

H1 2026 State of SaaS

Compressed Multiples, Renewed
Fundamentals, & the New Exit Playbook

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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 Private Capital Indexes webpage.

Executive Summary



The third edition of the State of SaaS report from Forvis Mazars looks back on global [private equity \(PE\)](#) dealmaking and exit trends across the SaaS landscape, the latest developments in the technology initial public offering (IPO) market—especially the questions that arise from it as decision makers strategize and time their own exits—and the structural forces that have shaped capital allocation decisions during H1 2026 and will continue shaping markets going into the rest of the year and beyond.

That said, this report is intended to serve as a guide, enabling business leaders and investors to extract data-driven insights into the state of SaaS PE dealmaking and exits, and to translate those insights into actionable next steps, whether those entail staying private, pursuing an exit, or taking a wait-and-see approach.

The [State of SaaS report](#) published earlier this year by Forvis Mazars, with analysis on PE and mergers and acquisitions (M&A) funding trends in H2 2025, showed some of the strongest global SaaS PE dealmaking in a decade. At the time of the previous report’s publication, global SaaS PE dealmaking figures initially boded well for the industry. However, the narrative has reversed course in H1 2026.

Potential sources of volatility lurking below these data points—such as artificial intelligence (AI)-driven spending, the exit environment, and fund economics—have begun to surface, causing the global H1 2026 story to diverge. A record share of global SaaS PE deal volumes and capital invested went to AI SaaS deals, while overall global SaaS PE deal activity has slowed across deal execution and capital invested relative to the same period last year. These two insights show PE homing in on an opportunity set that is dwindling. On top of narrow PE exit activity and, consequently, strained fund economics, H1 2026 marked the end of the three-year dealmaking bull run.

Conversely, continuity from H2 2025 to H1 2026 can be found in two themes identified in the last report to shape the 2026 outlook: the cost of capital and the ability to service it.

SaaS company fundamentals are under more scrutiny than ever as rising debt burdens remain unresolved as a function of a slow exit environment, AI build-out demands, and the search for turnaround opportunities. The cost of capital remains higher than pre-pandemic levels as regional instability in the Middle East keeps central banks alert to the impact of elevated energy prices on inflation.

In addition to a tighter monetary policy regime, narrower earnings before interest, taxes, depreciation, and amortization (EBITDA) margins will weigh on borrowers’ ability to service their debt, even if refinanced 12 months down the line. Financial health has and will continue to shape the global SaaS outlook for the [rest of the year](#).

The “Spotlight” section highlights this report’s objective to translate market insights into actionable steps for leaders who are strategizing their exit. It addresses three top-of-mind questions today: whether now is the right time to exit, what history’s largest public floats mean for the industry, and which metrics actually matter. It also works through each question to offer both data-driven evidence and a qualitative framework for shaping an exit strategy.

Looking ahead to the remainder of 2026, the throughline is a market that has traded optimism for scrutiny. The SaaS premium that defined the past decade is fading as multiples compress, the IPO window is reopening only selectively, and capital is concentrating in a narrower set of names. Whether a SaaS company is pursuing an exit or fundraise, those best positioned are profitable (or can demonstrate an ability to achieve profitability), occupy a strong competitive moat, or align with AI, AI-enabling, and cybersecurity investments. Discipline can separate the winners from the rest, and working with the right professional partner can instill the prudence necessary to succeed in an ever-increasingly volatile market environment.

