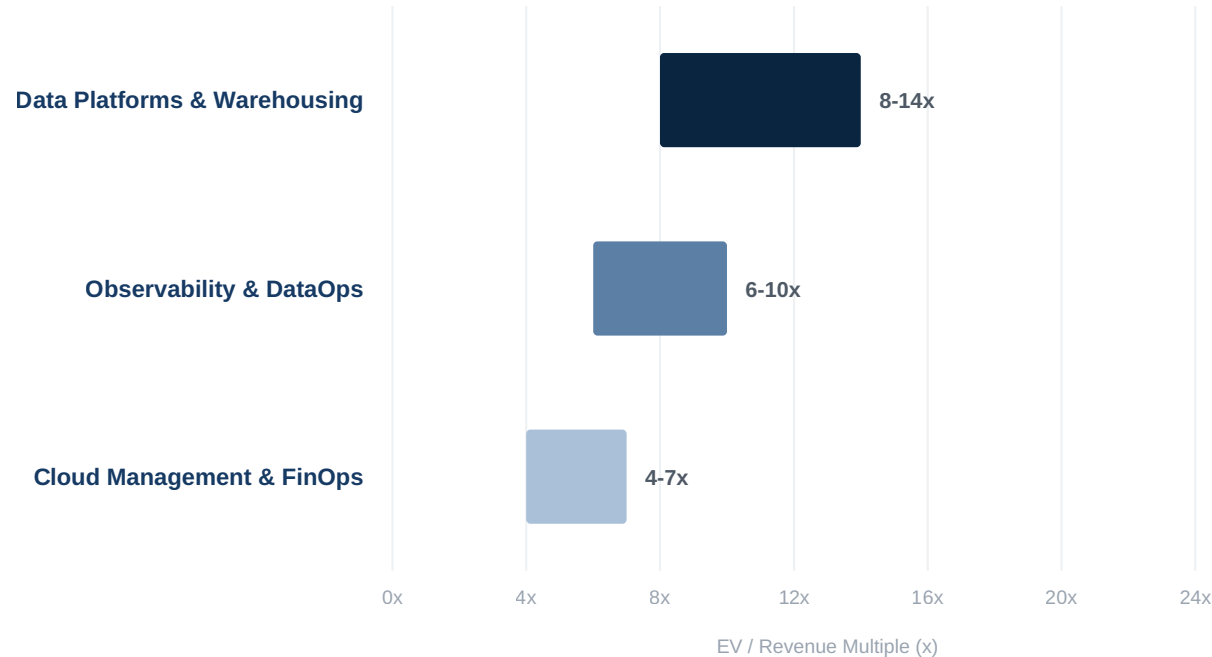
KEY OBSERVATION

Cybersecurity is the clearest example of software that agentic AI makes more valuable, not less: autonomous systems expand the threat surface they are deployed on.

Data & Cloud Infrastructure

Infrastructure that AI agents depend on commands the highest non-AI-native multiples in software.

EV / Revenue Multiple Range (x)



Valuation Drivers

Agents Need a Substrate

An autonomous agent is only as capable as the data and compute beneath it; infrastructure vendors capture demand regardless of which agent layer prevails.

Consumption Economics

Usage-based pricing already aligns infrastructure revenue with AI workloads, insulating these vendors from the seat-compression repricing hitting applications.

Data Gravity Moat

Customer data, once resident, is costly to move; that gravity underpins durable retention and supports premium revenue multiples through the cycle.

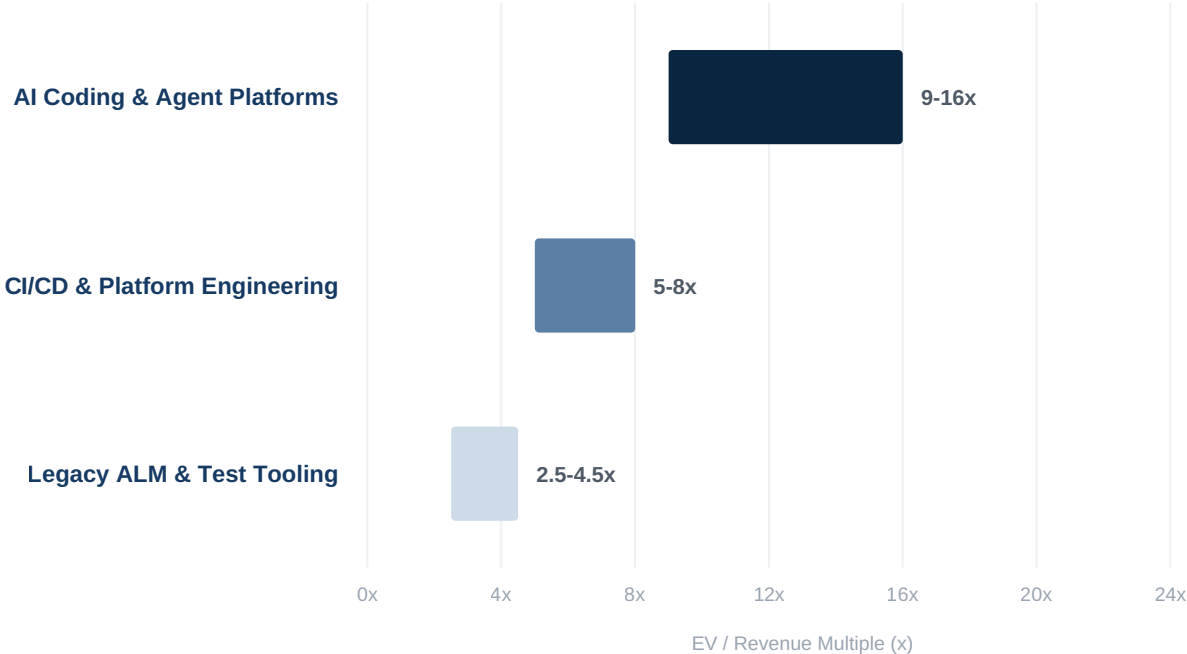
KEY OBSERVATION

Infrastructure software is priced as a toll road on the AI build-out: it monetises the workloads agents create, whoever ends up owning the agent.

