H1 2025
State of SaaS
Enterprise SaaS Powers PE Dealmaking While the Tech IPO Path Narrows

forvis mazars

Data powered by:

PitchBook

Contents

Forvis Mazars Editorial Team

Ricardo Martinez
Partner,
Forvis Mazars US
San Jose, California, U.S.

Ricardo is the Forvis Mazars US national industry leader for technology, software, and devices and focuses his practice on the delivery of audit services to PE-backed and publicly traded tech companies.

Brian Myeroff
Partner,
Forvis Mazars US
Denver, Colorado, U.S.

With a focus on the tech sector, Brian's merger & acquisition (M&A) experience includes buy-side and sell-side financial due diligence services to PE firms and strategic investors.

Jakob Haesler
Partner,
Forvis Mazars Group
Paris, France

As global consulting leader for Forvis Mazars Group, Jakob has deep knowledge and practice in strategy, large-scale transformations, organization, and leadership, focusing primarily on the tech and financial services sectors.

Lydia Bouzerar
Partner,
Forvis Mazars Group
Paris, France

Lydia is the head of capital markets and accounting advisory at Forvis Mazars Group, where she advises corporate clients on financial communication and capital markets transactions, including IPOs, bond issuances, hybrid instruments, EMTN programs, and public offers.

Executive Summary

Robust SaaS Private Equity (PE) dealmaking and secondary buyout exit momentum in 2025 reflect continued confidence in the sector's growth potential amid macroeconomic uncertainty and muted capital markets.

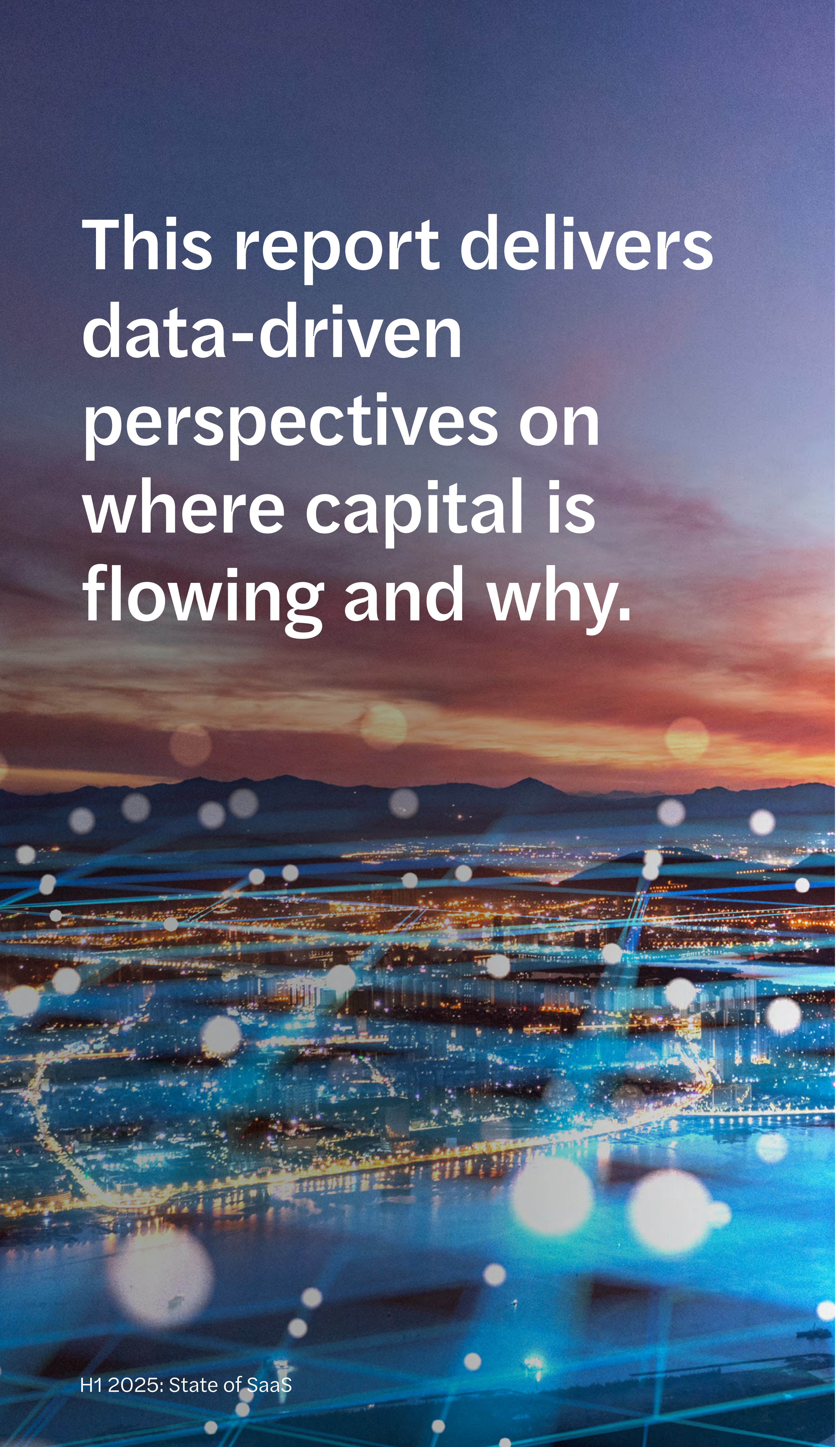
Although capital costs remain high, investor interest in the SaaS space persists, fueled by artificial intelligence (AI)-driven value generation. These factors sustained PE deal flow through H1 2025, with enterprise SaaS emerging as a key beneficiary. Secondary buyouts in particular have provided critical liquidity amid a sluggish initial public offering (IPO) environment.

This trend highlights:

- The resilience of SaaS fundamentals
- The adaptability of PE strategies under capital constraints

Looking ahead to the remainder of the year, industry- and sector-specific factors will influence dealmaking sentiment on both sides of the table. Buyers, backed by dry powder raised during the 2021 fundraising boom, are pursuing high-growth SaaS opportunities. Sellers, facing limited exit options in recent years, are capitalizing on buyer optimism to monetize older assets and prepare for a more favorable financing climate. This could pave the way for a resurgence in buyouts supported by alternative lenders such as private credit.

This report offers a high-level analysis of the market forces reshaping the global SaaS ecosystem and the PE trends driving sector activity in H1 2025. Enterprise SaaS is highlighted for the outsized impact that AI has had on value creation and investor returns in the segment.



This report delivers data-driven perspectives on where capital is flowing and why.

Market Trends

SaaS continues to emerge as a resilient and strategically important investment theme as PE firms navigate a market shaped by high interest rates, policy uncertainty, and tight liquidity conditions. Despite a dip in overall deal share, valuations in the sector have climbed, fueled by investor appetite for scaled, AI-enabled platforms and asset-light business models that promise durable growth.

This section explores three key themes drawn from PitchBook's global private market data:

- How SaaS has performed relative to broader PE trends
- Why enterprise SaaS remains in the spotlight
- Which PE strategies are powering its next phase of growth

The section concludes with a focused analysis on liquidity—an increasingly urgent concern for GPs and LPs alike—and transitions into a spotlight on tech IPOs, one of the market's clearest benchmarks for PE exit potential.

Together, these trends offer more than a snapshot of deal activity. They reveal how investors are recalibrating their capital deployment strategies in an evolving macro environment—and how SaaS is positioned at the intersection of value creation and exit strategy. Supported by PitchBook's data and enriched by insights from Forvis Mazars' global PE and industry professionals, this report delivers data-driven perspectives on where capital is flowing and why, and what it signals for the next stage of PE in technology.