Market Trends



Market Trends



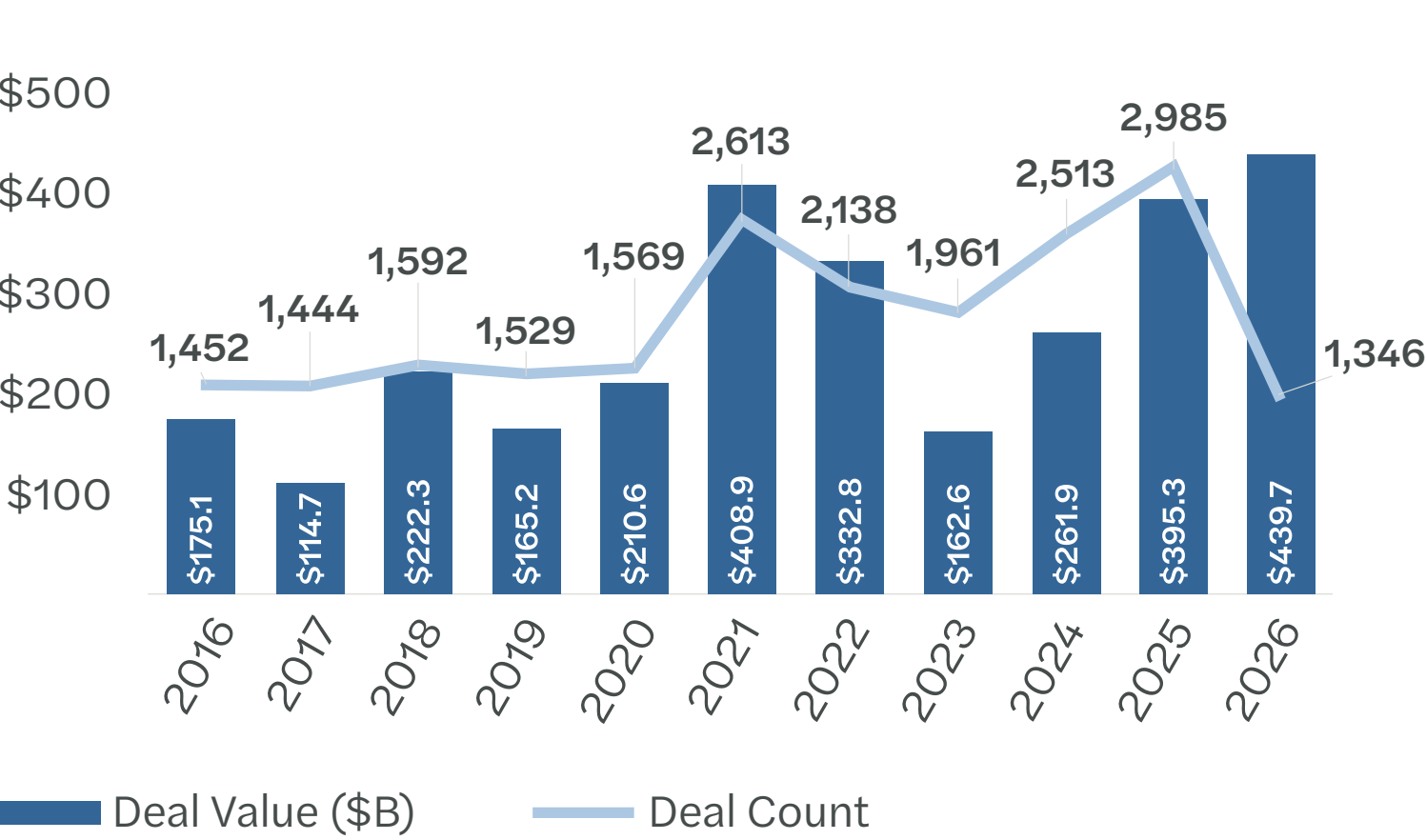
H1 2026 Global SaaS M&A and PE Dealmaking Shaped by AI-Driven Investments

Global SaaS M&A and PE dealmaking has rapidly evolved since the H2 2025 report was published. H1 2026 M&A activity has shattered the decade-high record with \$439.7 billion invested, guided by AI-driven outlier strategic acquisitions across fewer transaction volumes year to date (YTD) (1,346) than in H2 2025 (1,521).

PE deal activity, on the other hand, was more muted; PE deal volumes and funding amounts were both down YTD to \$58.8 billion across 702 PE deals, compared with \$110.7 billion across 788 PE deals in H2 2025.