DevTools & Developer Infrastructure

Developer software faces a sharper debate: AI coding assistants are both a tailwind and a substitution risk.

EV / Revenue Multiple Range (x)



Valuation Drivers

Productivity Tailwind

AI assistants expand the volume of code shipped, lifting demand for pipelines, security scanning and platform-engineering tooling downstream of the developer.

Substitution at the Edges

Standalone tools that automate a single developer task are most exposed; agents now perform those tasks, compressing the multiple for narrow point products.

Seat-Count Pressure

If agents raise output per developer, seat-based developer tools face slower expansion, a concern public markets are pricing into the segment today.

VALUATION IMPACT

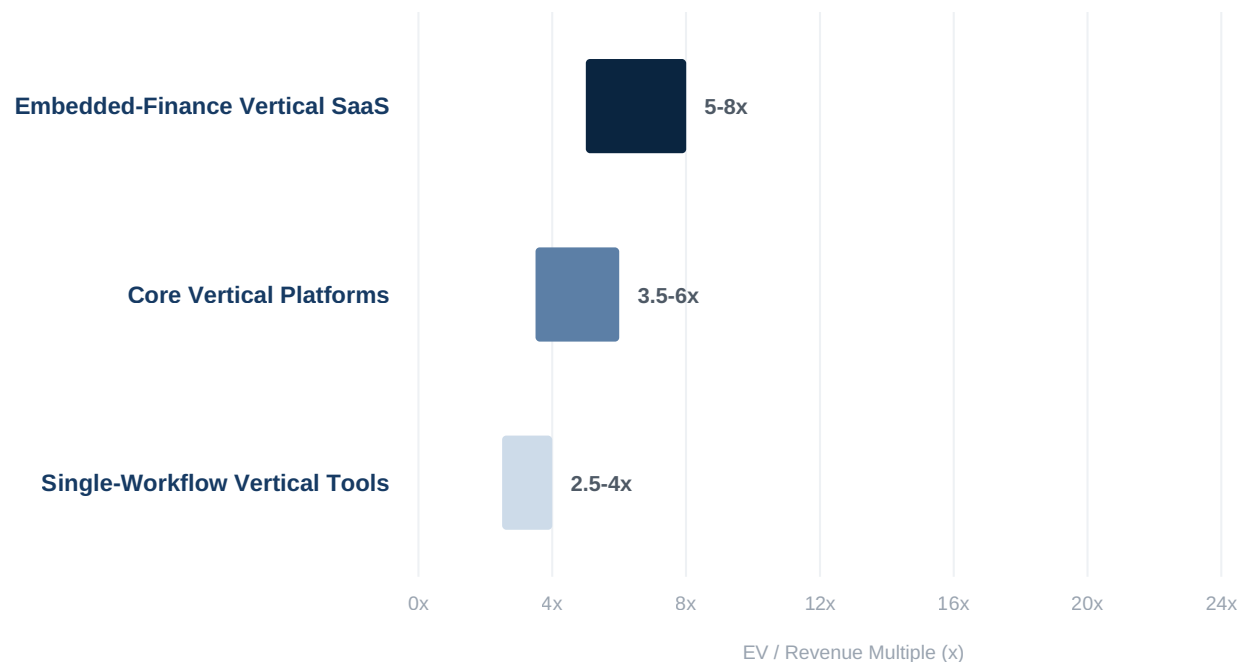
Developer software splits cleanly: platforms that orchestrate AI-generated work re-rate, while tools that compete with the agent itself compress.

Sources: PitchBook; S&P Global Market Intelligence; Morgan Stanley Research; Windsor Drake analysis. See appendix.

Vertical SaaS & Embedded Software

Workflow depth and proprietary data give vertical software a defensive premium over horizontal peers.

EV / Revenue Multiple Range (x)



Valuation Drivers

System-of-Record Defensibility

Vertical platforms own the operating system for their industry; switching costs and regulatory depth blunt the agentic substitution thesis that hits horizontal tools.

Proprietary Data Advantage

Industry-specific data, accumulated over years, is the fuel for credible vertical AI; incumbents can deploy agents that new entrants cannot match.

Monetisation Beyond Seats

Embedded payments, lending and payroll already shift vertical revenue away from per-seat pricing, partly insulating these assets from the repricing.

