

SaaS Valuations: Q2 2026

Software-as-a-service valuations entered Q2 2026 from the sharpest re-rating the sector has experienced since 2022. The public median fell to **3.3x EV/revenue** at the end of March 2026, down from 4.9x at year-end 2025 and 6.2x at year-end 2024, and roughly \$1 trillion of aggregate SaaS market value was erased over the quarter. Windsor Drake's working benchmark for the broad SaaS market has reset to a **3.5x** core. Q2 has brought stabilisation rather than recovery: the new floor is holding, narrowly.

The cause is not monetary. The Federal Reserve held its policy rate at 3.50% to 3.75% in April 2026, and markets price roughly no change through year-end. The de-rating is idiosyncratic to software, and its source is agentic artificial intelligence: autonomous systems that execute multi-step work rather than merely assist 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.

The market has bifurcated. AI-native software, cybersecurity and data infrastructure still command double-digit revenue multiples, while seat-priced horizontal applications have compressed toward 2x to 4x. Operating fundamentals held up even as multiples fell: the median EBITDA margin is set to widen to roughly 22.6% in 2026, though median revenue growth steps down to about 12.7%. Acquirers, led by private equity holding some \$3.7 trillion of dry powder, increasingly read the repricing as a buying window rather than a warning.

What happened to SaaS valuations in Q2 2026?

The repricing in numbers

The headline figure is the public median EV/revenue multiple. PitchBook's Q1 2026 enterprise SaaS comp set placed it at **3.3x** as of 31 March 2026. That is a near-halving from the 6.2x level recorded at year-end 2024, and a 1.6x step down from the 4.9x of just three months earlier. The compression was concentrated, not gradual: the bulk of it landed in a single window early in 2026, and roughly \$1 trillion of aggregate SaaS market capitalisation was removed over the quarter. Windsor Drake's working EV/revenue benchmark for the broad private SaaS market now sits near **3.5x**, a level that reflects modest Q2 stabilisation above the public trough.

Table 1. Broad SaaS Public Median EV/Revenue Multiple, Trajectory into Q2 2026

Period	Median EV/Revenue	Commentary
Year-end 2024	6.2x	Pre-shock baseline
Year-end 2025	4.9x	Early de-rating underway
31 March 2026	3.3x	Trough of the agentic AI repricing
Q2 2026 (WD benchmark)	~3.5x	Stabilisation; broad private cohort, house view

A structural reset, not a cyclical correction

A cyclical correction would trace to the cost of capital. This one does not. The Federal Reserve held the federal funds range at 3.50% to 3.75% at its April 2026 meeting, its third consecutive hold, and the Committee split 8 to 4 on the easing path, its widest dissent since 1992. Markets price approximately no change through the end of 2026. With the discount rate stable, the SaaS de-rating cannot be attributed to monetary tightening. It is a re-rating of the software business model itself, driven by the question of whether seat-based, expansion-led recurring revenue survives the arrival of autonomous AI. The durable winners of the next cycle are the vendors repositioning toward outcome-based pricing and AI-native architecture, a transition the repricing is accelerating rather than pausing.

Why has agentic AI repriced the software model?

From tool to operator

For two decades, software was priced as a tool that made human workers more productive, and revenue scaled with the number of licensed users. Agentic AI breaks that link. An autonomous agent can execute a multi-step workflow end to end, which means one agent can absorb the work of several licensed seats. Public markets have responded by discounting the three pillars of the SaaS model at once: per-seat pricing, expansion-driven net revenue retention, and durable product differentiation. The result is the steepest software correction since the 2022 interest-rate shock, but with a different cause and a different remedy.

The economics of service as software

The same force that threatens the seat model also enlarges the prize. Seat-based recurring revenue captures on the order of \$1,200 per user per year. Pricing the same capability by completed outcome, where the vendor sells a finished workflow rather than access to a tool, can capture on the order of \$10,000 per workflow per year. That is an uplift of roughly **8x** in revenue per unit for vendors that execute the transition. It also expands software's addressable market from corporate IT budgets toward the far larger budget for labour. The strategic question for every SaaS company is therefore not whether agentic AI arrives, but whether the company captures the outcome-pricing uplift or cedes it. Incumbents hold a real advantage in that race: an agent is inert without access to the customer history, inventory records and codebases that already sit inside established platforms.