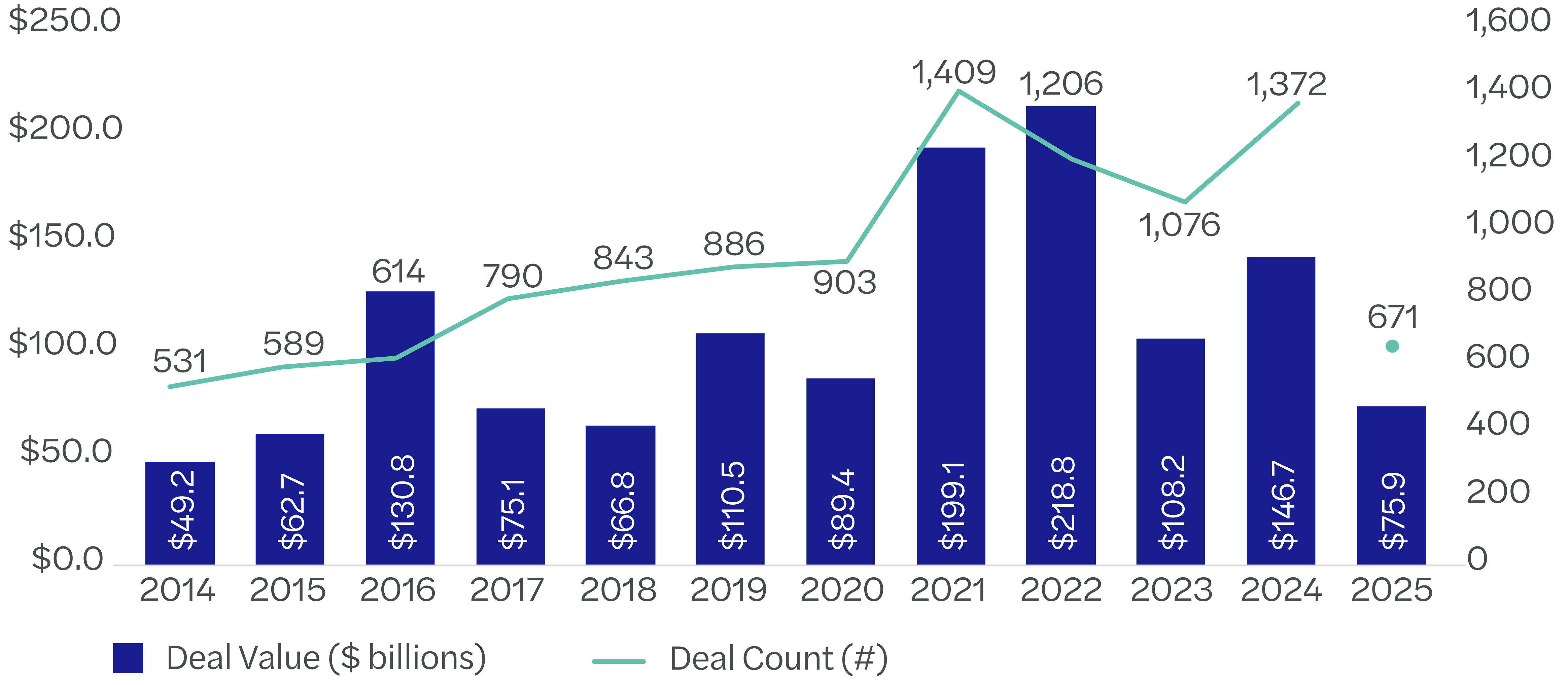
Market Trends

PE-Backed SaaS Companies Defy Market Headwinds

Global PE transaction volumes and deal sizes YTD are on track to match—or even surpass—2024 levels.[1] Fund managers have modified their strategies to navigate persistently high interest rates in the U.S. and growing policy uncertainty under President Donald Trump's administration. This strategic adjustment was evident in Treasury market movements: The decline in 1- and 10-year yields following the August decision by the Federal Reserve (the Fed) to hold rates steady reflected investor expectations for future rate cuts and a more cautious economic outlook heading into the second half of the year. Priced in rate cuts became reality when the Fed cut rates by 25 basis points in September.[2]

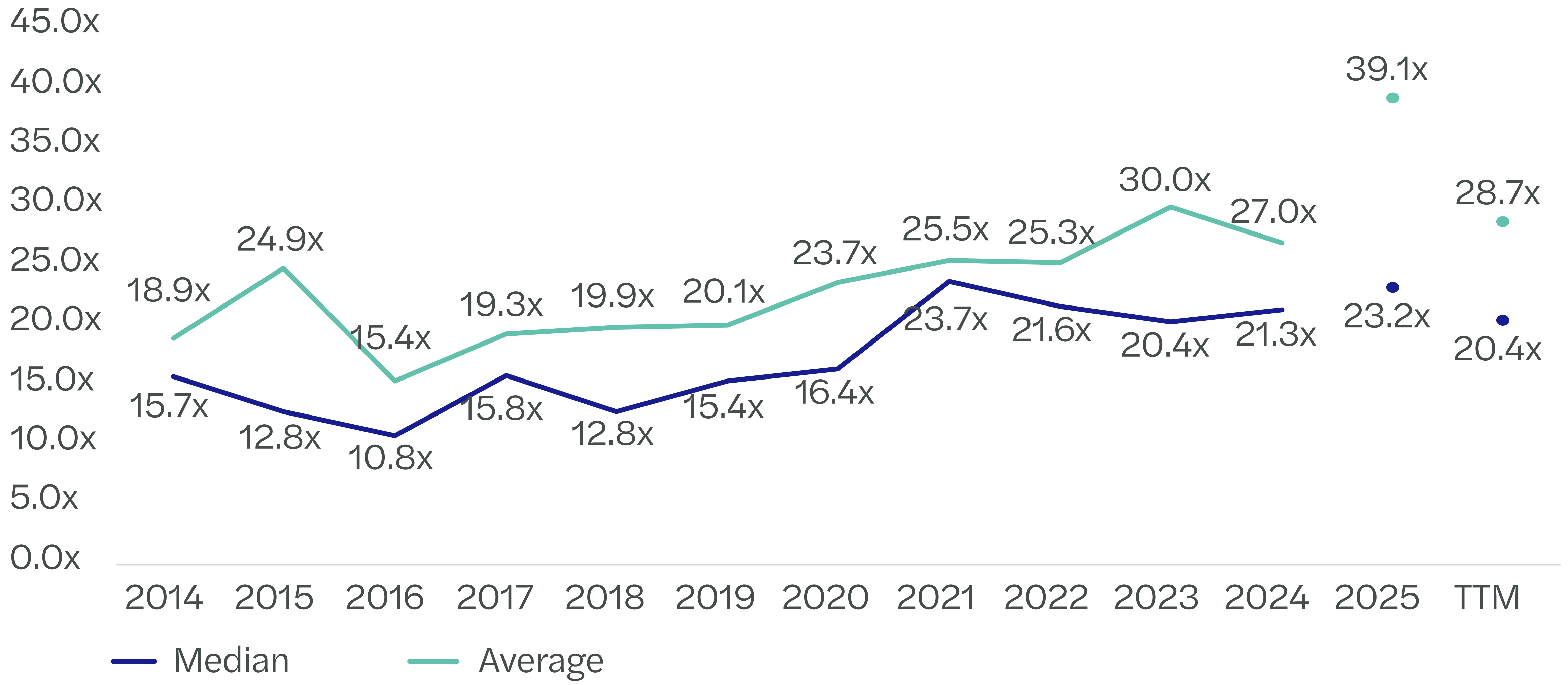
These cuts crystallized market concerns around key economic indicators as the most recent inflation and unemployment figures rose. Nonetheless, PE managers have not been deterred. The first quarter of transaction volumes in 2025 were the strongest observed since the pandemic dealmaking frenzy.

Global SaaS PE Deal Activity



Source: PitchBook Data, Inc. | As of June 30, 2025 | Geography: Global

Global SaaS PE Buyout Multiples



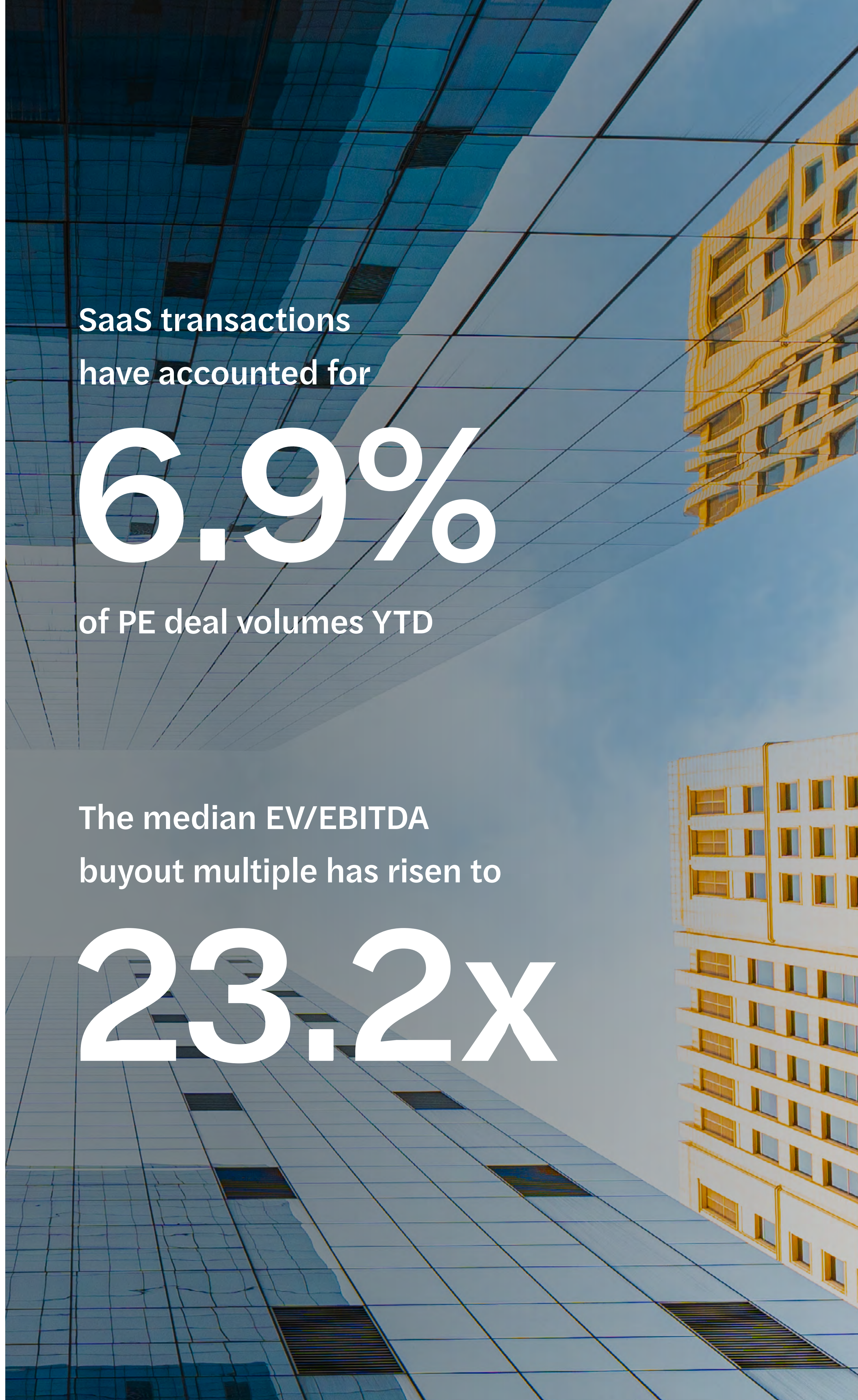
Source: PitchBook Data, Inc. | As of June 30, 2025 | Geography: Global