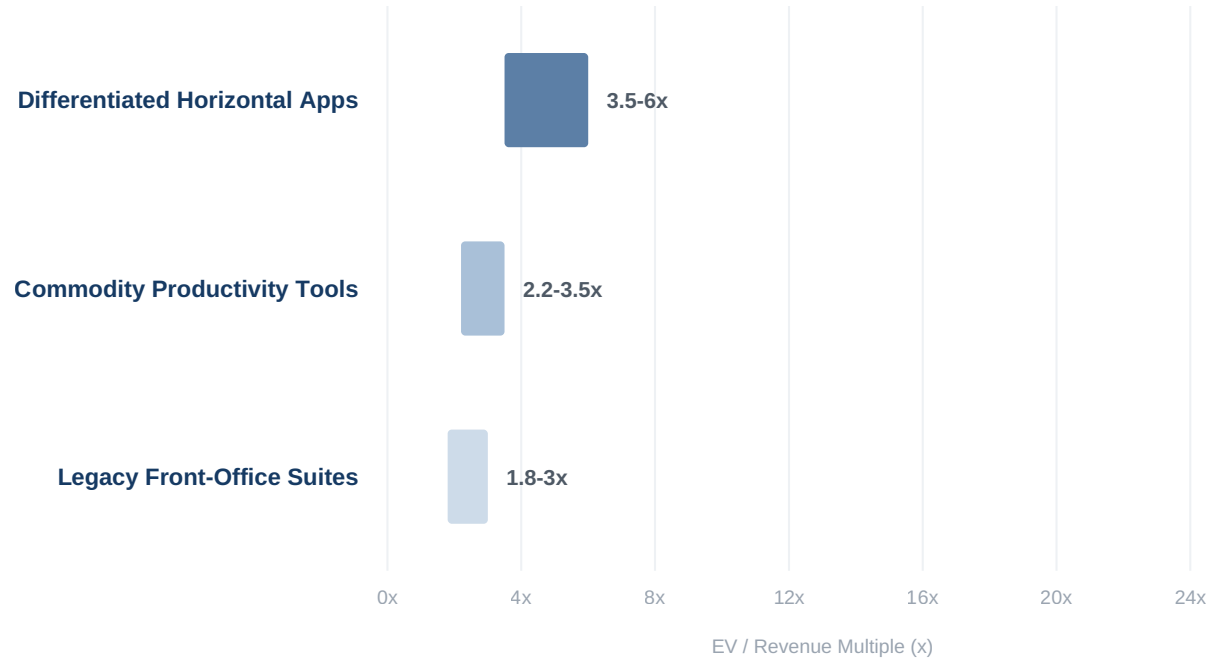
KEY OBSERVATION

Vertical SaaS is the relative haven of the repricing: depth, data and embedded monetisation make its revenue harder for an autonomous agent to displace.

Horizontal Application SaaS Under Pressure

Seat-priced horizontal applications have absorbed the steepest compression of the repricing.

EV / Revenue Multiple Range (x)



Valuation Drivers

Seat Compression Risk

A single autonomous agent can absorb the work of multiple licensed users; horizontal tools priced per seat face the most direct revenue-durability question.

Thin Switching Costs

General-purpose applications hold weaker data gravity and shallower workflow lock-in, leaving retention more exposed as agentic alternatives mature.

The Re-Pivot Imperative

Multiples recover only for vendors that re-architect toward outcome-based pricing and embed agents into the workflow, rather than defend the seat.

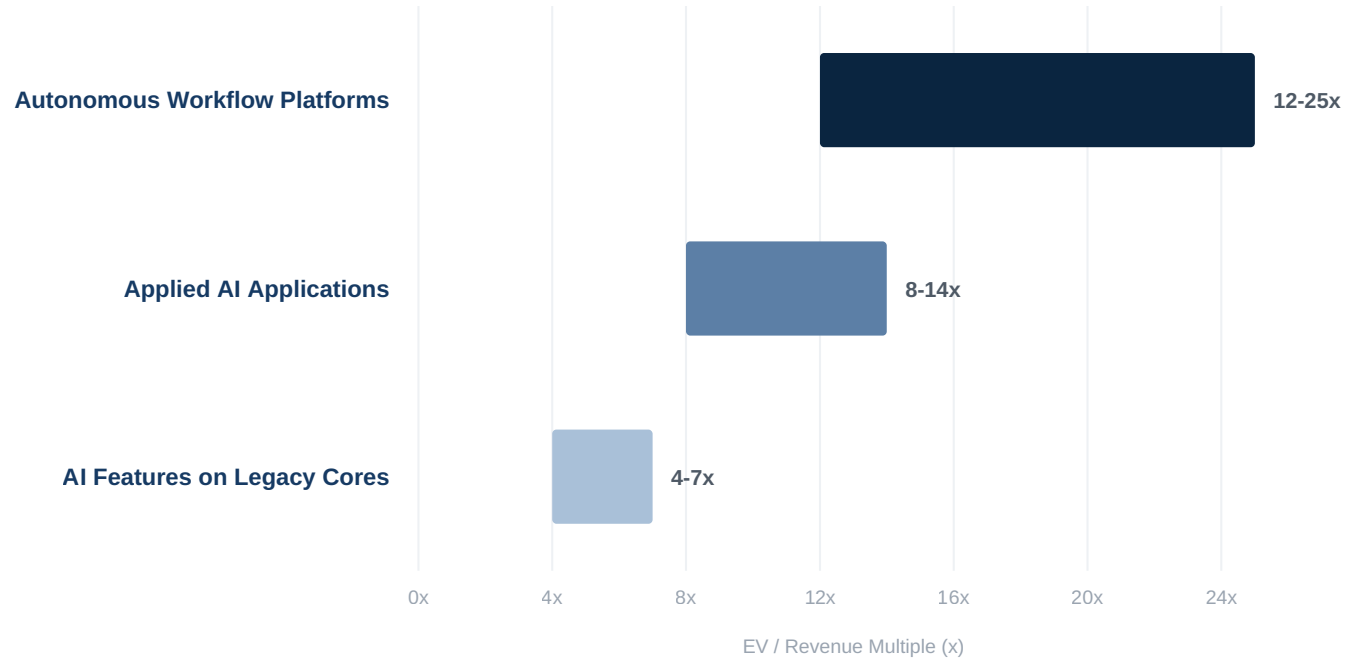
VALUATION DRIVER

This is the cohort the repricing targets directly. The path back to a premium runs through pricing-model change and demonstrable AI-native architecture.

