




B2B Software Sector Outlook

February 2026

Sector Overview

B2B software is a broad sector, with a range of horizontal providers addressing common enterprise needs, while vertical ones serve sector-specific workflows and regulations

 <p>Horizontal software</p>	<p>Overview</p> <p>General purpose software built to solve common business needs across industries and designed around widely shared processes</p>	<p>Key sub-segments¹</p> <ul style="list-style-type: none"> • ERP • CRM • HCM • Cybersecurity • ITSM and ITAM • CX and CSM • GRC • Office of CFO • SCM • LMS 	<p>Key players (Non-exhaustive)</p> 
 <p>Vertical software</p>	<p>Overview</p> <p>Software applications developed for the unique workflows, product-to-market fit and regulatory requirements of a specific sector</p>	<p>Key verticals</p> <ul style="list-style-type: none"> • HealthTech • FinTech • InsurTech • Logistics • Manufacturing • LegalTech • EdTech • AgriTech • RetailTech 	<p>Key players (Non-exhaustive)</p> 

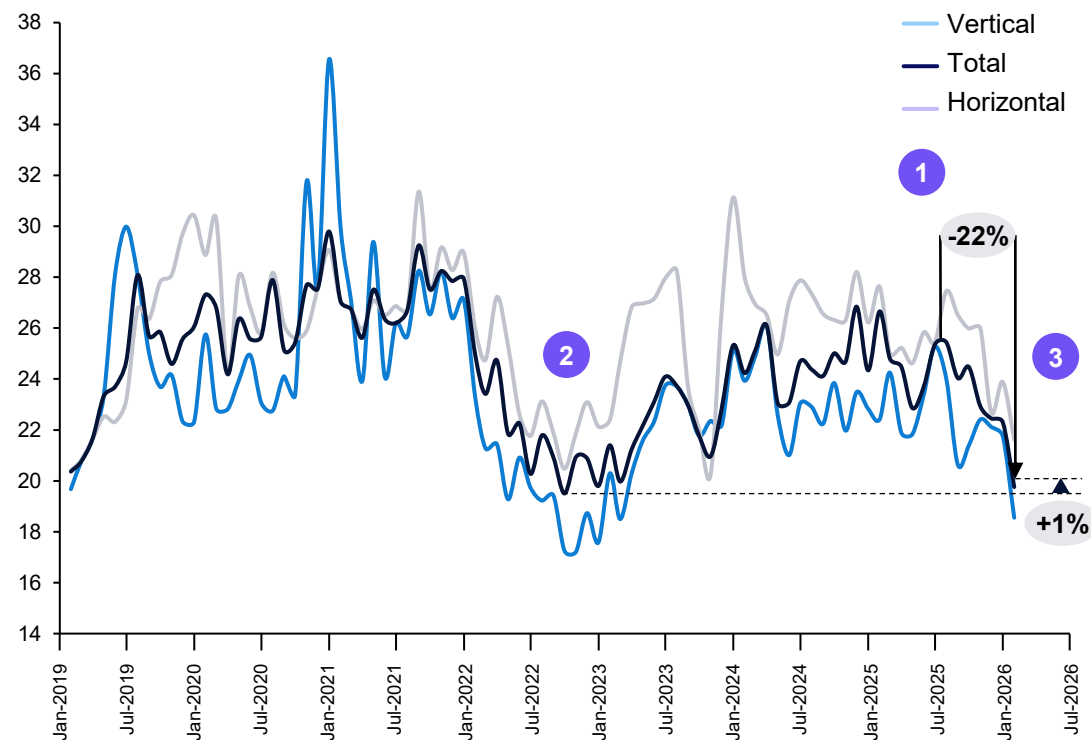
These two broad types of software provider differ not just by customer scope but by workflow depth, data ownership and AI-adoption & monetisation – dimensions on which horizontal core applications are often comparatively stronger.

Source(s): Teneo Research and Analysis

Note(s): 1. Enterprise Resource Planning (ERP); Customer Relationship Management (CRM); Human Capital Management (HCM); IT Service Management (ITSM) and IT Asset Management (ITAM); Customer Experience (CX) and Customer Success Management (CSM); Governance, Risk and Compliance (GRC); Supply Chain Management (SCM); Learning Management System (LMS)

Enterprise value to EBITDA multiples have declined ~22% across B2B software since mid-2025, in both vertical and horizontal software

Median EV/LTM EBITDA multiples by SaaS type (horizontal vs. vertical)



Source: Listed company annual reports and filings, Teneo analysis.
Note: Based on the comparison of 80 publicly traded software providers.

1

We observe an industry-wide decline (-22%) in EV/LTM EBITDA multiples Jun-25 to Jan-26

2

B2B software valuations have dipped to their late-2022 low point (+1% growth Sep-22 to Jan-26 across vertical and horizontal applications)

3

Vertical software valuations have, however, consistently trended above horizontal software, due to deeper “moats” provided by regulatory drivers and vertical-specific datasets and workflows

Software valuations have fallen sharply since late 2025, amid rising concerns that AI is disrupting the traditional SaaS business model.

Morgan Stanley reports a ~35% drop in NTM adjusted P/E, from ~32x in July 2025 to ~21x by February 2026, despite no meaningful earnings downgrades, suggesting fears are focused on AI's long-term structural impact.

