

# AI's Impact on SaaS

Enterprise Adoption, Integration  
Strategies, & the New  
Cybersecurity Frontier

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## Forvis Mazars Editorial Team



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

Ricardo is national industry leader for technology, software, and devices at Forvis Mazars US. He focuses on delivering audit services to PE-backed and publicly traded tech companies.



**Steven Frank**  
Partner  
Forvis Mazars US  
Charlotte, NC, U.S.

Steven has more than 18 years of public accounting experience, focusing on buy-side and sell-side due diligence for clients across a variety of industries.



**Lydia Bouzerar**  
Partner  
Forvis Mazars Group  
Paris, France

Lydia is head of capital markets and accounting advisory at Forvis Mazars Group, where she advises clients on capital markets transactions, including IPOs and bond issuances.



**Firas Abou Merhi**  
Partner  
Forvis Mazars Group  
Paris, France

As financial advisory services leader for Forvis Mazars Group in France, Firas also oversees global transaction services activities, with experience in new technologies and other key sectors.

# Executive Summary

The second edition of the State of SaaS report from Forvis Mazars looks back on private equity (PE) dealmaking trends across the SaaS landscape, developments in the technology initial public offering (IPO) market, and the structural forces shaping capital allocation decisions over the latter half of 2025 and looking ahead to 2026. The report is intended to help business leaders and investors contextualize recent market activity, extract lessons from the current cycle, and strengthen exit-readiness strategies in an increasingly selective environment.

The [H1 2025 report](#) from Forvis Mazars forecast sustained—and potentially accelerated—global SaaS PE momentum by year-end, as investors adapted to macroeconomic volatility and deployed long-standing dry powder. This activity reflected both renewed appetite for high-growth opportunities and mounting pressure to generate distributions for limited partners (LPs) that had overallocated to private markets during the 2021 cycle.

Findings from the H2 2025 edition confirm these projections. Global SaaS PE dealmaking expanded further through the end of 2025, with firms closing 697 more transactions and deploying an additional \$109 billion in capital since H1 2025. In fact, 2025 year-end transaction volumes were the highest annual total in a decade, and capital deployment momentum has begun to mirror 2021 and 2022 highs. However, although year-end figures appeared optimistic relative to historical investment activity, PE

investment momentum began to slow toward the latter half of the year. Global SaaS PE transaction volumes slackened quarter-over-quarter (QoQ) throughout 2025 while invested capital amounts remained elevated, signaling greater capital concentration.

This rebound was accompanied by improving liquidity outcomes, as private-market-backed SaaS companies achieved materially higher exit values. However, exit readiness no longer culminates at an initial acquisition or public listing. The continued expansion of the PE asset class has driven record levels of take-private activity as firms move up the value chain in search of value-creation opportunities among the industry's largest incumbents. In this environment, exit readiness has become a continuous requirement that necessitates flexibility rather than a milestone tied to a single liquidity event.

Looking ahead to 2026, two overarching factors are expected to shape the next phase of SaaS investing:

▮ The cost of capital

▮ The ability to service it

Debt-fueled, multibillion-dollar leveraged buyouts have re-emerged in North America, supported by artificial-intelligence-driven (AI-driven) growth expectations and renewed confidence in operating leverage. As pandemic-era dry powder converges with AI-enabled value creation, PE activity in SaaS has remained resilient. However, rising borrower stress and a higher neutral-interest-rate environment are likely to test business model durability, narrowing the margin for execution error and elevating the importance of cash flow resilience in sustaining long-term returns.

# Market Trends

This section delves into the trends that shaped global PE dealmaking and exit outcomes in the SaaS industry by the end of 2025 and extracts forward-looking insights on how these trends will continue to shape deal activity in 2026 and beyond.

This report focuses on three high-level areas of analysis:

- Capital flows
- Liquidity outcomes
- Post-IPO exit readiness

**The AI revolution is but one core element that has shaped 2025 and what is to come in 2026.**

Thus, this edition's spotlight focuses on the opportunities that lie in the cybersecurity space as the AI revolution matures from model-building to mass deployment across the enterprise and consumer sectors, bringing a greater sense of urgency over the protection of proprietary and private data. Ultimately, the analysis gleaned from this report is intended to enable business leaders and investors in the SaaS industry to transform a retrospective, data-driven narrative into actionable insights that will prepare them for the next fundraise, acquisition, or exit.

# Market Trends

## Where Capital Is Flowing & Why It Matters Heading Into 2026

By H2 2025, capital flows clearly signaled not just where investors deployed capital, but how value is likely to be created in 2026. Examined across transaction size, industry exposure, and geography, global PE SaaS dealmaking showed pronounced concentration—a pattern expected to persist. Global SaaS PE deal volumes declined QoQ despite invested capital amounts reaching post-pandemic heights, exacerbating the concentration of PE bets and capital. Furthermore, the [US Private Equity Report: 2026 Insights](#) from Forvis Mazars notes that this capital concentration also coincides with PE firms in the U.S. narrowing in on execution, which includes creating clear paths to profitability and leveraging AI to improve portfolio company outcomes. Thus, AI is and will continue to be a central driver of opportunity.

However, AI is moving beyond experimentation and into full-scale deployment, bringing new complexities that PE firms must navigate as they manage their portfolios alongside geopolitical and fund-level economic challenges. While 2025 was defined by early model development, infrastructure build-out, and widespread beta releases, 2026 will mark a shift toward scaled integration, disciplined product iteration, and AI delivering tangible business outcomes. As product leaders refine AI-enabled workflows, the focus will shift from promise to performance.

Historically, most opportunities in global SaaS PE sat in smaller leveraged buyouts, but billion-dollar transactions are reshaping the landscape. While transactions under \$100 million still account for the majority of deal volumes, 2025 saw a record share of capital flow into buyouts worth \$2.5 billion or more, which captured 41.7% of total invested capital. Larger fund sizes, averaging \$906.9 million in 2025 versus \$574.9 million in 2024, alongside improving credit conditions have normalized mega-buyouts. Competition between broadly syndicated loans and private credit has created a borrower-friendly environment, with private credit spreads compressing to as low as the Secured Overnight Financing Rate (SOFR) + 500 basis points (bps), down from the traditional range of SOFR + 600 bps to SOFR + 700 bps. Robust private credit fundraising also continues to support highly leveraged deals. This reflects a market where yesterday's small platforms are now scaled incumbents with higher valuations—but also with new AI-driven levers for margin expansion and operational transformation. For business leaders, PE has become a preferred partner for funding and executing large-scale technology transitions.

**AI is moving beyond experimentation and into full-scale deployment.**

**2025 was defined by:**

- Early model development
- Infrastructure build-out
- Widespread beta releases

**2026 will mark a shift toward:**

- Scaled integration
- Disciplined product iteration
- AI delivering tangible business outcomes