AI-Native Software & Service-as-Software

Software that sells outcomes, not seats, commands the highest multiples and is redefining the category.

EV / Revenue Multiple Range (x)



Valuation Drivers

Outcome-Based Economics

Pricing per completed task rather than per user can lift revenue per unit by close to 8x and expands the market from IT budgets toward labour budgets.

The Incumbent Counter

An agent is only useful with access to customer history, inventory and codebases held inside existing platforms; that data access is the incumbents' defence.

Scarcity Premium

Genuinely AI-native assets, where autonomy is the core product, are scarce; buyers pay aggressively for proven systems over pilots and demos.

KEY OBSERVATION

Service-as-software is not a feature of the market, it is the market's new direction. The premium accrues to vendors that sell a result, with the data to back it.

Comparable Transaction Analysis Framework

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A rigorous revenue-durability filter, not broad software-industry codes.

1. Select Peer Set

Identify genuinely comparable assets by fundamental characteristics: pricing model (seat versus usage versus outcome), AI exposure, growth and retention profile, never by software-sector label alone.

2. Normalise Metrics

Adjust KPIs to a pro-forma basis: normalise growth for acquisitions, standardise profitability and stock-based compensation, and reconcile net against gross retention.

3. Adjust for Structure

Account for deal-specific terms (earn-outs tied to AI milestones, stock-versus-cash mix and control premiums) that pull headline valuation away from underlying economic value.

55

TRACKED TRANSACTIONS

2019-26

EXIT INDEX COVERAGE

Proprietary Transaction Index

Calibration draws on Windsor Drake's proprietary index of **55 verified and reported software and fintech transactions (2019-2026)**, a living comparable-set database refreshed each quarter.

Revenue-Durability Filter

Peer selection prioritises recurring versus re-occurring revenue, exposure to agentic substitution, gross-margin profile and customer-concentration risk.

Rule of 40 Premium Adjustment

A premium layer is applied for top-decile growth-and-profit performers; offsetting discounts apply where AI-exposed revenue carries heavy earn-out structure.

Control Premium Calibration

Indications include a control-premium layer, typically **20-30%**, where cost and revenue synergies can be concretely underwritten by the acquirer.

Strategic Acquirer Mapping by Segment

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Strategics buy AI capability and data; private equity buys repriced cash flow; platforms buy ecosystem depth.

Segment	Strategic Software	Private Equity	Hyperscalers
Cybersecurity	HIGH Platform consolidation; identity and agent-security capability.	HIGH Scaled, cash-generative assets; carve-outs of point solutions.	MODERATE Native security for cloud and AI workloads.
Data & Infra	HIGH Core data rails to underpin enterprise AI offerings.	MODERATE Consumption-revenue assets with durable retention.	HIGH Strategic priority: data gravity feeds the AI stack.
DevTools	HIGH AI coding and agent-orchestration capability and talent.	LOW Substitution risk deters leveraged theses.	MODERATE Developer mindshare adjacent to cloud platforms.
Vertical SaaS	MODERATE Adjacent-vertical expansion and embedded finance.	HIGH Prime buy-and-build; defensible, repriced cash flow.	LOW Outside core infrastructure focus.
Horizontal Apps	MODERATE Selective: assets with a credible AI re-pivot.	HIGH Take-privates of repriced, profitable incumbents.	LOW Limited appetite; preference to build natively.
AI-Native / SaaS	HIGH Capability and talent acquisition at premium prices.	MODERATE Growth-equity entry; few assets at LBO scale.	HIGH Applied AI that showcases the platform.

High Activity / Priority Target

Moderate / Opportunistic

Low Activity / Niche Only

Strategic Software Buyers

Incumbents are acquiring AI capability, data and talent rather than building under time pressure.

Strategic Motives: Buy vs. Build

The internal build cycle for agentic capability is too slow to counter the repricing of legacy revenue. That gap is compelling software incumbents to acquire AI-native stacks outright, treating M&A as defensive re-architecture rather than expansion.

Acquisition Patterns

The clear preference is for capability deals: AI talent, proprietary models and the data to train them. Record 2025 transactions in security and data show strategics will pay premium prices for assets that close a declared AI gap.

~50%

2025 TECH DEALS WITH AI ANGLE

Buy

OVER BUILD, ON AI

Priority: Agentic Capability

Acquirers target platforms that can execute multi-step workflows autonomously, the capability that defends an incumbent's installed base against new entrants.

Priority: Proprietary Data

Data assets that train credible vertical or workflow AI are valued as a structural moat; an agent without data access is, in practice, inert.

Priority: Talent Density

Concentrations of applied-AI engineering talent are themselves a transaction rationale, with retention packages central to deal structure.

Integration Discipline

Buyers increasingly run a federated model, preserving the target's pace of innovation while overlaying enterprise security, compliance and go-to-market scale.