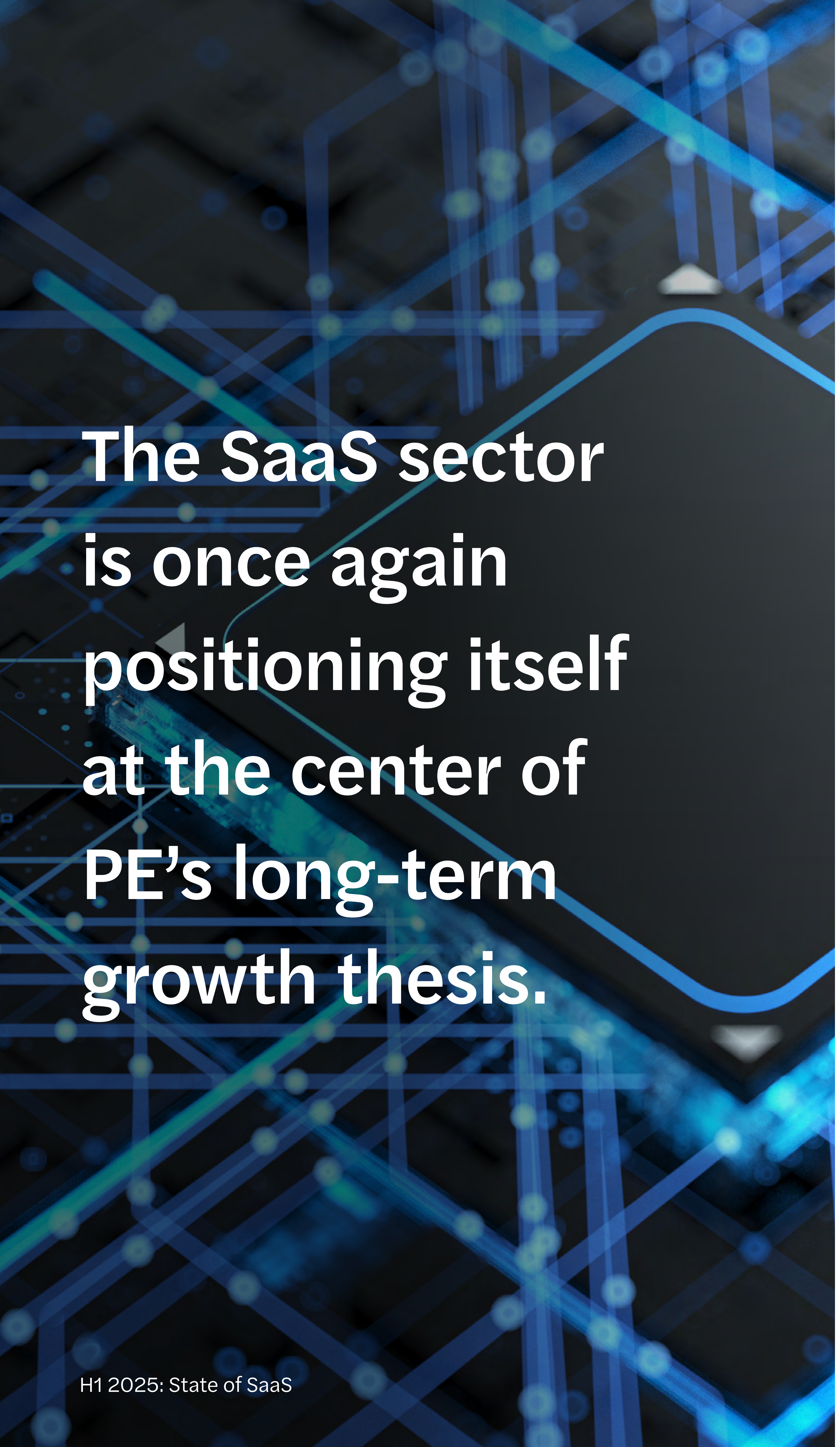
1 "Q2 2025 Global PE First Look," PitchBook, July 2, 2025.
2 https://www.federalreserve.gov/newsevents/pressreleases/monetary20250917a.htm

Market Trends
PE-Backed SaaS Companies Defy Market Headwinds

This environment of volatility and recalibration is echoed in the sentiment captured in [Forvis Mazars' Global Private Equity Report 2025](). PE fund managers entered the year cautiously, citing inflation, interest rates, and tariffs as their top concerns for portfolio management. Despite these headwinds, deal and exit activity has remained resilient. Investors have largely adapted to the macro backdrop, and deal momentum has been sustained—fueled in part by sector-specific opportunities, particularly in SaaS, where long-term value creation continues to draw PE capital.

While SaaS companies have captured a smaller share of global PE transactions, valuations of acquired SaaS companies have reached new heights—a signal of selective optimism. SaaS transactions have accounted for 6.9% of PE deal volumes YTD, down slightly from 7.1% in 2024. The decline is more pronounced in terms of capital invested: SaaS transactions have fallen from 8.5% of global PE deal value in 2024 to 7.7% YTD. However, near-record-breaking valuations cut through any pessimistic outlook for the sector. The median EV/EBITDA buyout multiple has risen to 23.2x, nearing a decade high and up from 21.3x in 2024. Furthermore, the median EV/revenue buyout multiple of 5.2x cooled from the pandemic-era multiple highs but still exceeds pre-pandemic levels. Elevated buyout multiples amid slower deal flow signal optimism from selective investors, but it can also reflect scarcity-driven bidding or sector-specific froth. The widening gap between growing median EV/EBITDA and falling EV/revenue multiples provides clarity on valuation trends. First, SaaS companies are seeing frothier valuations as pricing outpaces profitability. Second, SaaS companies are incurring more operating expenses; hence earnings are shrinking. Despite these early accounting warning signs in the sector, buyers are willing to pay a premium for proven, high-quality assets—namely market leaders, durable business models, and AI-enabled platforms.





The SaaS sector is once again positioning itself at the center of PE's long-term growth thesis.

Market Trends

PE-Backed SaaS Companies Defy Market Headwinds

The only SaaS companies to command billion-dollar price tags this year were mature, decades-old firms with prior backing from PE sponsors or growth investors, underscoring a preference for de-risked, scaled platforms.

Take Blackstone and Vista Equity Partners' $8.4 billion take-private of Smartsheet as a case in point. With 15 years of operating experience, Smartsheet has cornered the market for project management tools. It is also one of the most notable global enterprise SaaS companies that has integrated AI-enabled capabilities into its product. Smartsheet's take-private transaction was H1 2025's largest PE deal, closing at a 46.8x EV/EBITDA multiple. Notably, roughly $3.2 billion of that transaction was financed through the acquiring firms' private credit teams. PE firms are increasingly turning to a mix of private credit and traditional bank loans to fund large leveraged deals. For this reason, Smartsheet's multibillion-dollar take-private valuation was made possible despite historically high borrowing costs. Furthermore, the emerging AI supercycle has opened new avenues for value creation, making the deal's long-term upside more compelling for PE sponsors.