# Market Trends

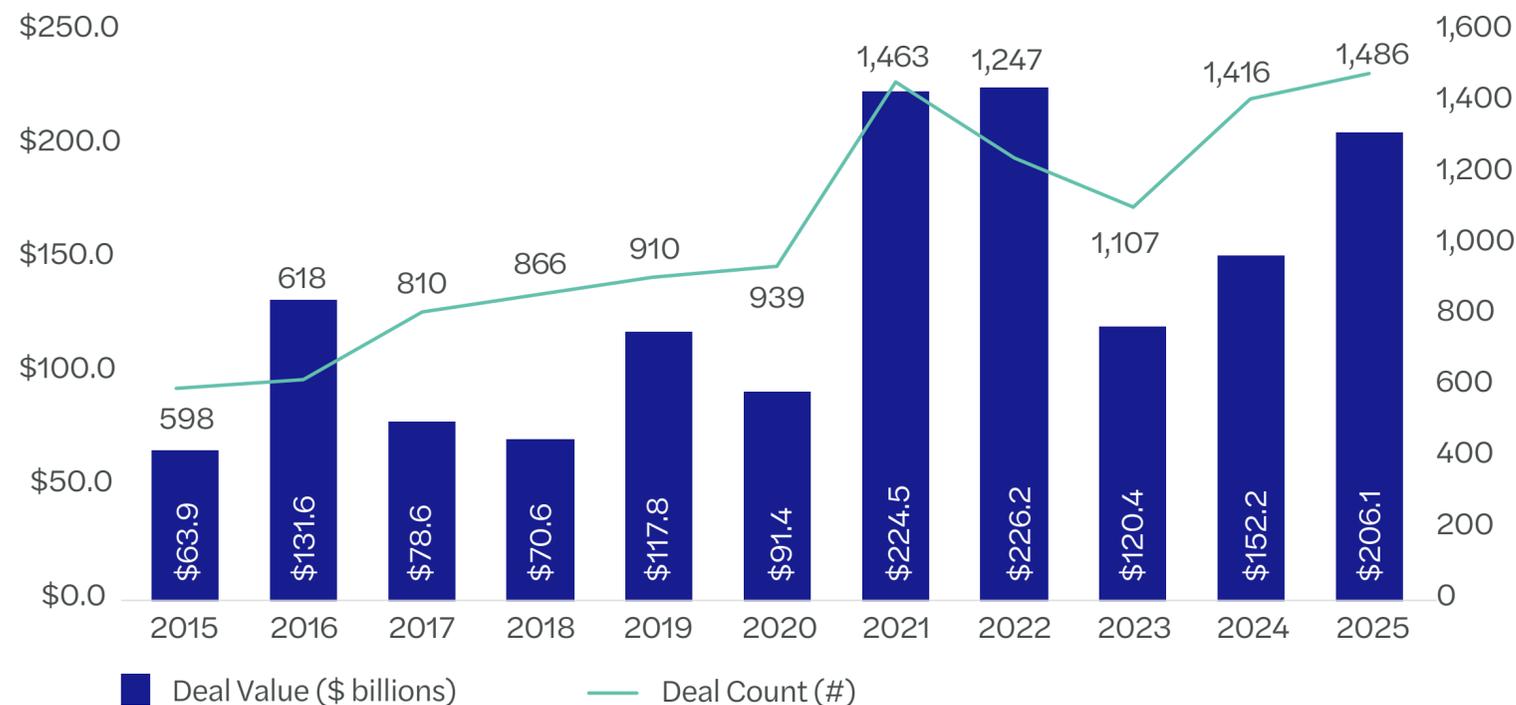
## Where Capital Is Flowing & Why It Matters Heading Into 2026

In 2025, instances of SaaS incumbents and PE partnerships executing AI integration strategies had already emerged. Enterprise SaaS incumbents continue to be attractive targets given the segment’s scalability and expanding margin upside enabled by AI. As such, over 60% of global PE deal activity was funneled into this segment by the end of 2025. For instance, Thoma Bravo’s \$10.6 billion leveraged buyout (LBO) of ForeFlight, a former Boeing subsidiary, was notable not only for being the

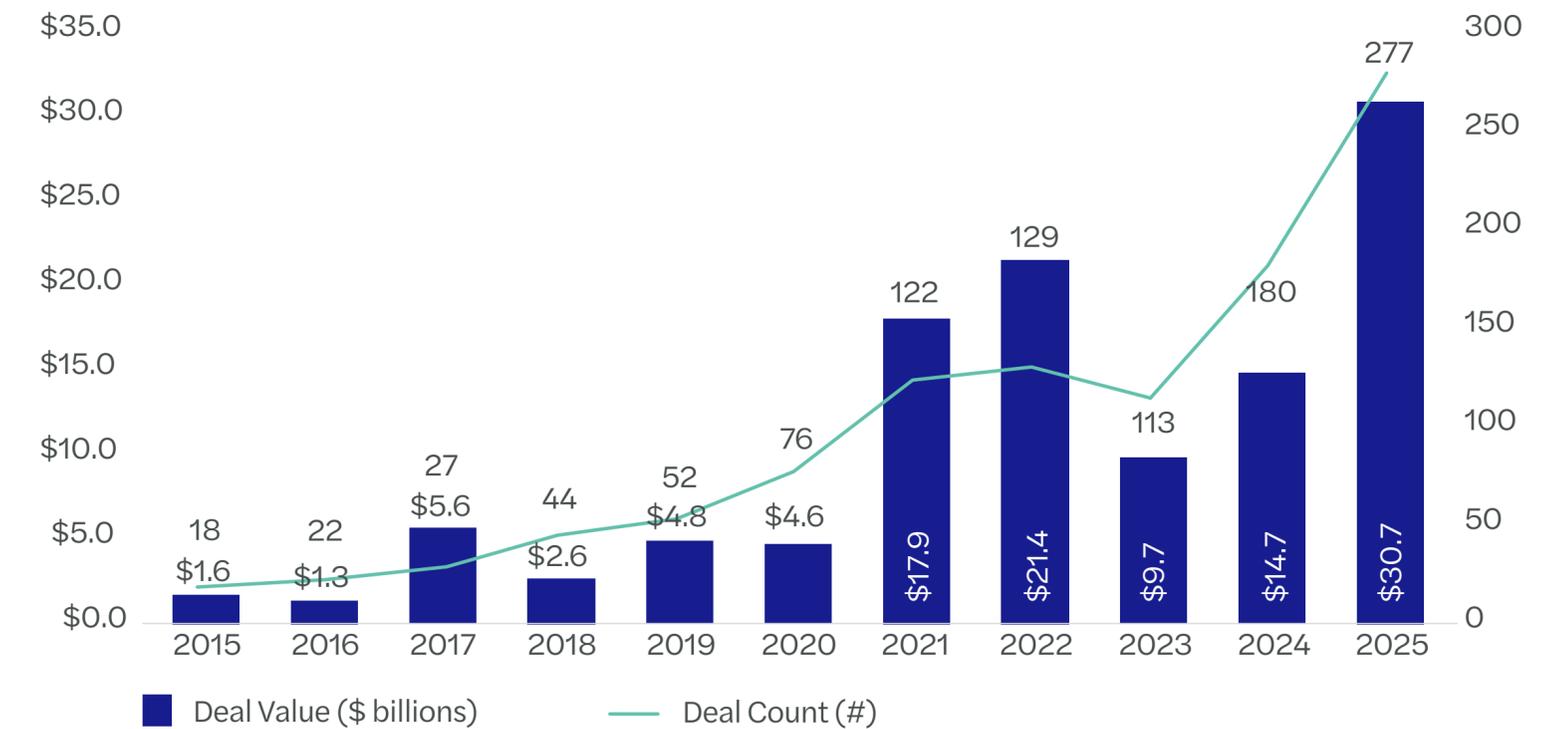
largest LBO in H2, but it also was representative of most AI-driven LBOs that closed this year. The company is now a sponsor-backed standalone organization that is seeking to position itself at the forefront of AI-enabled digital transformation in aviation software. Blackstone’s \$6.5 billion buyout of energy data analytics platform Enverus was also expectedly driven by integrating generative AI-powered solutions.

Globally, AI-related PE activity reached 277 deals and \$30.7 billion, representing 18.6% of deal volume and 14.9% of invested capital, underscoring how deeply AI has penetrated software investments. In fact, consulting firms are also stepping in to help incumbents adopt AI at speed, close execution gaps, and remain competitive with venture-backed peers, recognizing that most [AI implementations](#) still fall short without disciplined execution.