Private Equity Acquisition Patterns

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Record dry powder is meeting a repriced sector; sponsors read the de-rating as a buying window.

Deployment Pressure

Private equity holds about \$3.7T of global dry powder, and roughly 40% of it is now two years or older, intensifying the pressure to transact. Sponsors led close to 57% of Q1 2026 SaaS transactions, one of the most sponsor-heavy quarters on record.

Public-to-Private Thesis

Software trading well below intrinsic value is the prime target. The agentic AI repricing has handed sponsors a wide menu of profitable, scaled assets at multiples last seen during prior disruption scares.

~\$3.7T

GLOBAL DRY POWDER

~57%

PE SHARE, Q1 26 SAAS DEALS

Ideal Target Profile

Sponsors prioritise **Rule of 40** adherence, recurring-revenue mix above 80%, low churn and limited agentic substitution risk, the profile that supports leverage.

Value-Creation Playbook

Pricing modernisation toward usage and outcomes, AI-driven cost takeout, and buy-and-build consolidation of fragmented vertical software.

A Selective Pause

Sponsors briefly slowed software underwriting at the peak of the repricing; technology fell from about 30% of PE deployment in 2025 to near 10% in Q1 2026.

Financing Conditions

Software leveraged loans underperformed the broad loan index by roughly 600bps year to date, raising the bar on revenue-durability underwriting.

Competitive Moats Driving Premium Valuations

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In a repriced market, double-digit multiples are reserved for software that can prove structural defensibility against agentic substitution.

Proprietary Data

ASSET VALUE: HIGHEST

The fuel agents cannot operate without

- Unique, hard-to-replicate data trains credible vertical and workflow AI.
- Creates a compounding advantage as the install base and history grow.
- Turns an incumbent's archive into a structural barrier to new entrants.
- **Action:** deepen first-party data capture across every customer touchpoint.

Workflow Depth

BARRIER VALUE: HIGH

System-of-record lock-in

- Deep integration into daily operations raises switching costs sharply.
- Ownership of the system of record blunts the substitution thesis.
- Mission-critical workflows resist replacement by general-purpose agents.
- **Action:** extend from a tool into the operating system of the vertical.

Outcome Economics

SCALE VALUE: HIGH

Revenue decoupled from seat count

- Usage and outcome pricing align revenue with value, not headcount.
- Insulates the model from the seat-compression repricing.
- Can lift revenue per unit toward an order of magnitude over seats.
- **Action:** migrate the pricing model from access to completed results.

Distribution & Trust

GROWTH VALUE: MED-HIGH

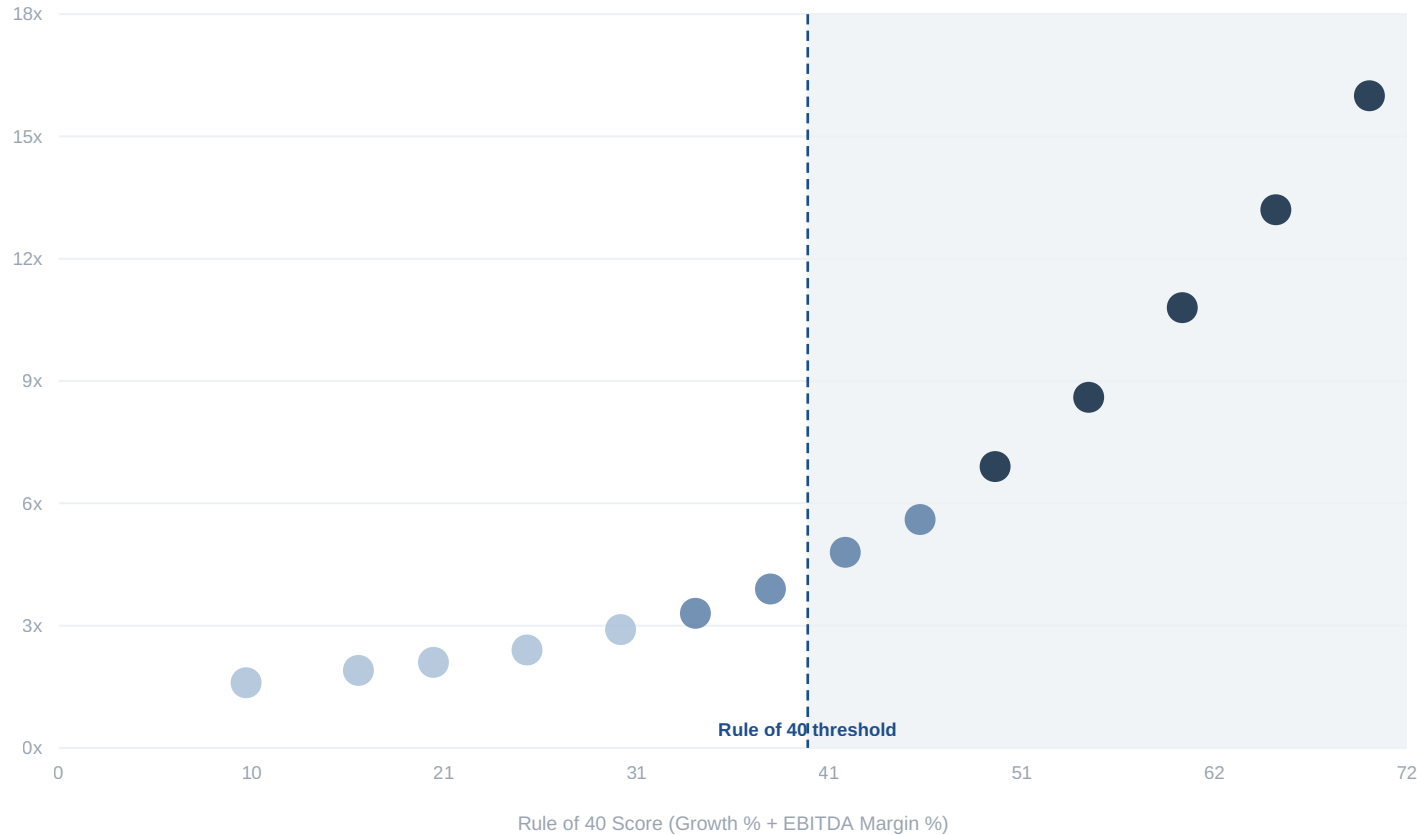
Installed base and enterprise credibility