SaaS remains a focal point for investors despite its slight dip in PE dealmaking in 2025. Its asset-light, high-margin model—now supercharged by AI adoption and flexible financing structures—continues to support elevated valuations and strategic interest from PE sponsors.

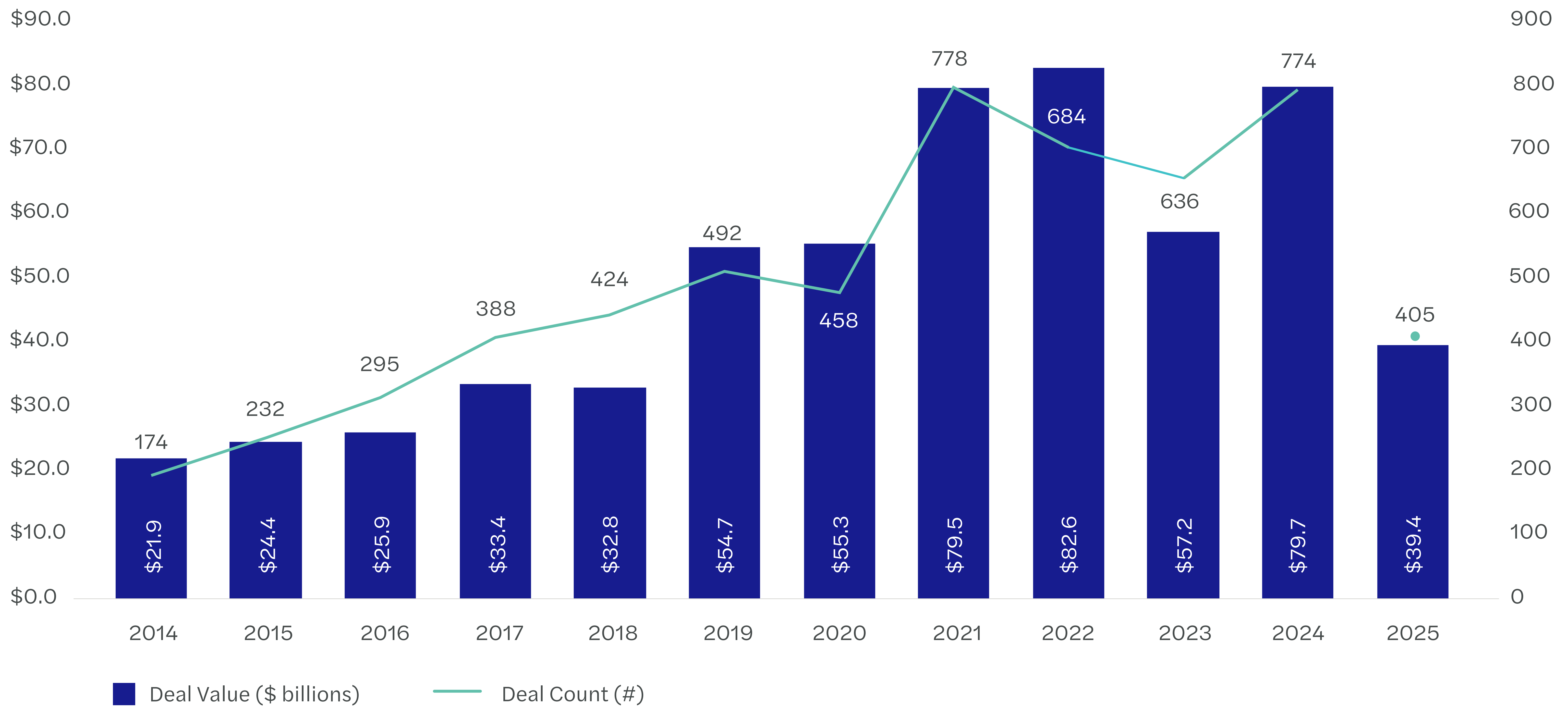
Market Trends
AI Dynamics and Add-Ons Power Enterprise SaaS Dealmaking

Enterprise SaaS continues to anchor PE activity within the broader software landscape. While overall SaaS dealmaking has moderated in 2025, enterprise SaaS remains the most active subsegment, consistently capturing more than half of global SaaS PE transactions.

Enterprise SaaS has benefited from the ongoing AI supercycle. AI is creating new ways for SaaS companies to tailor their software solutions to their clients' needs, especially as they experience unprecedented shifts in their workflows, data management, and workforce efficiencies.

Legacy enterprise SaaS players, such as Salesforce, have already rebranded themselves as AI-first companies to capitalize on this market trend. Other SaaS companies are consolidating platforms to either acquire AI capabilities or enhance existing offerings.

Global Enterprise SaaS PE Deal Activity



Source: PitchBook Data, Inc. | As of June 30, 2025 | Geography: Global

Market Trends

AI Dynamics and Add-Ons Power Enterprise SaaS Dealmaking

AI has undoubtedly become a formidable driver of enterprise SaaS acquisition activity, but the shift toward larger transactions reflects a broader set of forces. Transactions exceeding $100 million have accounted for 92.4% of the PE capital invested and 38.5% of deal volumes YTD. This is a material increase from the previous year's 84.1% and 24.4%, respectively. PE firms have demonstrated a greater willingness to write larger checks for enterprise SaaS companies that offer:

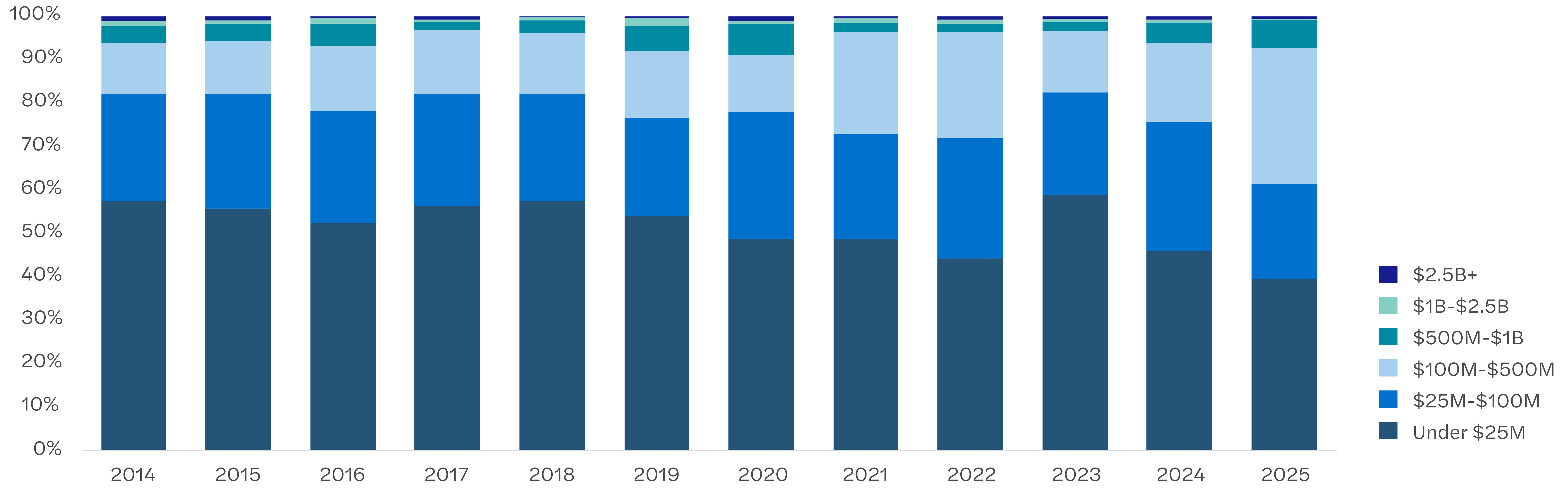
- Scalability
- Profitability
- Defensibility

That willingness reflects a calculated strategy. Larger checks are often written for companies with established customer bases, high switching costs, and mission-critical products—attributes that reduce downside risk in a volatile macro environment.

These companies also tend to have infrastructure and teams capable of quickly absorbing capital to accelerate expansion, making them more attractive to sponsors with significant dry powder to deploy. Meanwhile, deals under $100 million have been less frequent.

Other non-AI factors are enlarging deal sizes. The industry's fundraising boom in prior years has left many PE funds—especially larger ones—in need of proportionately larger transactions to deploy capital efficiently. Combined with valuation inflation from the 2021 investment cycle, this dynamic has pushed both check sizes and enterprise values higher. Founders and existing investors, mindful of avoiding down rounds that bring reputational risk, have become empowered to pursue larger follow-on raises or sale processes at premium valuations.