### SaaS PE Deal Activity



### AI SaaS PE Deal Activity



Source: PitchBook Data, Inc. | As of December 31, 2025 | Geography: Global

Source: PitchBook Data, Inc. | As of December 31, 2025 | Geography: Global

# Market Trends

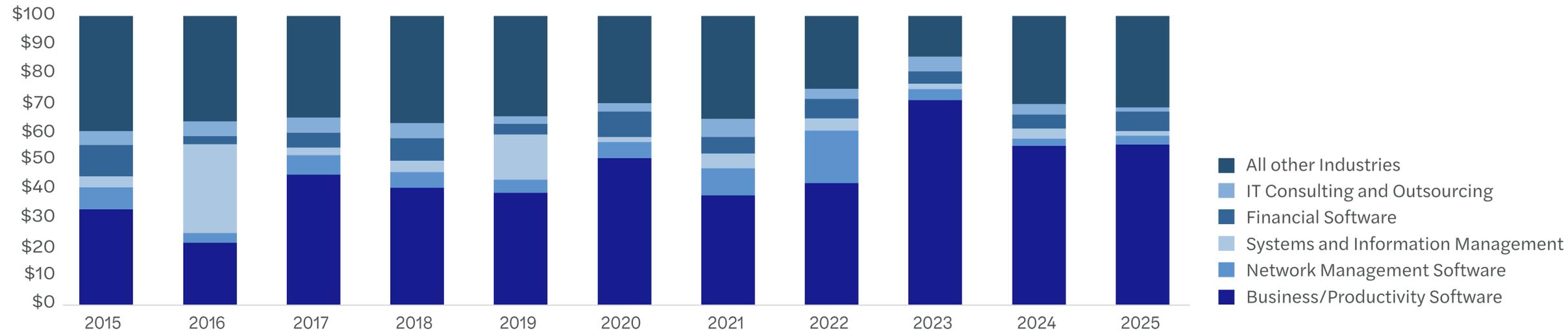
## Where Capital Is Flowing & Why It Matters Heading Into 2026

### Private Capital Dry Powder (\$B) by Vintage



Source: PitchBook Data, Inc. | As of December 31, 2025 | Geography: Global

### Share of SaaS PE Deal Value by Top Five Industries



Source: PitchBook Data, Inc. | As of December 31, 2025 | Geography: Global

These dynamics are most pronounced in North America, while Europe and Asia remain more disciplined. North America and Europe continue to dominate PE SaaS dealmaking, capturing more than 90% of global deal volume and invested capital in 2025, supported by mature credit markets, flexible covenant structures, and deep sponsor-operator networks. In contrast, Asia's tighter credit conditions, bank-led financing, and stricter covenants limit leverage and reduce the feasibility of buy-and-build strategies. Structural factors also play a role: Asian SaaS markets are more fragmented across languages, regulations, and buyer behavior, and founders often favor strategic exits or continued control over sponsor-led buyouts. As a result, despite strong technology adoption, Asia lacks the financing depth, exit liquidity, and consolidation pathways that have anchored SaaS PE activity in North America and Europe.

# 60%

Of global PE deal activity was funneled into AI integration strategies by the end of 2025.

# 90%

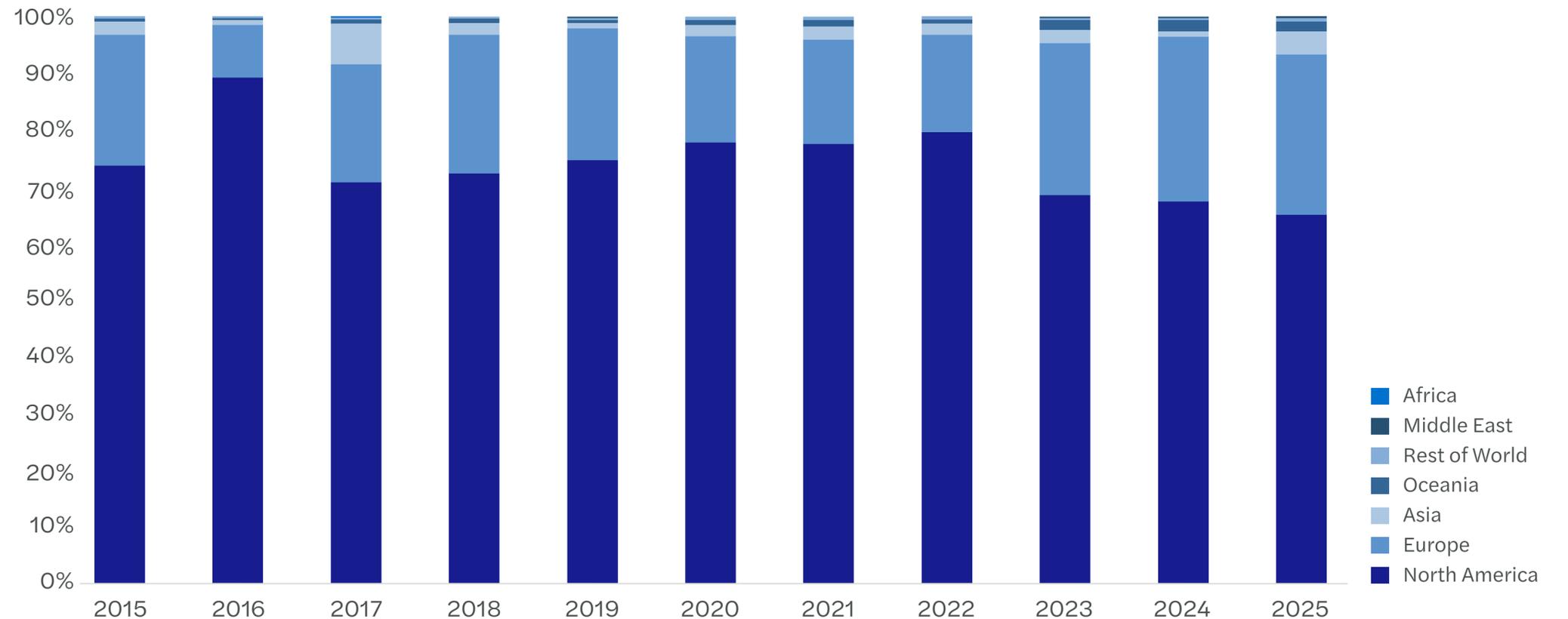
Of global deal volume and invested capital was captured by North America and Europe in 2025.

## Market Trends

### Where Capital Is Flowing & Why It Matters Heading Into 2026

Most PE activity continues to center on smaller, enterprise-focused software deals, but 2025's largest transactions signal a strengthening partnership between SaaS companies and PE as AI-driven value creation accelerates into 2026. North America is poised to lead this shift. For SaaS business leaders, the imperative is to move beyond experimentation, define measurable benchmarks for AI success and return on investment (ROI), and align with the right capital and operating partners to execute AI-led growth at scale.

#### Share of SaaS PE Deal Value (\$B) by Region



Source: PitchBook Data, Inc. | As of December 31, 2025 | Geography: Global

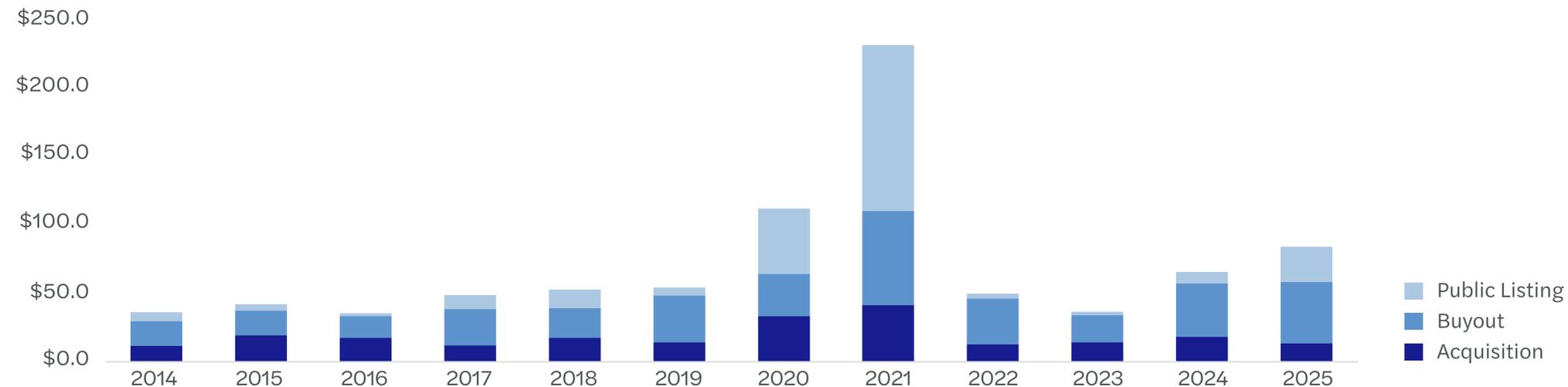
# Market Trends

## Private Liquidity Dominates as Public Markets Reopen Selectively

While capital flows point to where new investment opportunities are forming, the liquidity environment determines when—and how—capital can be recycled into those opportunities. For private-market-backed SaaS companies, liquidity conditions materially improved in 2025, and momentum is building in 2026. Exit activity accelerated alongside strengthened optimism around software, driven in part by AI enthusiasm and the signaling effect of high-profile public listings. The anticipated IPOs of Anthropic and SpaceX, as well as the rumored listing of OpenAI, are expected to further influence sentiment, even as the broader IPO window remains selective.