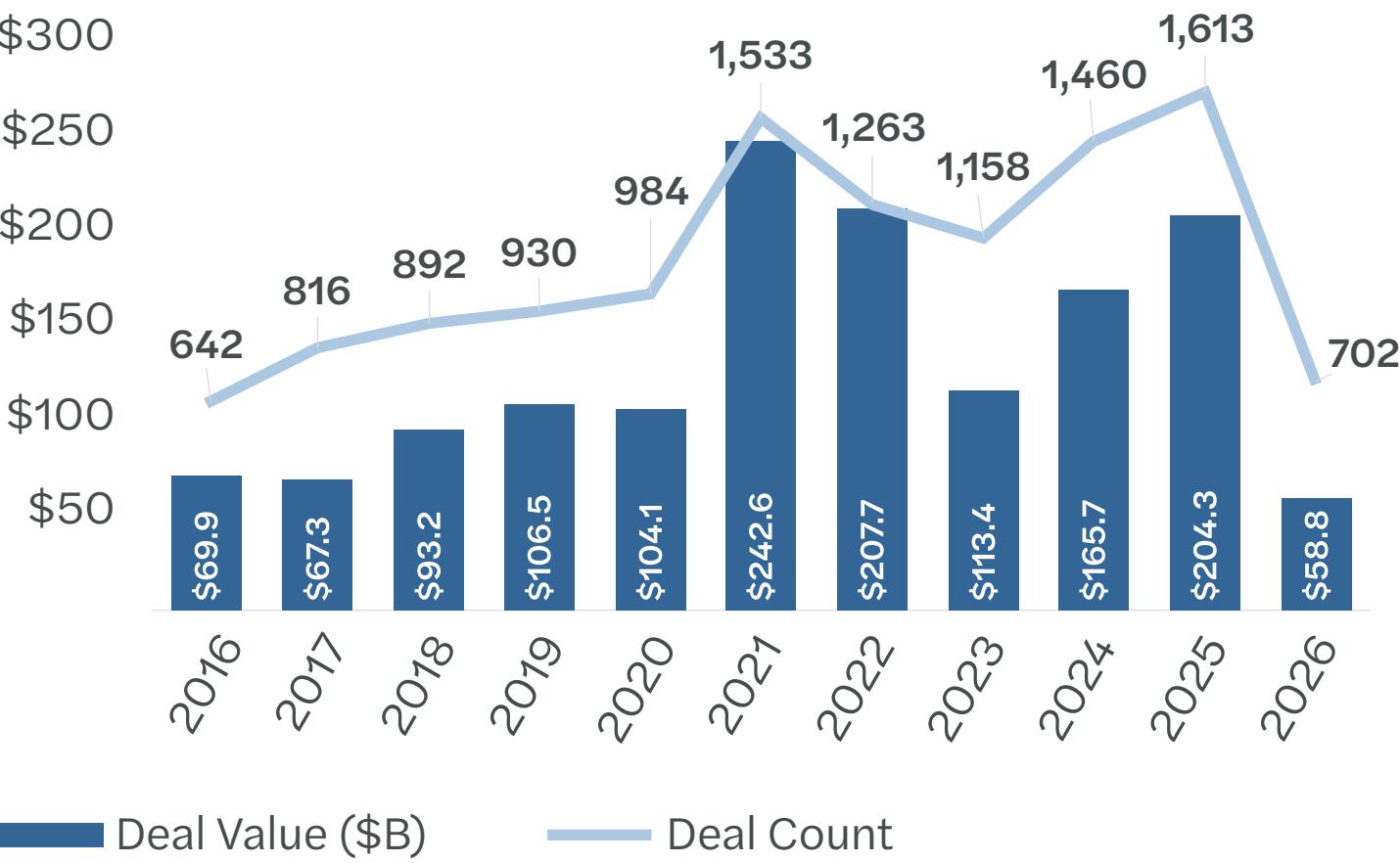
By year-end, the amount of PE capital invested is estimated to fall short of levels observed over the past five years due to the dearth of outlier transactions. For instance, there were only five PE deals YTD exceeding \$1 billion compared with 29 in all of last year. Rather, the SaaS industry’s largest M&A deals are led by corporate strategic acquisitions.