- An existing enterprise relationship is the cheapest path to deploy AI.
- Security, compliance and procurement approval are real barriers to entry.
- Trusted incumbents can ship agents into a base new entrants cannot reach.
- **Action:** convert installed-base trust into an AI distribution advantage.

Rule of 40 Performance Distribution

In a repriced market the Rule of 40 is a sharper filter than ever; clearing it cleanly still unlocks a substantial premium.

EV / Revenue Multiple vs Rule of 40 Score



TOP QUARTILE (SCORE >55)

8.5x+

Durable growth and profit; the primary targets for premium strategic M&A.

RULE OF 40 MET (40 TO 55)

4.5-8x

A credible growth and profit balance; viable IPO or sale candidates.

BELOW THRESHOLD (<40)

1.5-4x

Transition and value-trap zones; the cohort most exposed to the repricing.

The Rule of 40 separates the priced-for-quality cohort from the priced-for-decline one. Roughly half of public SaaS companies clear the threshold, but those pairing it with net revenue retention above 120% are the assets still transacting at premium multiples.

Cross-Border M&A Considerations

Jurisdictional divergence is the primary deal risk, and the primary arbitrage, in 2026.

Regulatory Regimes

Heightened scrutiny of data infrastructure and AI capability under foreign-investment review, and divergence between EU AI Act compliance and US frameworks, complicate tech-stack integration and lengthen approval timelines for cross-border software deals.

Currency & Valuation Arbitrage

US acquirers are leveraging a strong dollar and a deeper domestic capital base to buy discounted European software; managing divergent regional rate environments remains central to any debt-financed transaction.

12-18mo

CROSS-BORDER CYCLE

+30-50%

LONGER CLEARANCE

Extended Timelines

Regulatory clearance for cross-border software deals runs 30 to 50% longer than domestic transactions; ensure runway to withstand delay without losing leverage.

Data Sovereignty

Where the target's data resides, and whether it can train AI across borders, is now a core diligence item that can reshape or block a transaction.

Milestone-Tied Earn-Outs

Earn-outs increasingly unlock consideration on regulatory approvals or AI integration milestones, rather than on revenue alone.

Dual-Track & Local Partners

Run IPO readiness alongside the M&A process for competitive tension, and retain local management to navigate post-close regulatory nuance.

Exit Valuation Optimisation Strategies

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Four levers that systematically de-risk a SaaS asset against the repricing while amplifying its scarcity value.

1. Re-Engineer Pricing

6 TO 12 MONTHS PRE-EXIT

Move from seats to outcomes

- Introduce **usage-based tiers** to decouple revenue from seat count.
- Pilot outcome-based pricing on a defined, measurable workflow.
- Evidence the revenue-per-unit uplift with clean cohort data.
- Show a credible migration path, not a slogan, before a process.

2. Prove Revenue Durability

PREDICTABILITY

Defend against agentic substitution

- Sustain Net Revenue Retention **above 120%** through cross-sell.
- Lengthen contract duration to extend revenue visibility.
- Reduce concentration so the top 10 accounts sit under 20%.
- Document switching costs: data gravity, integrations, workflow depth.

3. Clear the Rule of 40

PREMIUM TIER

Balance growth and profitability

- Reallocate operating expense from low-ROI channels into AI R&D.
- Deploy AI internally to decouple headcount from revenue growth.
- Target **above 40%** on growth plus EBITDA margin, with quality.
- Track the score monthly with board-level visibility.

4. Build the AI Narrative

COMPETITIVE TENSION

Frame the asset as AI-defensible

- Document where agentic AI extends, not erodes, your revenue.
- Position proprietary data and workflow depth as the moat.
- Map the AI thesis to each of the top five strategic acquirers.
- Run a structured process to manufacture competitive tension.

Positioning for Strategic Acquisition

Strategic value is driven by capability fit, revenue durability and synergy density.

Capability Fit

Demonstrate unique AI capability, proprietary data or workflow depth that fills a specific, declared buyer gap, making the buy-versus-build decision self-evident for the acquirer.

Revenue Durability

Acquirers now underwrite whether revenue survives agentic substitution. Evidence retention, switching costs and a pricing model that is moving with the market, not against it.

Synergy Density

Quantify the revenue lift from deploying your capability across the acquirer's base, and model the cost synergies from shared infrastructure, to support a higher multiple.

Strategic Buyer Mapping

Run a structured gap analysis of potential acquirers and map your AI capability directly to each buyer's declared strategic deficit.