Liquidity is less of a binding constraint for the SaaS industry, although it remains heavily concentrated within private-market outcomes. VC-backed SaaS startups recorded a record 1,271 exits in 2025, driven primarily by acquisitions and buyouts. Sponsor-backed exit volumes declined modestly year over year, yet aggregate exit values strengthened in the second half of the year, supported by multibillion-dollar listings from sponsor-backed companies such as Pine Labs and Accelerant Holdings. In the aggregate, H2 2025 saw 878 more VC- and PE-backed SaaS exits than H1 2025. Strengthened exit activity was accompanied by a modest decline in median and average global PE SaaS holding periods, reflecting improved capital recycling.

### SaaS PE Exit Value by Type



Source: PitchBook Data, Inc. | As of December 31, 2025 | Geography: Global



# Market Trends

## Private Liquidity Dominates as Public Markets Reopen Selectively

Despite a higher-for-longer interest-rate environment, 2025 saw ample credit availability and continued megafund fundraising underpinning some of the year's largest PE deals: take-private transactions. An increasing number of public companies opted to go private as public markets proved misaligned with their longer-term transformation strategies. Since 2022, sponsor-led take-privates have significantly outpaced sponsor-backed IPOs, reinforcing that, for many SaaS businesses, private markets offer greater flexibility for value creation, which public market shareholders often heavily scrutinize.

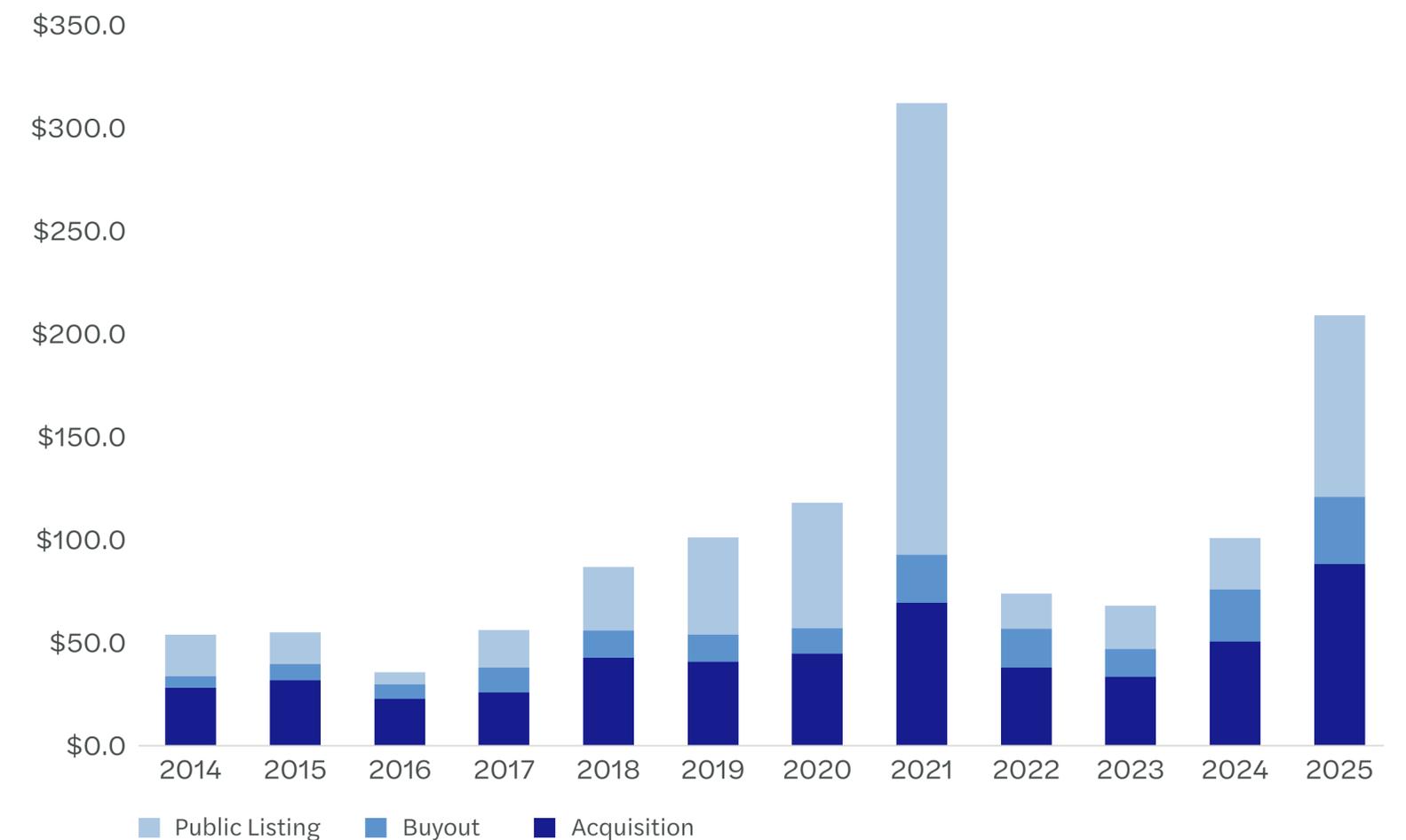
Public markets remain an important, but increasingly selective, part of the SaaS liquidity equation. While acquisitions and buyouts continue to dominate exit volumes, IPOs still provide access to deeper capital pools for scale-ready companies. By H2 2025, signs of a cautious reopening emerged, with VC- and PE-backed SaaS companies completing 34 more IPOs than in H1 2025, or an increase of 17 from 2024. These were largely concentrated in Asia. Thus, it is evident that IPOs are returning since the 2021 IPO exuberance, but only for companies with durable growth and operational maturity.

As exit pathways grow more complex, alternative liquidity solutions play a larger role for the broader PE industry. LP- and general partner (GP)-led secondaries, private credit continuation vehicles, and structured liquidity options are increasingly used to extend hold periods, provide partial liquidity, and manage portfolio risk. By the end of 2025, the secondaries market reached \$226 billion,<sup>1</sup> while private credit continuation deals grew into a \$15 billion segment.<sup>2</sup> While these mechanisms emerged in response to slower exits across private markets, SaaS has remained comparatively resilient, maintaining its exit momentum and shortened holding periods. For SaaS business leaders and investors, liquidity itself is not the challenge. The complexity lies in navigating an expanding set of exit options, evolving market dynamics, and heightened expectations around AI-driven value creation while timing and structuring transactions effectively, making the choice of the right partner all the more critical.

<sup>1</sup>"Continuation Funds Drive a Record Year for the Secondaries Market," PitchBook, Jessica Hamlin, January 16, 2026.

<sup>2</sup>"Private Credit Firms Sell Debt to Themselves at Record Rate," The Financial Times, Alexandra Heal and Euan Healy, January 26, 2026.

### SaaS VC Exit Value by Type



Source: PitchBook Data, Inc. | As of December 31, 2025 | Geography: Global

# Market Trends

## AI Has Redefined the Exit-Readiness Timeline

Exit readiness is no longer an event-driven state of preparation: it is an evergreen playbook for any company intent on scaling. For mature SaaS companies in particular, growth does not end at an exit. Instead, the AI revolution has redefined scale readiness, creating a new cycle of reinvestment, transformation, and value creation.

**Incumbent SaaS platforms are increasingly leveraging AI as a catalyst to:**

- Reaccelerate growth
- Defend market positioning
- Pursue first-mover advantages at the intersection of software and AI-driven intelligence

This shift is reshaping private-to-public valuation dynamics and raising fundamental questions about the durability of AI-driven growth.