Share of Global Enterprise SaaS PE Deal Counts by Size



Source: PitchBook Data, Inc. | As of June 30, 2025 | Geography: Global

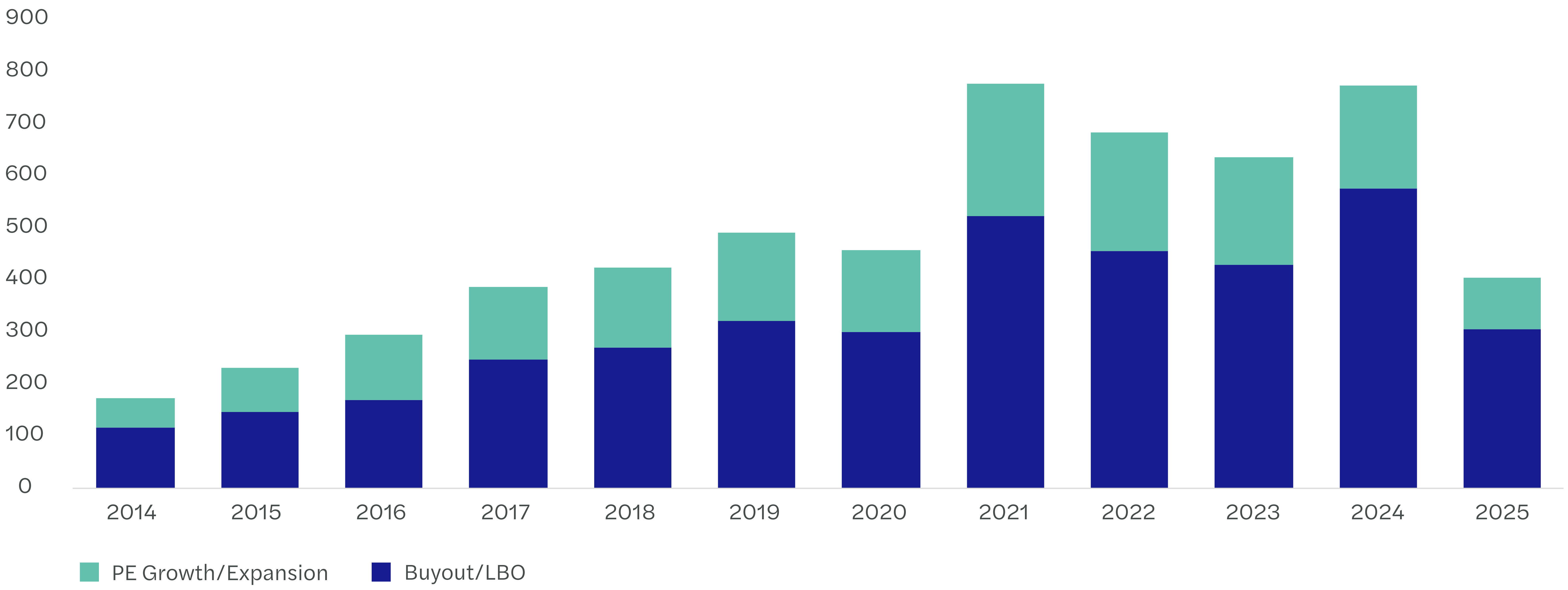
Market Trends
AI Dynamics and Add-Ons Power Enterprise SaaS Dealmaking

AI-enabled growth compounds the inflation in both deal sizes and valuations. As seen in the Y Combinator Winter 2025 batch, where startups reported 10% week-over-week growth, growth benchmarks are being reset.[3] For PE investors, that acceleration justifies larger initial investments. The path to value creation can be both steeper and shorter than in prior cycles because AI enables startups to do more and grow faster than ever before with less overhead.

A confluence of factors drove enterprise SaaS deal sizes larger, but smaller PE transactions, particularly add-on acquisitions, should not be dismissed, as they remain a core PE strategy. These transactions offer the cost efficiency, speed, and regulatory advantages of acquiring smaller targets—advantages that are particularly valuable in today's higher-cost and closely scrutinized dealmaking environment.

In highly fragmented sectors like SaaS or healthcare tech, antitrust regulators are less likely to view add-ons as competition limiting. Thus, these transactions face less scrutiny, expedite deal execution timelines, and reduce transaction costs.

Global Enterprise SaaS PE Deal Counts by Type



Source: PitchBook Data, Inc. | As of June 30, 2025 | Geography: Global

[3] "Y Combinator Startups Are Fastest Growing, Most Profitable in Fund History Because of AI," CNBC, Kate Rooney, March 15, 2025.

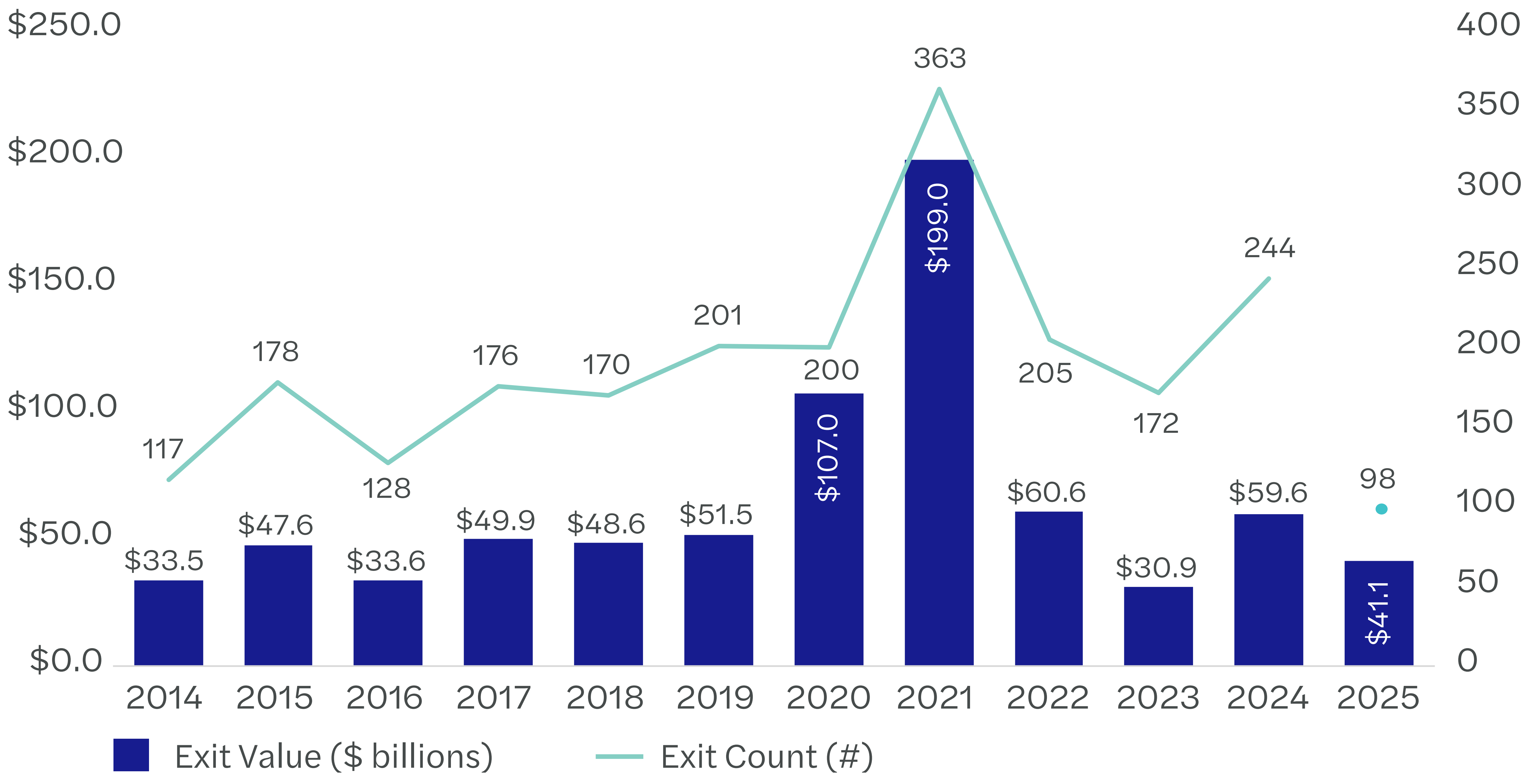
Market Trends

Lag in PE-Backed SaaS Exits Prolongs Liquidity Drought

Exit activity tells a more constrained story. Only 98 SaaS PE exits have closed YTD compared with 244 in all of 2024. If this lack of momentum continues, annualized exit volumes will return to pre-pandemic norms. This backslide is concerning, given the growing backlog of aging portfolio companies nearing the end of their investment horizons.