SaaS M&A Activity



Source: PitchBook | Geography: Global | As of: June 30, 2026

SaaS PE Deal Activity



Source: PitchBook | Geography: Global | As of: June 30, 2026

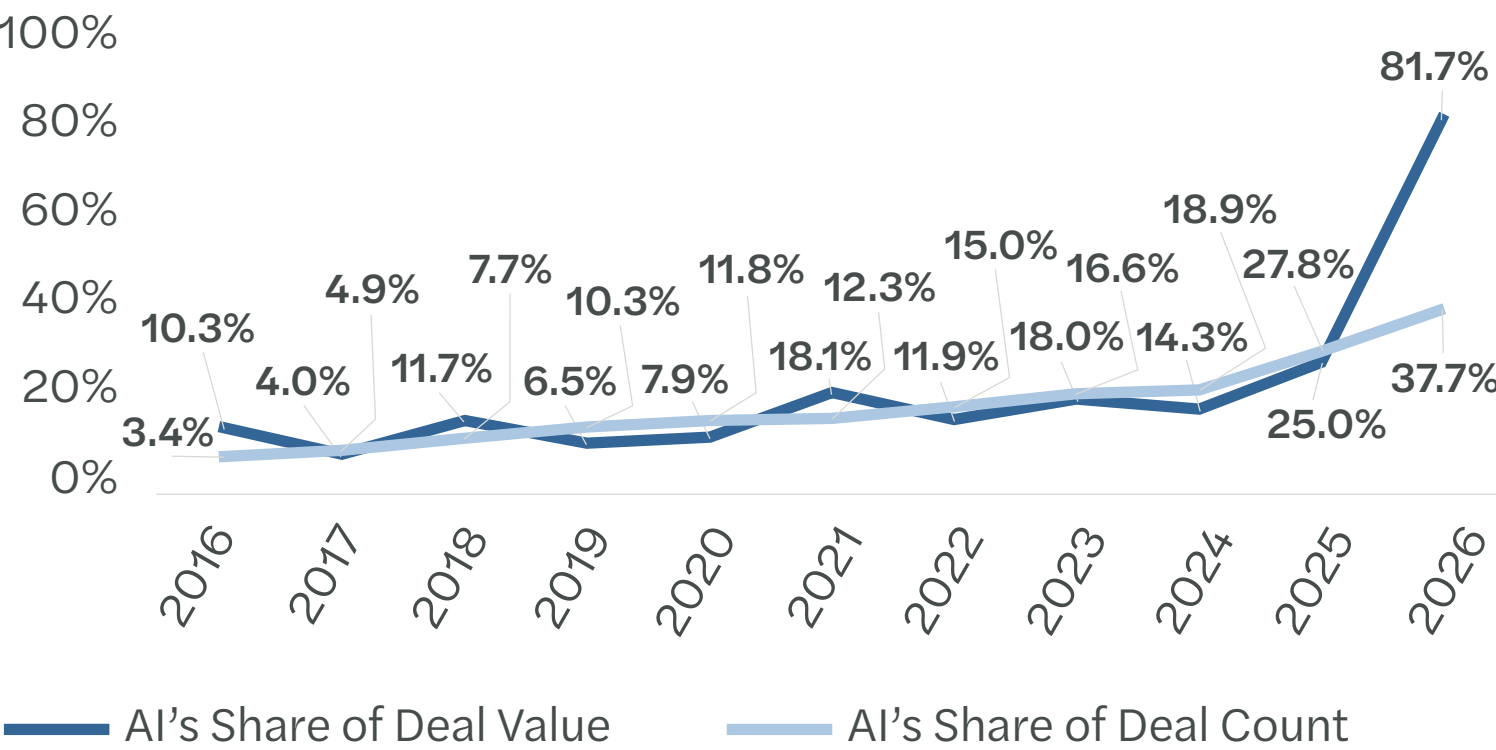
- The H1 2026 SaaS story is rapidly evolving as:
- The AI revolution matures across dealmaking and exits;
 - The exit landscape continues to underdeliver; and
 - Strained fund economics remain unresolved.