AI presents both opportunity and disruption for scaled SaaS leaders that emerged from prior technology cycles. While early adopters can unlock new sources of differentiation and margin expansion, the rapid democratization of AI also compresses

the advantage for laggards. These dynamics underpinned several of the largest take-private transactions in 2025—including Smartsheet, Dun & Bradstreet, and Everi Holdings—where management teams and sponsors saw greater value in pursuing AI-led transformation outside the constraints of public market scrutiny.

SailPoint Technologies offers a clear illustration of how exit readiness enables transformation. Taken private twice by Thoma Bravo before returning to public markets in 2025, SailPoint used private ownership to overhaul its business model, transition fully to a subscription SaaS model, pursue strategic acquisitions, and build its first AI-enabled identity security platform. The pair was an unexpected match, as SailPoint was a high-growth, VC-backed startup—a profile that often falls outside traditional PE buyout playbooks—at the time of its first buyout. However, the result was a 1.5x valuation increase from its prior buyout to its most recent IPO, demonstrating both how far downstream private equity has moved in the innovation pipeline and why complex AI transformations are often incompatible with quarterly earnings pressure.



“AI is no longer a mere enhancement within SaaS. Rather, it serves as a fundamental factor influencing valuations, dealmaking practices, exit strategies, and the strategic rationale for PE and corporate acquisitions.”

**Ricardo Martinez**  
Partner, Forvis Mazars US

# Market Trends

## AI Has Redefined the Exit-Readiness Timeline

These few examples of notable take-privates that have occurred over the past year clearly delineate the roles of public and private markets for a company, depending on:

Its stage of growth

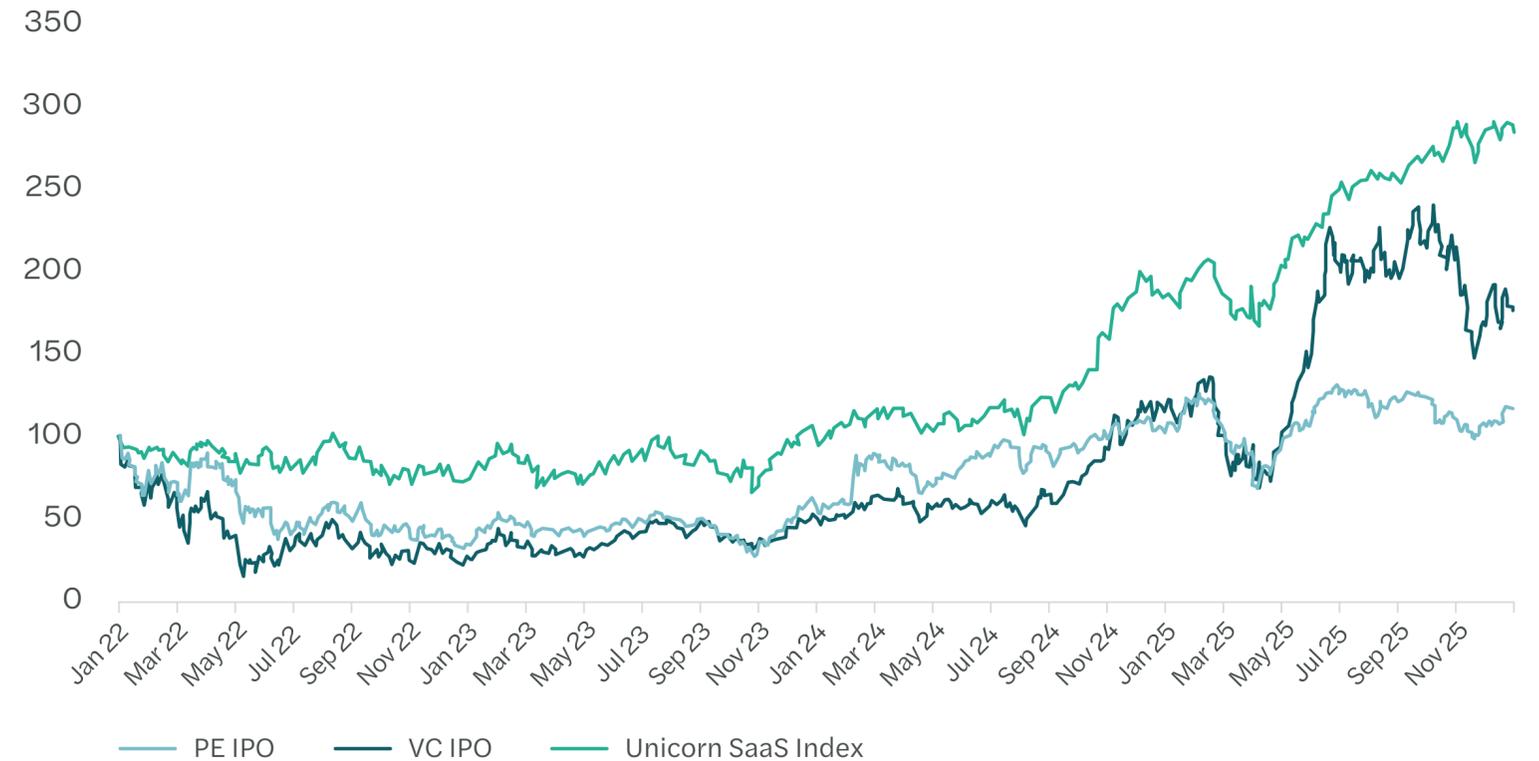
Its opportunities for value creation

How these factors align with shareholders' goals

Private markets clearly enable the riskier, material organizational changes necessary to position the company for long-term growth, as the valuation differentials between private and public SaaS companies show. The performance gap between private SaaS unicorns and VC- and PE-backed SaaS IPOs widened in H2 2025, a period in which private SaaS unicorns overwhelmingly outperformed their formerly private-market-backed publicly listed counterparts.

These dynamics raise critical questions for acquirers and sponsors alike. For strategic acquirers, it remains unclear how one can measure success and return on investment (ROI). What differentiates software solutions in an era where AI enables innovation but stifles market competition at the same time? For PE investors, the key questions are how long AI remains a differentiator once it becomes table stakes, and whether operational execution can sustain returns beyond the initial AI uplift.

VC & PE IPO & Unicorn SaaS Indexes Rebased to 100 as of January 1, 2022



Source: PitchBook Data, Inc. | As of December 31, 2025 | Geography: Global

“Companies viewed as exit-ready in 2025 typically exhibit several consistent characteristics: stable QoQ execution, well-established financial controls, and investor-grade reporting that aligns with public-market disclosure standards.”

Lydia Bouzerar  
Forvis Mazars Group

# Market Trends

## AI Has Redefined the Exit-Readiness Timeline

Looking forward, the convergence of AI and the scale strategies of mature companies has positioned exit readiness as an evergreen playbook that remains relevant (even after an exit). The AI wave is just beginning. Companies leading or enabling the AI revolution, from OpenAI, Apple, and NVIDIA to the Stargate Project and SoftBank, have announced their commitments to spend \$500 billion on AI infrastructure over the next several years. Business leaders should proactively define the metrics and outcomes that will determine success in a post-AI world, along with a clear exit strategy to achieve them. Precedent shows that exit readiness is a critical enabler of the large-scale organizational change required to fully integrate AI.