Proof-of-Integration

Develop technical materials that demonstrate speed-to-value within the acquirer's ecosystem, pre-empting the technical diligence phase.

Synergy Quantification

Explicitly model top-line and bottom-line impact in the management presentation to anchor the valuation conversation on hard numbers.

Comprehensive VDR Readiness

Build a defensive data room addressing AI governance, data rights, IP and customer-concentration risk before the first buyer engagement.

Timing the Exit: 12-18 Month Roadmap

WINDSOR DRAKE

A full process runs 12 to 18 months end to end. Founders who prepare now meet the market while record dry powder and acquirer urgency are still chasing a thin supply of quality assets.



Readiness & Hygiene

Q3 2026

- Audit completion to PCAOB standard
- AI governance and data-rights review
- Pricing-model and retention diagnostic
- Clean up the cap table and option pool

KEY MILESTONE

Clean IP and AI-rights scan



Strategic Positioning

Q4 2026

- Launch dual-track process preparation
- Build the strategic buyer-targeting list
- Draft the CIM and the AI-defensibility narrative
- Lock key-employee retention packages

KEY MILESTONE

Retention packages locked



Market Engagement

Q1 2027

- Fireside chats with priority strategics
- Solicit initial indications of interest
- Deliver management presentations
- Open the virtual data room

KEY MILESTONE

Competitive bid tension



Execution & Closing

Q2 2027

- Definitive agreement negotiation
- Regulatory filings (HSR and foreign investment)
- Confirmatory diligence support
- Closing and integration kickoff

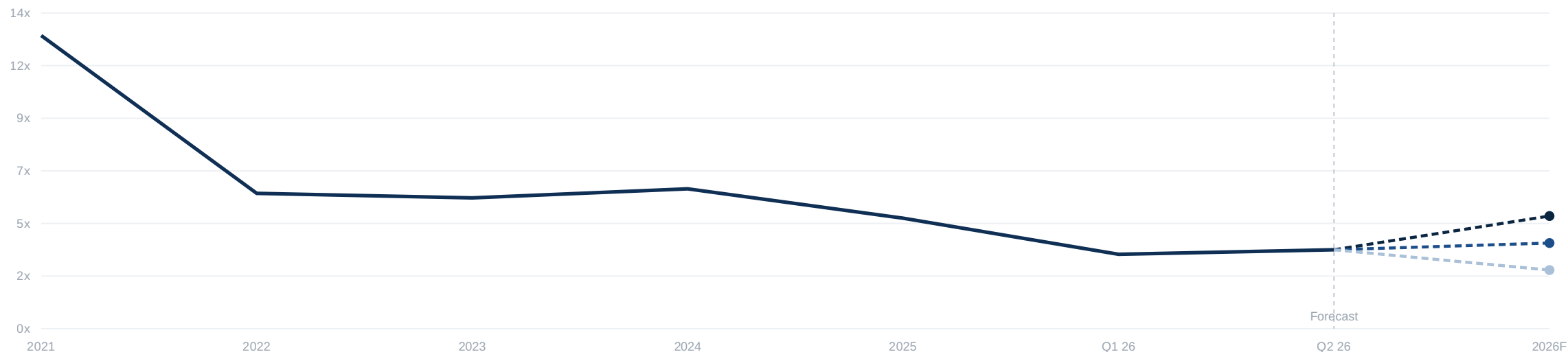
KEY MILESTONE

No-MAC event verification

2026 Valuation Forecast Scenarios

WINDSOR DRAKE

With the broad-market benchmark near 3.5x, forward trajectories diverge sharply on the pace of the AI transition and the durability of demand.



BULL CASE

5.0x

Key Drivers

- Incumbents monetise the move to outcomes
- AI-native revenue offsets seat compression
- The IPO window stays open to software

STRATEGY: LEAN INTO THE AI RE-PIVOT

BASE CASE

3.8x

Key Drivers

- Stabilisation, then a slow, uneven recovery
- Bifurcation by AI exposure persists
- Sponsor-led consolidation sustains volume

STRATEGY: PROVE DURABILITY, PREPARE

BEAR CASE

2.6x

Key Drivers

- Agentic substitution outruns the re-pivot
- Seat-based revenue contracts outright
- Private marks reset down to public reality

STRATEGY: PROTECT OPTIONALITY, ACT EARLY

Emerging Opportunities & Buyer Trends

WINDSOR DRAKE

Capital is flowing toward the software that turns agentic AI from a threat into a revenue model.

Service-as-Software

Vendors that sell completed outcomes rather than seats are expanding software's addressable market from IT budgets toward labour budgets, the single largest re-rating opportunity in the sector.

Agent Infrastructure

Orchestration, evaluation, observability and security for autonomous agents form a fast-growing layer, the connective tissue every AI-native application depends on.

Vertical AI

Industry-specific agents built on proprietary vertical data are the clearest defensive growth story, pairing workflow depth with genuine autonomy.

Capability Acquisitions

Strategic software buyers are prioritising AI capability, data and talent over pure revenue, treating M&A as the fastest route to a defensible architecture.

Sponsor-Led Consolidation

Private equity is consolidating fragmented, repriced vertical software into platforms, underwriting cost takeout and pricing modernisation.

Cross-Border Arbitrage

Well-capitalised US acquirers are buying discounted European software, arbitraging a persistent regional valuation gap.

Market Intelligence

Top-tier analysis points to record dry powder and capability-driven demand converging on a supply of durable, AI-defensible assets that has not kept pace.