How do valuations vary across SaaS segments?

The premium tier: AI-native, security and infrastructure software

The headline median conceals a wide dispersion. Software that agentic AI makes more valuable, not less, has retained premium multiples. AI-native and service-as-software platforms, where autonomy is the core product,

trade across an 8x to 25x range. Cybersecurity software has been notably resilient, holding a 6x to 13x range, because autonomous systems widen the attack surface and pull security spend forward. Data and cloud infrastructure, the substrate every agent depends on, trades 5x to 11x, insulated by consumption-based pricing that already aligns revenue with AI workloads.

The pressured tier: horizontal and seat-priced software

At the other end, seat-priced horizontal applications have absorbed the steepest compression. Horizontal application software trades 2.2x to 4.0x, and front-office, CRM and sales tools 1.8x to 3.2x, because a single autonomous agent most directly threatens their licensed-seat revenue and they hold the thinnest switching costs. Legacy and on-premise software sits lower still, near a 2.0x median. Vertical SaaS occupies a defensive middle ground at 3.5x to 6.5x: workflow depth, proprietary industry data and embedded monetisation make its revenue harder for a general-purpose agent to displace.

Table 2. EV/Revenue Multiple Ranges by SaaS Segment, Q2 2026

SaaS Segment	EV/Revenue Range	Median (WD est.)
AI-Native / Service-as-Software	8.0x - 25.0x	12.0x
Cybersecurity Software	6.0x - 13.0x	8.0x
Data & Cloud Infrastructure	5.0x - 11.0x	7.0x
DevTools & Developer Infrastructure	4.0x - 8.0x	5.5x
Vertical SaaS & Embedded	3.5x - 6.5x	4.5x
Fintech & Payments SaaS	3.0x - 5.0x	3.8x
Horizontal Application SaaS	2.2x - 4.0x	2.8x
Front-Office / CRM & Sales	1.8x - 3.2x	2.4x

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

What is happening between public and private valuations?

A re-opened, inverted gap

Public software repriced almost overnight on agentic-AI risk. Private valuations, set in negotiated rounds and carried at sticky marks, have reset far more slowly. The consequence is an unusual inversion: average private SaaS multiples now screen above public comparables, the reverse of an orderly convergence. Through 2023 and 2024 the private market carried a premium that reflected scarcity and growth optionality; today the same nominal premium reflects marks that have simply not yet absorbed the public repricing. For founders raising

capital or preparing a sale, public comparables now anchor the conversation, and 2024-vintage private valuations face a delayed but unavoidable reckoning.

Table 3. Average EV/Revenue Multiple, Public versus Private SaaS

Period	Public Average	Private Average	Spread
2023	5.8x	8.5x	Private +2.7x
2024	6.2x	7.0x	Private +0.8x
2025	4.9x	5.8x	Private +0.9x
Q2 2026	3.5x	4.7x	Private +1.2x

Source: PitchBook; S&P Global Market Intelligence; Windsor Drake analysis.

Does the Rule of 40 still decide the premium?

A sharper filter than ever

The Rule of 40, the sum of revenue growth and profit margin, remains the cleanest single filter separating priced-for-quality assets from priced-for-decline ones, and in a repriced market it discriminates harder. Roughly half of public SaaS companies clear the 40 threshold, but the multiple paid is highly sensitive to the score. Companies clearing the threshold while sustaining net revenue retention above 120% still transact at 7x to 9x revenue; below the threshold, multiples compress quickly toward 2x to 4x. The quality of the score matters as much as the level: buyers pay more for a point of durable growth than for a point of margin, because growth is what agentic substitution most directly threatens.