### Top 20 SaaS VC-Backed Companies With Over 95% Probability of a Successful Exit by Most Recent Post-Money Valuation

Company Name	Most Recent Post Value (\$M USD)	Exit Predictor Success %	Exit Predictor Type	Industry Group
OpenAI	\$300,000.00	98%	IPO	Software
Databricks	\$134,000.00	98%	IPO	Software
Revolut	\$75,000.00	97%	IPO	Software
Scale AI	\$74,110.00	98%	IPO	Software
Stripe	\$50,000.00	98%	IPO	Software
Checkout.com	\$40,000.00	98%	M&A	Software
Ripple	\$40,000.00	98%	IPO	Other Financial Services
Canva	\$32,000.00	98%	IPO	Software
Ramp Business	\$32,000.00	98%	IPO	Software
BYJU'S	\$22,000.00	98%	IPO	Services (Non-Financial)
Kraken	\$20,000.00	98%	IPO	Capital Markets/Institutions
Deel	\$17,300.00	98%	IPO	Commercial Services
Rippling	\$16,800.00	98%	IPO	Software
Discord	\$14,700.00	98%	IPO	Software
Celonis	\$13,000.00	98%	IPO	Software
Brex	\$12,300.00	98%	IPO	Software
Wiz	\$12,000.00	98%	IPO	Software
Airtable	\$11,735.00	98%	IPO	Software
Alchemy (Software Development Applications)	\$10,450.00	97%	IPO	Software
Cognition (Software Development Applications)	\$10,200.00	96%	IPO	Software

Source: PitchBook Data, Inc. | As of December 31, 2025 | Geography: Global

# Spotlight: Cybersecurity in an AI-Enabled World



As AI continues to mature, the next phase of technological evolution is not defined by what comes after AI, but by how deeply it is embedded into business operations. AI is transitioning from a differentiating capability to foundational infrastructure, placing greater responsibility on corporates to adapt their operating models accordingly.

However, as corporates increasingly leverage the opportunities presented by AI, they will also have to contend with its challenges, including:

- More endpoints prone to cyberthreats
- AI-driven fraud
- Security breaches
- Greater exposure of sensitive information

Cybersecurity is emerging as a core pillar of enterprise defensibility in an AI-integrated world, with heightened attention expected at the organizational infrastructure level in 2026 and beyond.

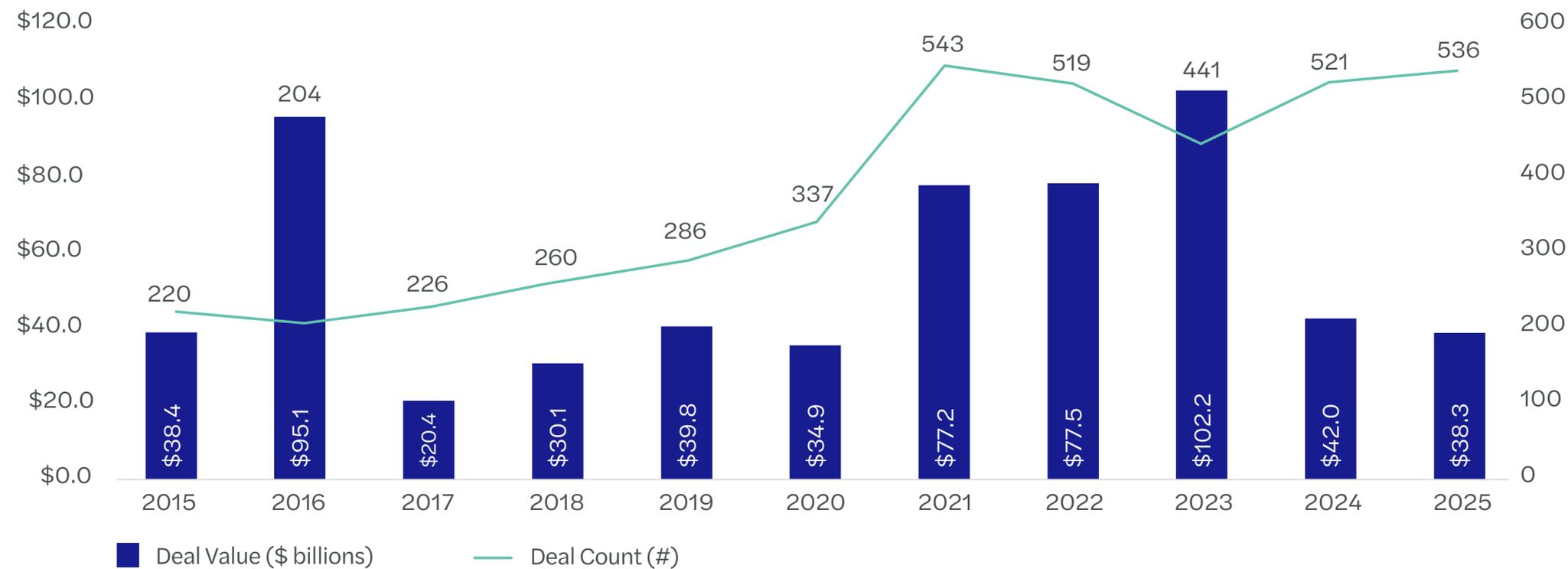
# Spotlight: Cybersecurity in an AI-Enabled World

## Cybersecurity Is Central to Building a Future of Safe & Secure AI

Given these challenges, strategic acquirers and PE firms already envision a post-AI future where in-house cybersecurity tools are paramount to IT departments. In the U.S., companies across industries now treat cybersecurity spending as a fixed, essential cost associated with AI integration and regulatory compliance—

a view increasingly shared globally.<sup>5</sup> Global cybersecurity M&A deal activity soared to 536 transactions by the end of 2025, exhibiting consolidation among cybersecurity players as well as tech companies acquiring cybersecurity capabilities.

### Cybersecurity M&A Deal Activity



Source: PitchBook Data, Inc. | As of December 31, 2025 | Geography: Global

“The need for cybersecurity in the post-AI world is also becoming a valuation multiplier.”

**Steven Frank**  
Partner, Forvis Mazars US

# Spotlight: Cybersecurity in an AI-Enabled World

## Cybersecurity Is Central to Building a Future of Safe & Secure AI

Google's highly anticipated acquisition of Wiz stands out as a defining example. Beyond reinforcing Google's leadership in cloud infrastructure and AI model development, the transaction, priced at \$32 billion, representing a \$9 billion increase from a previously rejected offer, underscores the premium placed on securing cloud-native environments at scale. However, Big Tech companies are not the only ones building in-house cybersecurity capabilities. Strategic acquirers, particularly those operating large and complex digital ecosystems, accounted for more than half of cybersecurity M&A activity in 2025. This trend reflects a growing preference among enterprises to invest in in-house cybersecurity capabilities—the more costly alternative to outsourcing these critical functions. These investments picked

up in 2025, leading to material uplifts in the median and average enterprise value (EV)/revenue buyout multiples. Greater internal control may also help mitigate systemic risks highlighted by high-profile incidents, such as CrowdStrike's faulty software update that triggered one of the largest global IT outages in recent years and billions in financial losses.

As AI becomes embedded across enterprise operations, resilience and accountability are becoming as critical as innovation itself. AI is increasing the complexity of how data is generated, accessed, and secured across devices, models, and endpoints, and enterprises are demonstrating greater willingness to invest in internal cybersecurity teams.

### In-house capabilities allow for:

-  Tailored security architectures
-  Tighter integration with proprietary systems
-  Faster response times

For AI companies selling enterprise-grade solutions, controlling both the product and the security stack has become increasingly important to address customer concerns around data protection and system reliability.