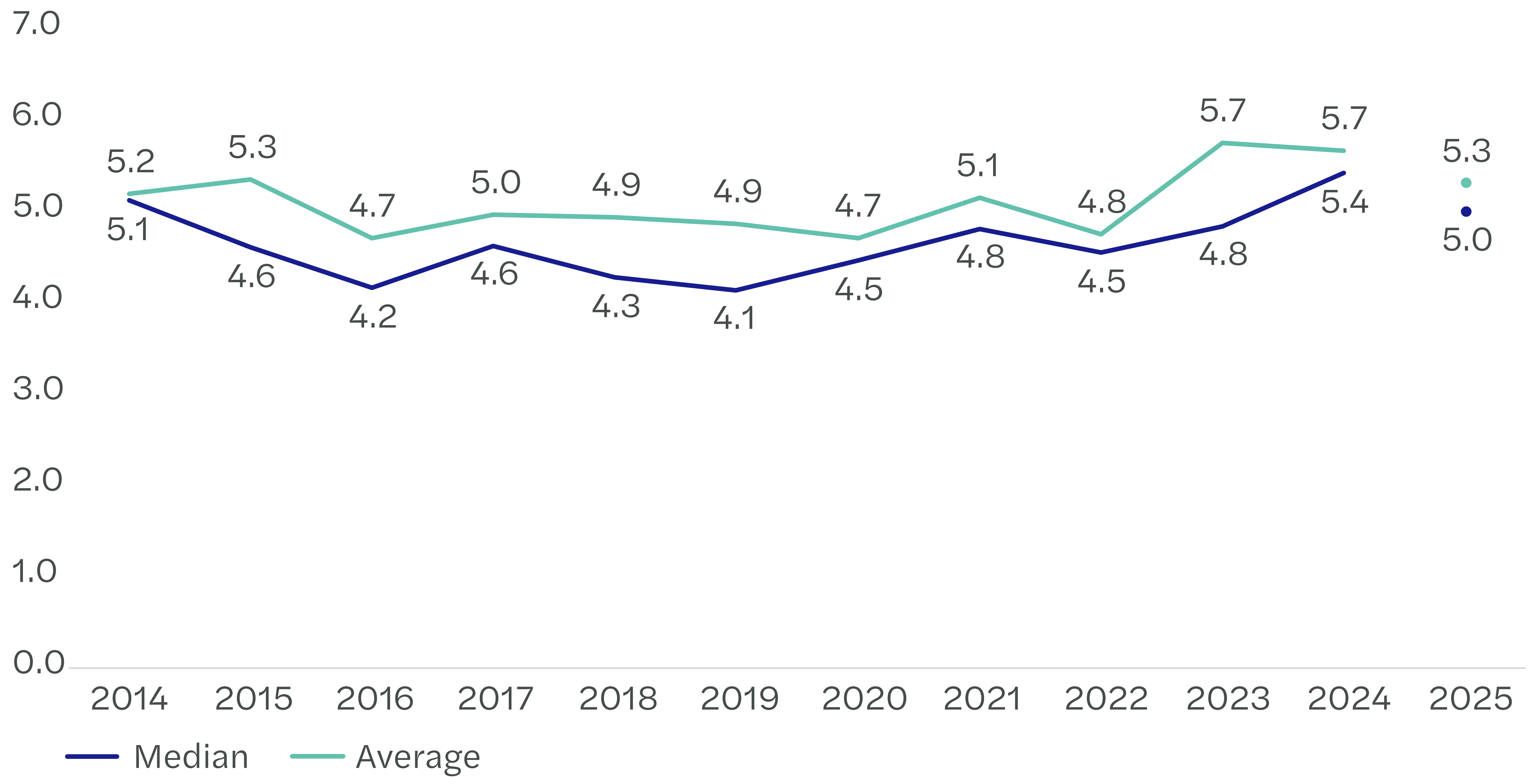
The median holding period for SaaS PE deals in H1 2025 was five years—slightly down from 5.4 years in 2024 but still above the 10-year average of 4.6 years. With more than 2,300 SaaS deals completed in 2020 and 2021, significantly more exits are needed to recycle capital and deliver returns. Yet if current trends hold, fewer than 200 PE-backed SaaS companies will exit by year-end 2025, tightening liquidity across the ecosystem.

Global SaaS PE Exit Activity



Source: PitchBook Data, Inc. | As of June 30, 2025 | Geography: Global

Global SaaS PE Exit Hold Times (Years)



Source: PitchBook Data, Inc. | As of June 30, 2025 | Geography: Global

Market Trends
Lag in PE-Backed SaaS Exits Prolongs Liquidity Drought

Policy uncertainties, recession fears, and interest rates have made it challenging for companies to pursue an IPO exit route, leaving the secondary market as the only viable path forward to produce liquidity. Secondary buyouts have always been a common PE exit strategy and have gained momentum in the current environment. In fact, secondary markets offer sellers immediate liquidity and buyers the chance to capture future upsides, which is appealing when public markets have been sluggish. Sellers that sell their assets to a PE sponsor generate liquidity today for new investment opportunities tomorrow—a useful tactic should rate cuts and improved market conditions coincide with their deal execution timelines later in 2025.

However, PE fund managers may not have to go farther than a fellow PE firm for liquidity relief. While only four SaaS IPOs have occurred YTD, the 64 secondary buyout exits YTD account for a decade-high share of 65.3% of PE-backed SaaS exits—up from 47.9% in 2014. Though IPOs continue to yield the largest exit values, private-market-enabled exits such as secondary buyouts, trade sales, and management-led deals dominate due to their flexibility and timeline control.

Spotlight: Tech IPOs Show Signs of Recovery Despite Headwinds

Public listings remain one of the most lucrative channels to fund long-term SaaS growth, but IPOs have become less appealing amid valuation discounts, regulatory uncertainty, and market volatility. Just 20 venture capital- (VC-) and PE-backed SaaS IPOs were completed during the first half of 2025—a sharp decline from the highs of 2021 (159 IPOs) and 2019 pre-pandemic levels (60 IPOs).

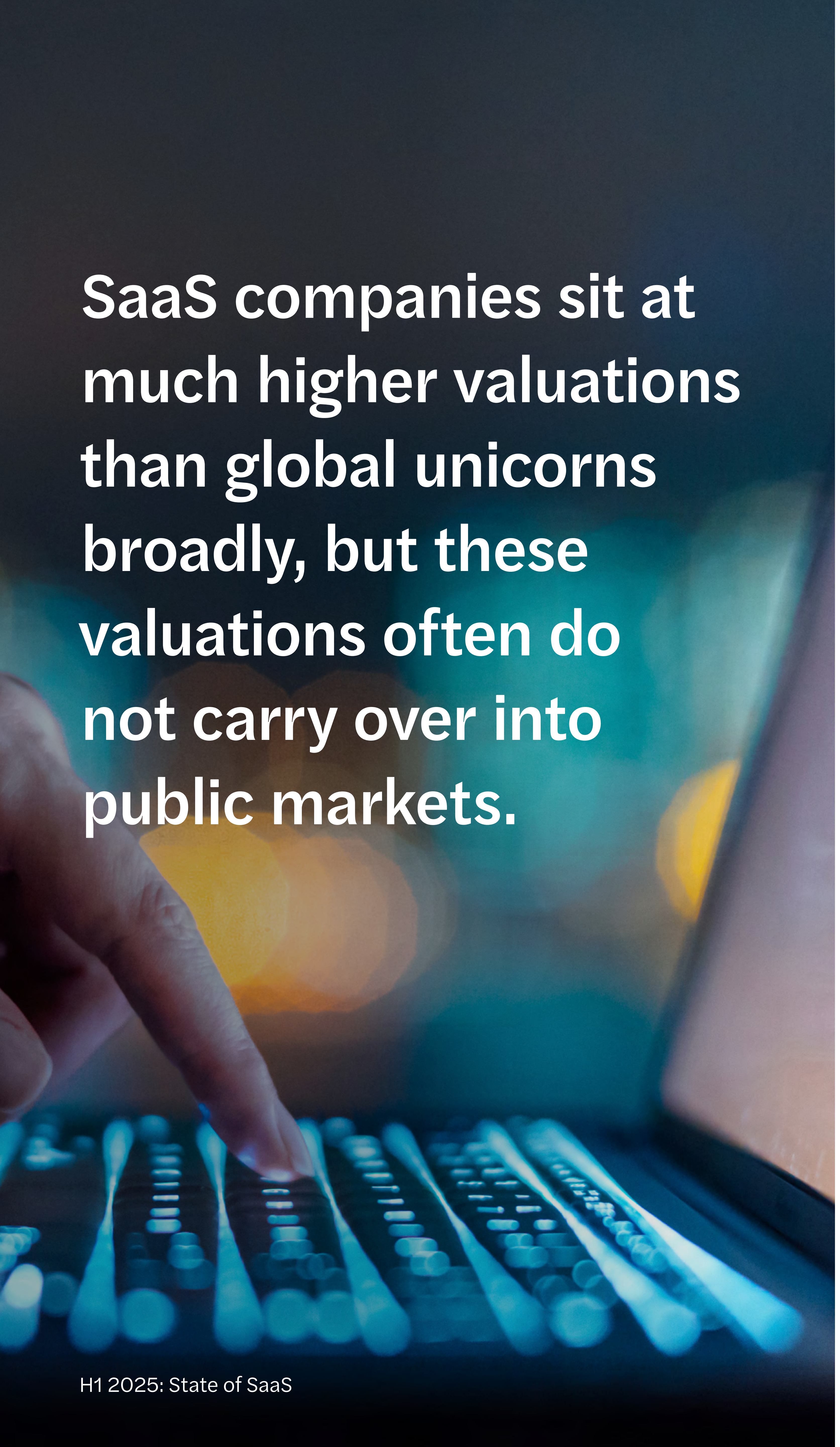
Revitalizing the IPO market will likely depend on several catalysts:

- Rate cuts
- Stabilized inflation
- Improved public valuations
- Successful high-profile IPOs
- Greater regulatory clarity

Creating an IPO-friendly environment hinges largely on the U.S., which accounts for the majority of global VC and PE SaaS exits. Encouraging signs include the Federal Reserve's projected rate cuts and the new Securities and Exchange Commission (SEC) Chair Paul Atkins' stated intent to "make IPOs great again."[4] However, policy unpredictability—particularly tariff-induced inflation under the Trump administration—has disrupted market stability and complicated SaaS valuations. Despite this, IPOs completed thus far this year are perhaps the most telling signal of tech IPO revitalization.

Formerly VC-backed CoreWeave, Chime Financial, and Hinge Health were encouraging signs of recovering investor appetite for SaaS issuers. On the PE side, SailPoint Technologies' $11.5 billion listing has accounted for more than 25% of the total PE exit value YTD. VC-backed SaaS IPOs have been both more numerous and higher in aggregate value, generating $31.8 billion across 16 IPOs YTD compared with PE's $18.6 billion across four IPOs.

4 "The U.S. IPO Market Needs Saving. Could Paul Atkins Be the Answer?" The Wall Street Journal, Corrie Driebusch, February 9, 2025.



Spotlight: Tech IPOs Show Signs of Recovery Despite Headwinds

However, the outcomes of much-anticipated IPOs, including Klarna, Figma, and Netskope, will be an indicator for broader market sentiment toward public listings. Klarna's decision to pause its IPO planned for April 2025 due to the Trump administration's tariffs showcased how regulatory turmoil had spilled over into public markets, resulting in not only delayed IPOs but also trillions of dollars lost in stock markets.[5] Klarna's IPO debut five months later in September may signal a more favorable shift in public markets. However, not every SaaS company will become a Klarna. Most exit-ready SaaS companies are staying private for longer, and the sector's post-IPO performance data shows why.

According to PitchBook's VC- and PE-backed IPO indexes, which measure formerly VC- and PE-backed companies' post-IPO valuations, SaaS companies underperformed the broader indexes over the three years ending July 9, 2025. However, under the same time frame, the Morningstar PitchBook Global Unicorn Index showed private SaaS unicorns vastly outperformed the indexes. Put simply, SaaS companies sit at much higher valuations than global unicorns broadly, but these valuations often do not carry over into public markets. In fact, listing valuations of the tech IPOs in Q2—Chime, Hinge Health, and MNTN, to name a few—were significantly lower than their privately owned valuation peaks.

While SaaS IPOs originate globally, most listings still occur on U.S. exchanges. In H1 2025, half of all VC-backed SaaS IPOs were by Asia-based firms—most of which listed in the U.S., despite some activity on exchanges in Tokyo, South Korea, and Hong Kong. Notably absent were listings on major Chinese exchanges, highlighting the impact of continued economic and political uncertainties on SaaS companies in the world's second-largest economy.

5 "Klarna and StubHub Reportedly Pause Going Public With Stock Market in Free Fall Over Trump Tariffs," Fortune, Stuart Dyos, April 5, 2025.

Editorial Q&A

Q What is the current state of the tech IPO market, and how does it compare to historical norms?

A **Brian Myeroff:** The tech IPO market showed signs of recovery in 2024 and 2025, with a strong start in 2025 so far. However, it is still below historical norms compared to the peak years like 2021.

The majority of PE-to-IPO exits are awaiting further market condition improvements, given the high valuation marks into which the private equity groups (PEGs) invested into the portfolio companies back in 2021 and 2022.

A **Ricardo Martinez:** Historically, the tech IPO market has seen cyclical periods of high volumes of activity followed by significant downturns. In 2025, tech IPOs are showing renewed vigor after several years of volatility and cautious investor sentiment.

While we are seeing a positive trend in the IPO market, we cannot overlook the performance of secondary markets as an alternate liquidity outlet during IPO delays, as it highlights the adaptability of stakeholders in response to market uncertainties.

A **Lydia Bouzerar:** Globally, IPO proceeds reached $58.2 billion, up 17% year over year. While this signals a clear rebound, the market is still below the unprecedented activity levels observed during the 2019-2021 cycle, which was driven by low interest rates and abundant liquidity. The current landscape is defined by a more selective environment where institutional investors prioritize profitability and resilient business models.

"In 2025, tech IPOs are showing renewed vigor after several years of volatility and cautious investor sentiment."

Ricardo Martinez
Partner, Forvis Mazars US

Editorial Q&A

Q How are macroeconomic forces impacting tech IPO valuations and investor demand?

A **Brian Myeroff:** Inflation, interest rates, tariffs, market volatility, economic growth, and stability are all contributing to a sluggish start to IPO activity for the year. IPO activity is expected to be stronger for tech and services businesses given the relatively limited impact from tariff noise, but inflation/interest rate trends are continuing to weigh on the markets.

A **Ricardo Martinez:** Despite ongoing market and rate uncertainties, unicorn tech companies are closely watching conditions for possible IPO exits.

The current U.S. administration's pro-investment policies and moves toward deregulation are lifting market sentiment, especially in cryptocurrency and AI sectors. Key economic appointments aim to offset investor uncertainty from tariff strategies and signal a pro-business approach that encourages more IPOs.

How GenAI Is Reshaping SaaS Companies

"As generative AI (GenAI) and autonomous agentic AI systems are pushing into the SaaS world, companies are racing to incorporate them into their offerings.

The use of these two technologies allows companies to better leverage customer data and instantly adapt to varying customer needs while also allowing for greater flexibility in designing and implementing new features. While the equation for SaaS customers is clear, incorporating these into the SaaS companies themselves can be challenging.

Not all pre-IPO SaaS candidates will be GenAI native. Companies still face the challenge of integrating these technologies into their product features and, most importantly, into how they function internally. Vertical SaaS players that will benefit from GenAI and agentic AI the most may find it challenging to integrate these into their operating model.

Unless a company is GenAI native, it will need to undergo its own AI transformation to future-proof its model."

Jakob Haesler
Partner, Forvis Mazars Group

Editorial Q&A

Q What is driving valuation trends for enterprise SaaS companies at the pre-IPO stage?

A Brian Myeroff: Growth stage and key performance metrics are key. High growth rates and robust annual recurring revenue (ARR) often drive higher valuations, while profitability or a clear path to achieving it, along with positive cash flow, adds significant appeal. In addition, strong net revenue retention, minimal churn rates, and efficient customer acquisition costs play a critical role in bolstering investor confidence and shaping valuation trajectories.

A Ricardo Martinez: So far in 2025, pre-IPO enterprise SaaS valuations have stabilized below 2021 highs, with the market now focusing on fundamentals, efficiency, and differentiation. Pre-IPO enterprise SaaS company valuations are shaped by key trends in the SaaS market and shifting investor priorities.

Companies with high growth and strong net revenue retention attract premium valuations due to their customer loyalty and expansion potential. Integrating AI for improved features, efficiency, and customer value is also a contributor to augmented valuations. Lastly, investors favor companies that demonstrate continued, consistent growth and strong unit economics as higher valuations increasingly depend on profitability and operational efficiency.

A Lydia Bouzerar: Companies that can demonstrate clear, monetizable AI capabilities—whether through automation, personalization, or customer engagement—are commanding valuation premiums, especially in vertical SaaS segments like digital health and cybersecurity.

Editorial Q&A

Q How is AI transforming product road maps and go-to-market strategies for SaaS IPO candidates?

A **Brian Myeroff:** AI is revolutionizing product road maps and go-to-market strategies for SaaS IPO candidates by enhancing efficiency and decision making across key areas. Companies are integrating AI into their products and delivery methods to boost operational efficiency, predict customer demand, and streamline updates by identifying performance issues and suggesting improvements. As far as the go-to-market front, AI enables the efficient creation of marketing materials, offers deep insights into customer behavior and preferences for targeted campaigns, and enhances pricing strategies by analyzing customers' willingness to pay. This transformation drives smarter strategies and more agile product development.