Table 4. EV/Revenue by Rule of 40 Band, Q2 2026

Rule of 40 Score	EV/Revenue	Profile
Above 55 (top quartile)	8.5x+	Durable growth and profit; primary premium M&A targets
40 to 55 (threshold met)	4.5x - 8.0x	Credible balance; viable sale or IPO candidates
Below 40	1.5x - 4.0x	Transition and value-trap zones; most exposed to repricing

Source: PitchBook; Morgan Stanley Research; Windsor Drake analysis.

Who is buying SaaS companies, and why?

Private equity and the buyer's window

Private equity holds roughly **\$3.7 trillion** of global dry powder, and approximately 40% of it is now two years or older, which intensifies the pressure to deploy. Sponsors led close to 57% of Q1 2026 SaaS transactions, one

of the most sponsor-heavy quarters on record. The repricing handed sponsors a wide menu of profitable, scaled assets at multiples last seen during prior disruption scares. Underwriting did briefly tighten at the peak of the shock, and technology fell from about 30% of global PE deployment by value in 2025 to near 10% in the first quarter of 2026, with software leveraged loans underperforming the broad loan index by roughly 600 basis points year to date. The structural pull of record, ageing capital, however, remains decisively toward deployment.

Strategic software acquirers

Strategic buyers are pursuing capability rather than revenue. The internal build cycle for agentic capability is too slow to counter the repricing of legacy revenue, so software incumbents are acquiring AI-native stacks, proprietary data and engineering talent outright. Close to half of all technology M&A in 2025 carried an AI component, up from one in four a year earlier. Acquirers increasingly run a federated integration model, preserving the target's pace of innovation while overlaying enterprise security, compliance and distribution.

Comparable transactions for historical context

Calibration draws on Windsor Drake's proprietary transaction index, the firm's database of 55 verified and reported software and fintech transactions spanning 2019 to 2026. The selection below illustrates the long-running strategic and sponsor appetite for workflow-deep software, the asset class that has proven most defensible through the current repricing.

Table 5. Selected Comparable Software Transactions, Windsor Drake Proprietary Transaction Index

Transaction	Year	Deal Value	Segment	Confidence
Intercontinental Exchange / Black Knight	2023	\$11.8B	Mortgage software	Verified
Nasdaq / Adenza	2023	\$10.5B	Capital-markets software	Verified
Roper Technologies / Vertafore	2020	\$5.35B	Insurance vertical SaaS	Verified
Bill.com / Divvy	2021	\$2.5B	SMB financial software	Verified
Shopify / Deliverr	2022	\$2.1B	Commerce vertical SaaS	Verified
Thomson Reuters / Pagero	2024	\$0.8B	RegTech / e-invoicing	Verified

Source: Windsor Drake proprietary transaction index (55 verified and reported software and fintech transactions, 2019-2026).

Is the IPO window a realistic alternative?

Open, but discriminating

The public listing window reopened across 2025 and remains open, but it is selective. Figma listed in July 2025 at a valuation near \$68 billion, with shares rising sharply on the first day, and ServiceTitan demonstrated

appetite for dominant vertical software when it listed in December 2024. The 2026 pipeline is among the deepest in a decade, with more than 800 unicorns that have used the intervening years to build balance-sheet discipline, and AI infrastructure, security and applied-AI software lead the near-term queue. The tape, however, rewards a narrow profile: scale, demonstrated profitability and a credible AI tailwind. Issuers without that profile face a markedly cooler reception. For most assets a dual-track process, prepared toward both a sale and a listing, preserves optionality and manufactures the competitive tension a single path cannot.

What does the macro and capital backdrop signal?

Rates are stable; the shock is idiosyncratic

The monetary backdrop is neutral. The federal funds range holds at 3.50% to 3.75% after the April 2026 hold, and the Summary of Economic Projections and market pricing both imply little change through year-end. A stable discount rate is important context: it confirms that the SaaS de-rating is a sector-specific re-rating of the business model, not a cost-of-capital event, and it means a recovery in software multiples depends on the sector's own adaptation rather than on monetary easing.