# Spotlight: Cybersecurity in an AI-Enabled World

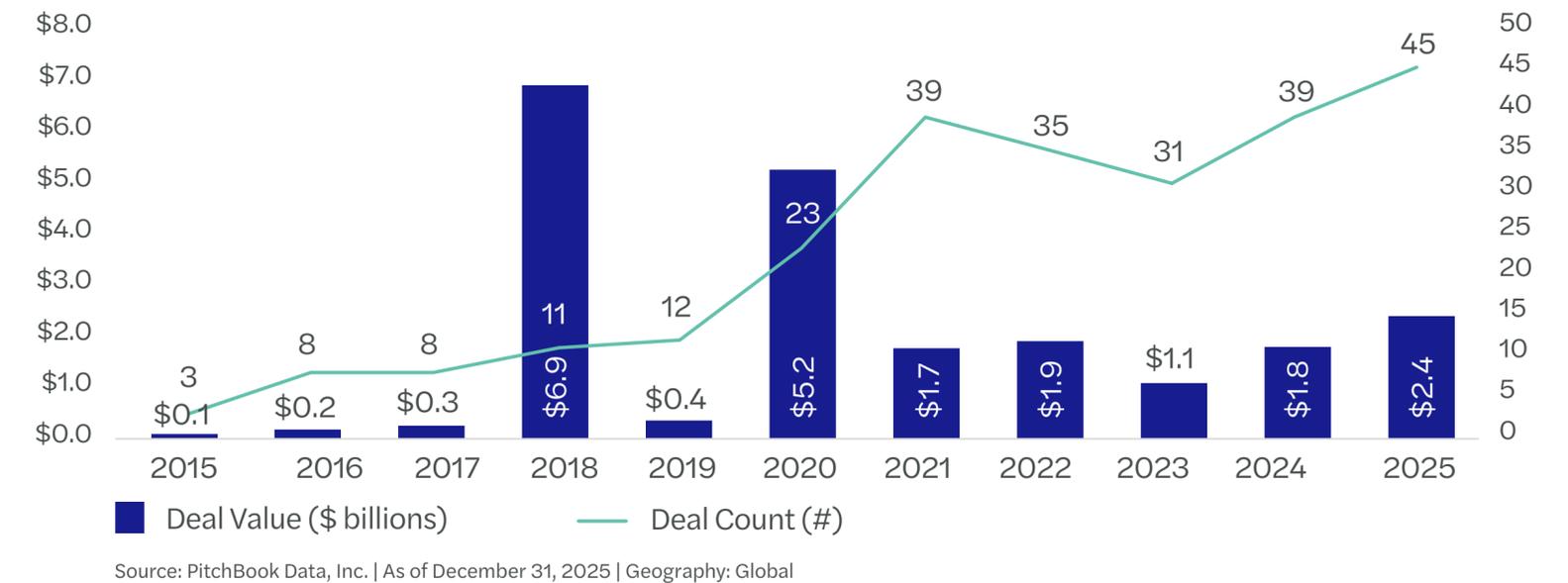
## Cybersecurity Is Central to Building a Future of Safe & Secure AI

As AI becomes foundational to enterprise operations, cybersecurity and AI are increasingly converging, driving consolidation across both traditional and AI-native cybersecurity providers. Cybersecurity M&A activity involving AI-native cybersecurity acquirers peaked at 45 deals in 2025, up from 39 in 2024 and just nine a decade earlier. A notable example is SentinelOne’s \$275 million acquisition of Prompt Security, which strengthens its AI-native platform by enhancing control over how data is shared, stored, and accessed at scale. Similar transactions in 2025 included Darktrace’s acquisition of Cado Security, Kiteworks’ acquisition of Zivver, and Crusoe’s acquisition of Atero AI. This growing market consolidation of cybersecurity players reflects a rapidly evolving threat landscape, where AI-enabled attacks are increasing in frequency and sophistication as technological development continues to outpace regulatory guardrails, making AI-driven fraud and scams more prevalent and realistic.

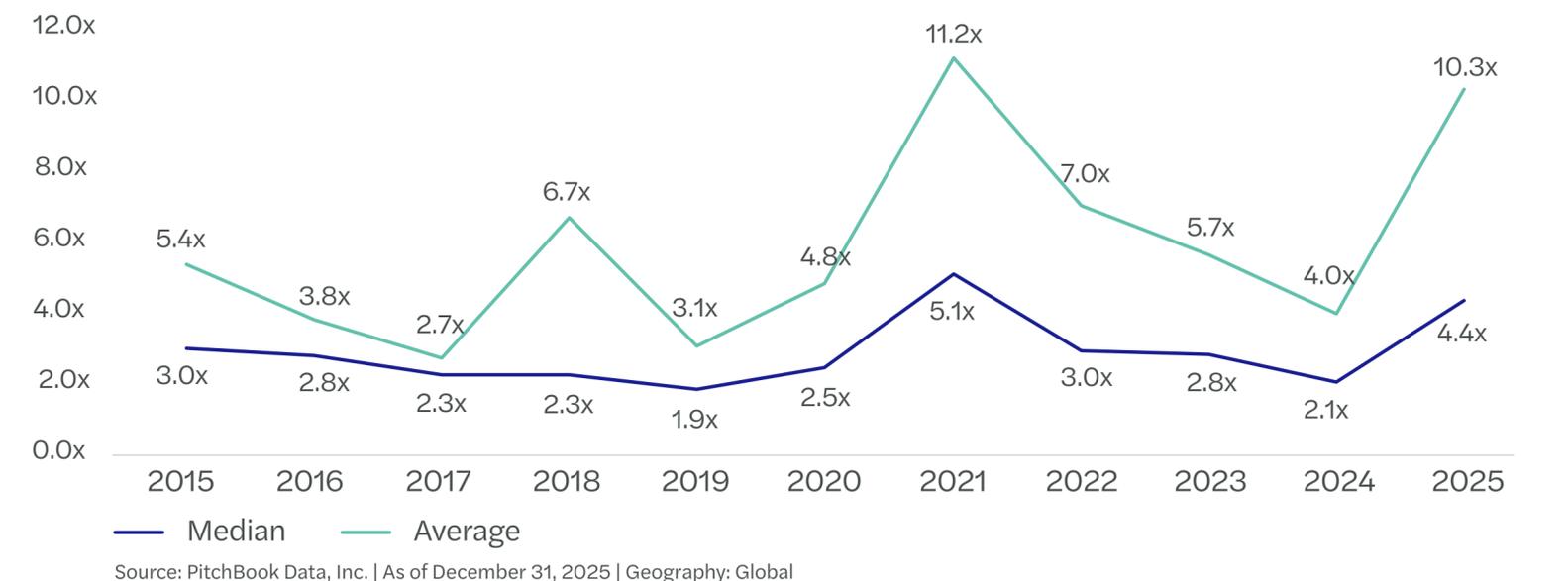
That said, outsourcing to established providers such as CrowdStrike, Zscaler, and Fortinet remains an essential component of enterprise security strategies for others that do not build in-house teams. These platforms offer economies of scale, access to specialized expertise, 24/7 monitoring, and cost efficiencies that many organizations would find difficult to replicate independently due to financial and talent-sourcing constraints. As tech companies determine the optimal approach to protecting their data and systems, they must balance cost considerations, access to cybersecurity expertise, and the operational demands of maintaining around-the-clock cybersecurity coverage.

As companies enter not just a post-AI world, but a secure AI world, opportunities and risks will rise in tandem. The winners will be those that view cybersecurity not as a cost center, but as a strategic enabler—one that protects trust, preserves competitive advantage, and allows AI innovation to scale responsibly and sustainably.

### Cybersecurity M&A Deal Activity With an AI Company as the Acquirer



### Median & Average Cybersecurity M&A EV/Revenue Multiples



# Editorial Q & A

## Q How is AI transforming expectations around SaaS valuation creation?

**A** **Martinez:** AI is no longer a mere enhancement within SaaS. Rather, it serves as a fundamental factor influencing valuations, dealmaking practices, exit strategies, and the strategic rationale for PE and corporate acquisitions. The rise of AI-focused SaaS companies has led to higher valuations and normalized multibillion-dollar deals, reinforcing that these firms can scale rapidly across industries. The need for cybersecurity in the post-AI world is also becoming a valuation multiplier.

**A** **Frank:** AI represents one of the most significant market expansion opportunities in the software sector: it can create new addressable markets and enable the formation of entirely new categories of companies. We are seeing growing demand for AI that drives revenue (not just cuts costs), such as tools that help optimize pricing and enhance customer experience to boost retention. In short, AI helps valuation creation by improving unit economics, enhancing retention, and driving expansion. SaaS platforms with embedded, monetizable AI capabilities and verticalized AI applications are commanding premium valuation multiples.

# Editorial Q&A

**A Merhi:** AI is now evaluated through a public-market lens that prioritizes earnings quality, visibility, and durability. While AI exposure has supported valuation resilience in 2025, premiums have been highly selective and closely tied to demonstrable economic impact.

SaaS companies that can clearly link AI adoption to measurable outcomes (such as incremental average revenue generated per user (ARPU), improved net revenue retention, margin expansion, or reduced customer acquisition costs) are likely to sustain valuation support. In contrast, AI narratives that lack clear monetization, rely on experimental pricing models, or introduce regulatory or cybersecurity risks have struggled to translate into durable valuation upside, particularly post-IPO.