M&A Case Study: The Electronic Arts Take-Private

WINDSOR DRAKE

The defining sponsor transaction of the cycle, and the playbook it sets for software founders.

The Conviction Trade

The take-private of **Electronic Arts**, an all-cash transaction at an enterprise value of roughly **\$55B** and expected to close in **Q2 2026**, is the largest all-cash sponsor take-private in history. Struck as public software sentiment turned, it is a statement of conviction in scaled digital assets.

Deal Structure

- **Price:** \$210.00 per share in cash, a 25% premium to the unaffected price.
- **Consortium:** a syndicate of long-horizon sponsors deploying record dry powder.
- **Thesis:** durable, data-rich revenue is mispriced by a market repricing software wholesale.

Implications for Founders

Capital Is Hunting Quality

Record dry powder is actively seeking scaled, defensible assets at repriced multiples. A market-wide de-rating does not deter the best-prepared buyers; it **draws them in**, and the supply of quality assets is thin.

Durability Beats Growth Optics

Sponsors underwrote **revenue durability and data depth**, not headline growth. Founders who can evidence retention, switching costs and an AI-defensible model command the conversation, even in a soft tape.

The Window Is Real, and Timed

Acquirer urgency, record capital and a thin supply of quality assets align today. Process lead times run 12 to 18 months, so the **alignment a founder meets is the one that exists when preparation begins**, not when it ends.

Valuation Methodology: Choosing the Right Metric

WINDSOR DRAKE

The right metric depends on business model, profitability profile and exposure to the agentic transition.

EV / Revenue

2-25X+

Growth and AI-native software

- Applied where profitability is suppressed by deliberate reinvestment.
- The range is now exceptionally wide, set by AI exposure and durability.
- The Rule of 40 score dictates where in the range an asset sits.
- Best suited to high-growth, AI-native and infrastructure software.

EV / EBITDA

10-25X

Mature & cash-generative SaaS

- Essential for profitable, slower-growth software incumbents.
- Many assets valued on revenue in 2024 are now assessed on EBITDA.
- Margin expansion and durable cash flow are the key value drivers.
- Captures the reality of the repriced, consolidating application cohort.

EV / ARR

QUALITY-WEIGHTED

Recurring-revenue lens

- Focuses on contracted, recurring revenue rather than reported topline.
- Net revenue retention is the critical adjustment to the headline figure.
- Best paired with a gross-retention and concentration overlay.
- Most useful for diligence-stage calibration of a private asset.

DCF / Rule of 40

CROSS-CHECK

Durability-weighted view

- A discounted cash flow tests revenue durability under substitution.
- The Rule of 40 cross-checks the growth-and-profit balance.
- Scenario weighting captures the agentic transition explicitly.
- Used to sanity-check a market multiple, not to replace it.

Appendix: Sources & Methodology (Part 1)

WINDSOR DRAKE

Institution	Report / Source	Date
PitchBook	<i>Q1 2026 Enterprise SaaS Public Comp Sheet and Valuation Guide</i>	Apr 2026
PitchBook	<i>Q1 2026 Analyst Note: SaaS Is Dead, Long Live SaS</i>	Mar 2026
PitchBook	<i>Q2 2026 Analyst Note: The SaaS-Pocalypse Opportunity</i>	May 2026
PitchBook	<i>Q1 2026 Analyst Note: Private Equity's Exposure to the Software Reckoning</i>	Mar 2026
Morgan Stanley Research	<i>Software Sector Note: Peak Uncertainty and AI Disruption</i>	Mar 2026
Goldman Sachs	<i>Technology and AI Investment Outlook 2026</i>	2026
McKinsey & Company	<i>2026 M&A Trends: Navigating a Rapidly Rebounding Market</i>	Feb 2026
McKinsey & Company	<i>Technology M&A: AI Enters Its Industrial Phase</i>	2026
McKinsey & Company	<i>Global Private Markets Report 2026</i>	Mar 2026
Bain & Company	<i>M&A Report 2026</i>	Feb 2026

Appendix: Sources & Methodology (Part 2)

WINDSOR DRAKE

Institution	Report / Source	Date
S&P Global Market Intelligence	<i>Private Equity Dry Powder Recedes from All-Time Highs</i>	Dec 2025
EY	<i>Private Equity Pulse: Key Takeaways from Q1 2026</i>	Apr 2026
KPMG	<i>Semiannual IPO and M&A Outlook</i>	Jan 2026
Federal Reserve	<i>FOMC Statement (Apr 2026); Summary of Economic Projections (Mar 2026)</i>	2026
Electronic Arts Inc.	<i>SEC filings: Form 8-K and proxy materials, take-private transaction</i>	2026

VALUATION METHODOLOGY NOTES

Source Standard

Inputs are restricted to top-tier institutions: bulge-bracket banks, the major consultancies, elite data houses, and primary regulatory and filing sources. Boutique and market-report vendors are excluded.

Structural Adjustments

Private-market valuations are adjusted for earn-outs, liquidation-preference overhang and lack-of-marketability discounts, typically in the 20 to 30% range.

Peer Set & Normalisation

Peers are filtered on pricing model, AI exposure, revenue quality (above 80% recurring) and Rule of 40 profile. Financials are adjusted to a pro-forma basis excluding one-time items and stock-based compensation.

Synthesis & Attribution

Figures labelled as firm analysis or house estimate, including the roughly 3.5x broad-market benchmark, are the firm's own synthesis of the cited institutional data, presented as a house view rather than third-party consensus.