Source: Morgan Stanley, European TMT, Business Services & Equity Strategy, February 2026

Defensibility and sustained growth against AI-driven substitution will depend on vendors' depth of proprietary data and the complexity and criticality of the workflows they support



Underlying drivers of market sentiment

- **Barriers to entry for the development of new applications are materially decreasing** due to the rise of AI 'vibe-coding' assistants.
- **Commercial risk is increasing as enterprise headcount reductions are lowering license demand** and challenging seat-based pricing models.



Key implications for software business models

- The **greatest risk sits with narrow "add-on" point solutions with few workflow steps** and limited control over underlying data and permissions, making them easier for AI agents to bypass and act directly in core systems.
- By contrast, **mission-critical, high-governance platforms and systems of record are more insulated**, as proprietary data, network effects, deep integrations and highly customised workflows make auditability hard to replicate and end-to-end AI disintermediation unlikely.

The following slides explore in more detail how disruption from AI is reshaping enterprise buying behaviour and vendor strategy.

Key Trends

AI-driven shifts in enterprise buying behaviours are redefining value propositions, pricing models, and go-to-market dynamics across the B2B software market



AI is now baseline in value propositions

- AI has materially reshaped B2B SaaS's value proposition, **shifting from standalone LLM-based co-pilots to embedded agentic systems that automate workflows end to end, but many deployments have yet to demonstrate clear ROI**, driving growing buyer and investor scepticism.
- As **AI integration into core workflows becomes 'table stakes'** and no longer a point of differentiation, **winning deals and defending pricing increasingly depends on demonstrating quantified business impact** rather than showcasing AI features alone.



Legacy seat-based pricing is being challenged

- The industry's traditional **seat-based pricing has become increasingly misaligned with the value delivered**, as AI handles more tasks and customers require fewer incremental users, creating near-term revenue risk and accelerating a shift toward usage- and outcome-based pricing.
- The **industry has not converged on a new pricing model, as value is difficult to measure** consistently and costs are hard to attribute, making pure usage- or outcome-based models difficult to apply fairly, thus driving **interim hybrid models such as seat-based bundles with AI usage add-ons**.



New logos are harder to win

- **Deeper integration of software with core systems and stricter governance requirements** have increased onboarding effort and switching costs, while tighter budgets and tougher procurement have raised approval hurdles, making **new logo wins harder and sales cycles longer**.
- As a result, vendors are **prioritising renewal protection and expansion within the existing customer base**, supported by **tighter packaging and pricing strategies**, while AI-centric product roadmaps are used to justify continued price increases.



Security and compliance are non-negotiable

- As AI is embedded into core workflows, cybersecurity and compliance scrutiny have intensified, with **buyers demanding tighter data controls, auditability and continuous monitoring to manage risk** and meet regulatory expectations.
- This is **shifting spend toward non-discretionary security, compliance and risk monitoring software** required for safe AI deployment, even as discretionary budgets remain constrained.

Winning and defending revenue will increasingly depend on vendors' ability to align product design, pricing and sales motions around demonstrable ROI.

Key Trends

Vendors are adapting operating models to respond to AI-driven competition and tightening regulatory requirements across key markets



Workforce restructuring is commonplace

- Leading vendors, including AWS, Microsoft, Salesforce and Cisco, are increasingly shifting to AI-driven “digital labour” models, **using generative AI and agentic systems to automate routine work and reduce headcount across historically large support and operations teams.**
- These vendors are **reallocating resources towards the development of AI platforms and infrastructure and higher-value roles such as AI solution architects**, signalling continued innovation leadership to customers.



Political and regulatory scrutiny is rising

- Political and regulatory attitudes towards software providers vary globally, with **European markets exhibiting generally higher political scepticism and regulatory scrutiny** compared to the U.S., driving **higher expectations around transparency and accountability.**
- **This is evident in the EU Data Act, which requires providers to eliminate switching fees by January 2027 and enable easier data portability,** likely increasing churn and shifting retention from contractual and data lock-in toward service quality.



Proprietary data and embedded workflows drive retention

- SaaS platforms are **using proprietary customer data and embedded workflows to remain differentiated as AI models become more commoditised**, delivering better and more personalised results for customers.
- Outside the EU, some **vendors are limiting data access or integrations** to third parties, protecting their workflows to defend retention and pricing power.



Targeted acquisitions strengthen existing offerings

- Large **incumbents are continuing to pursue targeted acquisitions of niche players with complementary assets** to expand their ecosystem, strengthen core platforms and defend against upstarts.
- Other investors, led by private equity, **are also consolidating vertical SaaS companies to build “all-in-one” AI-powered platforms**, increasingly offering customers a full suite of services and increasing stickiness.

Strategic focus on AI-enabled product differentiation, regulatory readiness and customer retention will be critical to sustaining long-term competitive advantage.

While markets attribute much of software's slowdown to recent AI developments, the sector's overall growth had already begun to cool as customers grapple with increasing product bloat.

In many ways, AI is acting as a "pressure valve" and should help the strongest core solution vendors innovate their offerings, defend pricing and trim oversized development teams.

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