As public investors increasingly benchmark SaaS platforms against AI leaders and late-stage IPO candidates, strong data governance, model transparency, and security frameworks are prerequisites rather than differentiators. AI-driven valuation creation is less about ambition and more about execution discipline in this environment.

**Q** **What metrics or characteristics consistently appear in the successful 2025 IPO cohort, and how might these inform the benchmarks that SaaS startups should meet before entering the IPO pipeline?**

**A Martinez:** In 2025, the SaaS market saw record exits, with high deal volumes, rising valuations, and robust liquidity. Companies valued at \$100 million to \$500 million dominated exit activity, accounting for 27.3% of global SaaS PE deals (up from 19.8% in 2024). Multibillion-dollar transactions nearly doubled in terms of capital deployed, signaling investor confidence in large-scale SaaS platforms. Firms targeting an M&A or IPO should aim for \$100 million in annual recurring revenue (ARR) and prioritize North America and Europe, which together accounted for more than 90% of deal volume. Leading IPO-ready companies should also focus on enterprise software and AI-driven products, reiterating that AI and machine learning (ML) are core requirements for future growth. Investors will continue to seek out evolving governance, consistent operations, and scalability since cybersecurity is essential.

**A Frank:** For many top-tier AI-enabled SaaS companies, the traditional “Rule of 40” has shifted toward a “Rule of 60,” reflecting expectations that a company’s growth rate and profit margin collectively exceed 60% due to increased efficiencies. In addition, SaaS companies with monetizable AI earned valuation premiums, and usage-based pricing models have become more prevalent among top performers.

**A Bouzerar:** Beyond financial metrics, predictability emerged as a critical differentiator. Companies that performed well post-IPO demonstrated stable QoQ execution, conservative forward guidance, and limited reliance on one-off AI-driven growth catalysts. In contrast, businesses with volatile growth profiles or unclear AI monetization often struggled to sustain aftermarket performance.

Public market investors also placed greater emphasis on qualitative readiness factors, including transparent disclosure of AI economics, clear articulation of unit economics, and enterprise-grade cybersecurity and data governance. As a result, IPO benchmarks in 2025 increasingly favored consistency, visibility, and resilience over peak growth rates, raising the bar for SaaS companies considering entry into the IPO pipeline.

# Editorial Q&A

## Q What does exit readiness look like in the current market environment?

**A** **Martinez:** The current exit market is active, yet demanding: liquidity is high, PE and M&A activity have reached record levels, and AI is reshaping valuations. However, buyers are becoming more selective, prompting sellers to demonstrate defensibility, efficiency, and a clear AI strategy to prospective clients. Companies must differentiate themselves through strong value creation, operational excellence, and mature financial systems. For example, LBOs dominate, prioritizing cash flow and efficiency over growth. SaaS sellers need strong retention, scalable revenue, profitability, and reliable key performance indicators (KPIs). As AI and proprietary data increase, robust cybersecurity (covering incident response, disaster recovery, and vendor risk management) is vital for IPO or M&A readiness.

**A** **Frank:** The SaaS IPO market in 2025 is more selective. Investors are looking for companies that can not only steadily grow ARR but can also maintain strong unit economics and generate profit. Companies must also demonstrate flexibility to position themselves strategically and effectively

for traditional IPOs, strategic M&A, or PE buyouts. Meaningful optionality is reflected in financial and operating metrics that align with the priorities of PE and public market investors, including predictable cash flows, strong profitability with room for disciplined expansion, and steady customer retention.

**A** **Merhi:** In the current market environment, exit readiness is increasingly defined by public-market readiness instead of transaction timing. While many SaaS companies may meet baseline listing requirements, far fewer demonstrate the level of operational maturity needed post-IPO to perform sustainably. Companies viewed as exit-ready in 2025 typically exhibit several consistent characteristics: stable QoQ execution, well-established financial controls, and investor-grade reporting that aligns with public-market disclosure standards. In addition, these businesses can articulate a clear equity story supported by repeatable performance rather than short-term growth acceleration. Qualitative risk factors, including cybersecurity, data governance, and AI oversight, are also under scrutiny. Companies lacking robust frameworks in these areas have faced valuation pressure or delayed exit timelines, even where top-line growth remains strong.

“In the current market environment, exit readiness is increasingly defined by public-market readiness instead of transaction timing.”

**Lydia Bouzerar**  
Forvis Mazars Group

# Outlook

Looking ahead to 2026, dealmakers and business leaders in the SaaS industry are expected to focus on three core themes:

- ✓ **Dealmaking momentum**
- ✓ **Drivers of investment activity**
- ✓ **Exit strategy**

Over the past year, concerns around interest rates and borrowing costs have receded as improving fund economics and the emergence of a new technological cycle have renewed investor confidence. While interest rates appear to be settling at higher neutral levels than in the past decade, regional divergence persists. In the U.S., inflationary pressures suggest rates will remain higher for longer despite anticipated cuts; in the European Union, cooling inflation has led the European Central Bank to hold rates steady; and in Asia, economic conditions remain mixed, with China grappling with deflation, Japan sustaining healthy inflation, and southeast Asian developed economies showing signs of stabilization.

At the same time, global PE fund dynamics—including fundraising, distributions, and the deployment of dry powder—are expected to improve in 2026 as exit activity accelerates. Over the past year, SaaS investors demonstrated resilience amid economic uncertainty and elevated borrowing costs. However, the scale of opportunity presented by the AI cycle has outweighed these risks, and improved liquidity conditions are likely to propel PE dealmaking in SaaS to higher levels in the year ahead.

# Outlook

With this backdrop in mind, 2026 dealmaking momentum is expected to meet, and more likely than not, exceed 2025 levels of activity. Large PE managers, overseeing trillions in assets, are beginning to prepare aging portfolio companies for exits, catalyzing the return of recycled capital into new vintages and accelerating fundraising timelines.<sup>3</sup> While fund sizes are likely to continue growing (benefiting established managers), emerging managers will require more sustained momentum to drive a meaningful recovery in fund formation. This normalization in fund economics, combined with capital requirements for AI infrastructure build-out, economywide digital transformation, and legacy SaaS modernization, will underpin investment activity over the next year and beyond.

Yet opportunity and risk remain closely intertwined. While AI offers significant value creation potential for SaaS businesses, aggressive AI investment strategies raise concerns around the cost of capital and debt service capacity. Competition among [private credit](#) and syndicated loan providers has intensified, supporting larger and higher-leveraged transactions. However, high-profile defaults have renewed scrutiny around credit quality, particularly in debt-funded AI spending and highly leveraged deals. Although U.S. default rates have moderated in recent months,<sup>4</sup> balance sheet strength and business model resilience are key areas of focus for sponsor-backed companies in 2026.

As SaaS companies and investors prepare for renewed exit activity—through IPOs, acquisitions, and buyouts—leaders will need to balance AI integration with a disciplined path to profitability. Geopolitical uncertainty and shifting macroeconomic conditions could quickly pressure credit markets, particularly in the U.S. and Europe, where covenant terms are comparatively laxer than in Asia. For public listing hopefuls, scrutiny of AI investments is intensifying, with growing emphasis on execution speed, capital efficiency, and demonstrable returns. In this context, the anticipated IPO of Anthropic may provide an important reference point, establishing early benchmarks for the metrics and characteristics that define successful AI-native companies.

<sup>3</sup> “Blackstone Lines Up ‘One of Largest IPO Pipelines in History,’” *The Financial Times*, Antoine Gara, January 29, 2026.

<sup>4</sup> “Do Recent Defaults Signal a Coming Credit Crisis?” *Goldman Sachs*, November 6, 2025.

# About & Disclaimers

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## Methodology

The report is 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, all-encompassing category that captures all companies where SaaS is the primary business model.

For more in-depth methodology notes on PitchBook's private capital indexes, like the VC-Backed IPO Index and the PE-Backed IPO Index, please refer to PitchBook's [article](#) explaining private capital indexes.

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