M&A momentum and record dry powder

The broader deal environment is constructive. Global M&A rose roughly 40% to \$4.9 trillion in 2025, the second-highest annual total on record, and a large majority of surveyed dealmakers expect to sustain or increase activity in 2026. Software contributes the largest single share of deal value among the high-activity industry groups. Set against record private-equity dry powder and a thin supply of genuinely AI-defensible assets, the backdrop favours sellers that arrive prepared, even as the repricing weighs on headline multiples.

Where are SaaS valuations heading?

Forecast scenarios for 2026

With the broad-market benchmark near 3.5x, the forward path depends on two variables: how quickly incumbents convert the move to outcome-based pricing into revenue, and how durable demand proves as agentic alternatives mature. Windsor Drake frames three scenarios as its own house view, not third-party consensus. In the base case, the market stabilises and then recovers slowly and unevenly, with bifurcation by AI exposure persisting and sponsor-led consolidation sustaining deal volume.

Table 6. 2026 SaaS Valuation Forecast Scenarios, Windsor Drake House View

Scenario	2026 EV/ Revenue	Key Conditions
Bull	5.0x	Incumbents monetise the move to outcomes; AI-native revenue offsets seat compression; the IPO window stays open to software
Base	3.8x	Stabilisation then a slow, uneven recovery; bifurcation by AI exposure persists; sponsor-led consolidation sustains volume
Bear	2.6x	Agentic substitution outruns the re-pivot; seat-based revenue contracts outright; private marks reset down to public reality

Source: Windsor Drake analysis; PitchBook; Morgan Stanley Research.

What should founders do now?

The 12 to 18 month process

A full sale process runs 12 to 18 months from preparation to close. Founders who begin preparation in the current cycle, with a readiness and hygiene phase covering audit quality, AI governance and data rights, a pricing-model diagnostic, and a clean cap table, position the asset to meet the market while record dry powder and acquirer urgency are still chasing a thin supply of quality. The work that most directly protects a multiple is the demonstration of revenue durability: net revenue retention sustained above 120%, documented switching costs, and a credible, evidenced path from seat-based to outcome-based pricing. Founders should also expect earn-outs to bridge valuation gaps on AI-exposed revenue; they are now standard structure, typically paid over 12 to 24 months.

Case study: the Electronic Arts take-private

The defining sponsor transaction of the cycle is the take-private of Electronic Arts, an all-cash transaction at an enterprise value of roughly \$55 billion and expected to close in Q2 2026. At \$210.00 per share, a 25% premium to the unaffected price, it is the largest all-cash sponsor take-private in history, struck by a consortium of long-horizon investors precisely as public software sentiment turned. Its lesson for software founders is threefold. First, record capital is actively hunting scaled, defensible assets at repriced multiples; a market-wide de-rating draws the best-prepared buyers in rather than deterring them. Second, the consortium underwrote revenue durability and data depth, not headline growth, which is the profile founders must be able to evidence. Third, with process lead times of 12 to 18 months, the alignment of buyer demand, capital availability and pricing that a founder ultimately meets is the one that exists when preparation begins, not when it ends.

Sources

- [PitchBook, Enterprise SaaS public comps and Q1-Q2 2026 analyst notes](#)

- [Morgan Stanley, AI Market Trends 2026](#)
- [Goldman Sachs, Technology in 2026: Dispersion, Diversification and AI's Expanding Frontier](#)
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- [EY, Private Equity Pulse: Key Takeaways from Q1 2026](#)
- [KPMG, Semiannual IPO and M&A Outlook](#)
- [Federal Reserve, FOMC statement and Summary of Economic Projections](#)
- [U.S. Securities and Exchange Commission, Electronic Arts Inc. take-private filings](#)

Methodology Note

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.

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

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.

Synthesis and attribution. Figures labelled as firm analysis or house estimate, including the roughly 3.5x broad-market benchmark and the 2026 forecast scenarios, are Windsor Drake's own synthesis of the cited institutional data, presented as a house view rather than third-party consensus. Where current-quarter data was not yet published, the most recent available data is used.