Q How are liquidity timelines evolving for late-stage tech companies, and what does that mean for exit planning?

A **Brian Myeroff:** Liquidity timelines for late-stage tech companies are evolving as macroeconomic uncertainty, high interest rates, and investors' increased focus on profitability. Consequently, exit planning needs to be more strategic and flexible. Companies are now beginning to plan earlier, exploring diverse options beyond traditional IPOs, including liquidation through secondary markets, strategic M&A, or buyouts. This approach reflects the need for adaptability in navigating today's complex investment landscape.

A **Ricardo Martinez:** In 2025, late-stage technology companies are encountering a changing environment in which the processes for achieving liquidity and successful exits are evolving. This change is influenced by companies choosing to remain private for longer, often relying on tender offers and the secondary market as primary liquidity events. The longer pre-IPO phase enables companies to further develop their market positions, financial stability, and control frameworks prior to going public. Platform consolidation through add-on acquisitions remains a main strategy for PE investors, motivated by cost efficiencies, speed, and regulatory considerations associated with acquiring smaller firms.

A **Lydia Bouzerar:** Liquidity timelines have extended considerably compared with pre-2021 norms. Many tech firms are delaying IPOs due to either valuation concerns or macro uncertainty.

To manage liquidity expectations among stakeholders, late-stage companies are increasingly turning to structured secondaries, internal tender offers, and hybrid listing formats.

Boards and CFOs are adjusting exit planning by aligning operating metrics with IPO readiness and by preparing contingency liquidity paths beyond traditional public listings.

Editorial Q&A

Q Which metrics did institutional public market investors prioritize in H1 2025 tech IPOs?

A **Brian Myeroff:** The top metrics that reflect financial health and operational efficiency were revenue growth rate, showcasing a company's ability to scale, and gross margin, highlighting profitability from core operations. In addition, profit margin and free cash flow margin were closely examined, emphasizing sustainable profitability and cash generation capabilities. These metrics offered investors clear insights into the long-term viability and performance potential of tech companies.

A **Lydia Bouzerar:** Investors have become markedly more selective, favoring companies that exhibit both growth and financial maturity. Key metrics that have become important benchmarks include NDR of at least 110%, gross margins above 70%, a clear path to EBITDA profitability (or actual profitability), and a customer-acquisition-cost payback period within 12 months. There is also heightened emphasis on delivering tangible returns from AI-enabled offerings, underscoring investor demand for innovation that drives measurable value.

Q How are secondary markets performing as an outlet for liquidity when IPOs are delayed?

A **Lydia Bouzerar:** Secondary markets continue to provide a critical release valve for tech company stakeholders facing delayed IPOs. Although secondary transaction volumes remain strong, pricing is often at a discount to primary valuations, especially for companies that raised large pre-2022 rounds.

These markets are increasingly institutionalized, with fund-level secondaries, employee liquidity programs, and structured transactions now common. However, they cannot fully replicate the scale or branding benefits of a public listing and are best viewed as interim solutions.

"AI is revolutionizing product road maps and go-to-market strategies for SaaS IPO candidates by enhancing efficiency and decision making across key areas."

Bryan Myeroff
Partner, Forvis Mazars US

Editorial Q&A

Q What indicators should stakeholders watch for to gauge a broader reopening of the tech IPO market in 2025 or 2026?

A Brian Myeroff: Investors should keep an eye on stock market performance and overall economic stability, lower interest rates and a controlled inflation environment, and high valuations of recent tech IPOs.

A Ricardo Martinez: Strong performance of tech IPOs, high institutional demand, and positive returns can motivate more companies to go public. Shifts in public market valuations, particularly in technology indexes like the Nasdaq, may further encourage companies to pursue IPOs. A favorable macroeconomic environment, marked by stable inflation, declining interest rates, robust consumer demand, and steady capital expenditures, can also support IPO activity. Investors will likely focus on companies' stable fundamentals, proven scalability, profitability or a clear path to it, and revenue models that show steady growth. In addition, a regulatory landscape with reduced uncertainty in areas such as tariffs, antitrust enforcement, and security regulations could encourage more companies to pursue an IPO exit.

A Lydia Bouzerar: A sustained IPO recovery will likely hinge on several interconnected market signals. A clear downward trend in interest rates or evidence that inflation has stabilized would help restore confidence in equity markets. Continued strong performance from 2025 IPO leaders such as CoreWeave and Circle would reinforce investor appetite for new listings, while a pickup in cross-border offerings—particularly from Europe and Asia choosing U.S. exchanges—would point to improved global sentiment. Another important indicator would be the narrowing gap between private and public valuation multiples, signaling healthier price alignment for companies transitioning to the public markets. Increased visibility into forward revenues, alongside a rise in S-1 filing activity, would further suggest that issuers are confident in their growth trajectories. Stakeholders should also pay close attention to the level of institutional participation in public tech offerings, as renewed demand from long-only funds often serves as a leading sign of broader market confidence.

The Federal Open Market Committee's longer run rate projections places interest rates at least

200

basis points above the zero-interest-rate-policy era.

Preparing for What's Next

As the second half of 2025 unfolds, both industry-wide and sector-specific variables will shape the trajectory of SaaS PE dealmaking and tech IPO activity. These factors will determine whether 2025 becomes a rebound year or another period of missed opportunities for PE firms with billions of dollars in dry powder.

Industry-level considerations include the cost of capital and returns. While modest rate cuts are projected by year-end, which will lower borrowing costs, the Federal Open Market Committee's longer run rate projections still place interest rates at least 200 basis points above the zero-interest-rate-policy era.[6] Elevated rates weigh down the present value of cash flows, lowering potential future returns and depressing valuations. PE firms must therefore adjust their financial models for higher debt costs and prioritize targets with strong business fundamentals and sound balance sheets to maintain return expectations.

AI will drive the SaaS sector's outlook, but investors should remain cautious of the increasing indebtedness and lack of demonstrated profitability of the sector's largest AI players. SaaS—especially enterprise SaaS—is poised for continued expansion as AI integration becomes central to product strategies. Financial and strategic buyers are pursuing AI capabilities through in-house development, but more so through acquisitions. The rapid growth of open-source models and AI tooling has served as a catalyst, yet investors must scrutinize the sustainability of this momentum.

[6] "Summary of Economics Projections," Federal Reserve, June 18, 2025.

Preparing for What's Next

Recent developments across the sector's AI darlings, like OpenAI and Scale AI, should be warning signs that these multibillion-dollar companies are not all they appear to be. OpenAI is more leveraged by the day, while Scale AI recently announced a 14% workforce reduction.[7,8]

These cautionary signs underscore the need for rigorous due diligence, particularly around:

- Burn rates
- Revenue quality
- Scalability

Still, strong institutional interest remains: Google recently raised its 2025 AI capital expenditure by $10 billion to $85 billion, signaling ongoing Big Tech investment that may ripple through the SaaS ecosystem.[9]

There are counteracting forces on the SaaS outlook in 2025, but a few threads will shape the rest of the year. Debt will remain costly, which may not suppress deal volume but will influence how transactions are structured and financed. While AI continues to fuel deal activity, these opportunities must be rigorously vetted to ensure they deliver sustainable, long-term returns. Ultimately, success in the second half of 2025 will hinge on PE firms' ability to navigate macroeconomic headwinds while staying grounded in fundamentals—despite the appeal of AI-driven growth.

7 "OpenAI Is Quietly Trying to Get More Money as It Burns Through Cash at a Staggering Pace," Futurism, Joe Wilkins, July 24, 2025.
8 "Scale AI Cuts 14% of Workforce After Meta Investment, Hiring of Founder Wang," CNBC, Ashley Capoot, July 16, 2025.
9 "Alphabet Jumps as AI-Driven Spending Fuels Cloud Revenue Surge," Reuters, Aditya Soni and Kanchana Chakravarty, July 24, 2025.

About & Disclaimers

About Forvis Mazars

Forvis Mazars, LLP is an independent member of Forvis Mazars Global, a leading global professional services network. Ranked among the largest public accounting firms in the United States, the firm's 7,000 dedicated team members provide an **Unmatched Client Experience**® through the delivery of assurance, tax, and consulting services for clients in all 50 states and internationally through the global network.

Visit **forvismazars.us** to learn more.

Methodology

The report was written in accordance with PitchBook report methodologies unless otherwise specified. Software-as-a-service (SaaS) companies are defined using PitchBook's SaaS vertical—a broad category that captures all companies whose primary business model is SaaS. Enterprise SaaS is a subsegment of SaaS that includes companies that produce or sell business/productivity or automation/workflow software to business end-users.