Market Trends



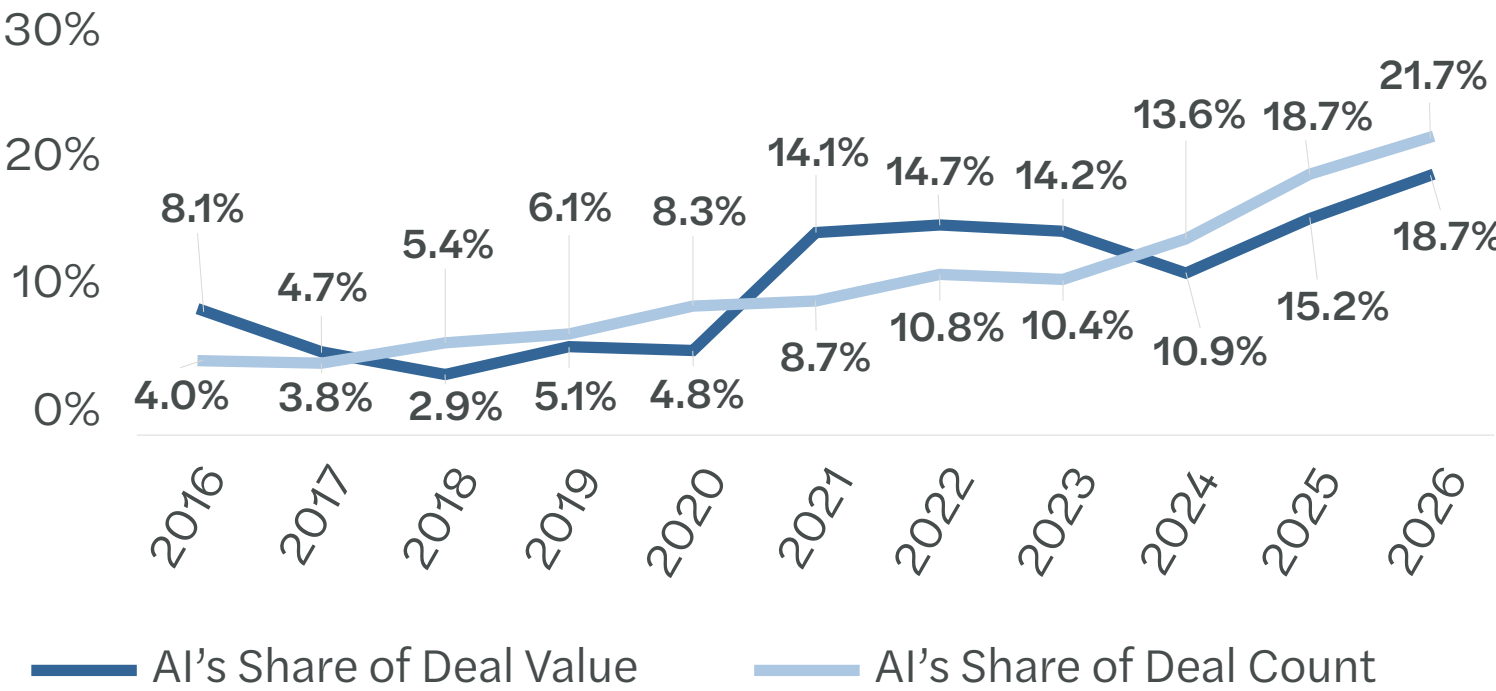
AI SaaS M&A Activity as a Share of All SaaS M&A Activity



Source: PitchBook | Geography: Global | As of: June 30, 2026

AI has become even more prevalent in SaaS dealmaking momentum during H1 2026, continuing its upward trajectory since 2024. AI's share of SaaS M&A value and counts peaked at 81.7% and 37.7% YTD, respectively.

AI SaaS PE Deal Activity as a Share of All SaaS PE Deal Activity



Source: PitchBook | Geography: Global | As of: June 30, 2026

Similarly, PE has also seen decade-high figures at 21.7% of value and 18.7% of counts. Despite AI remaining a throughline across strategic acquisitions and sponsor-backed activity, the impact on overall volume and check sizes has bifurcated. This point and its implications for how SaaS business leaders should interpret their own fundraising opportunity set will be further unpacked in the next subsection.

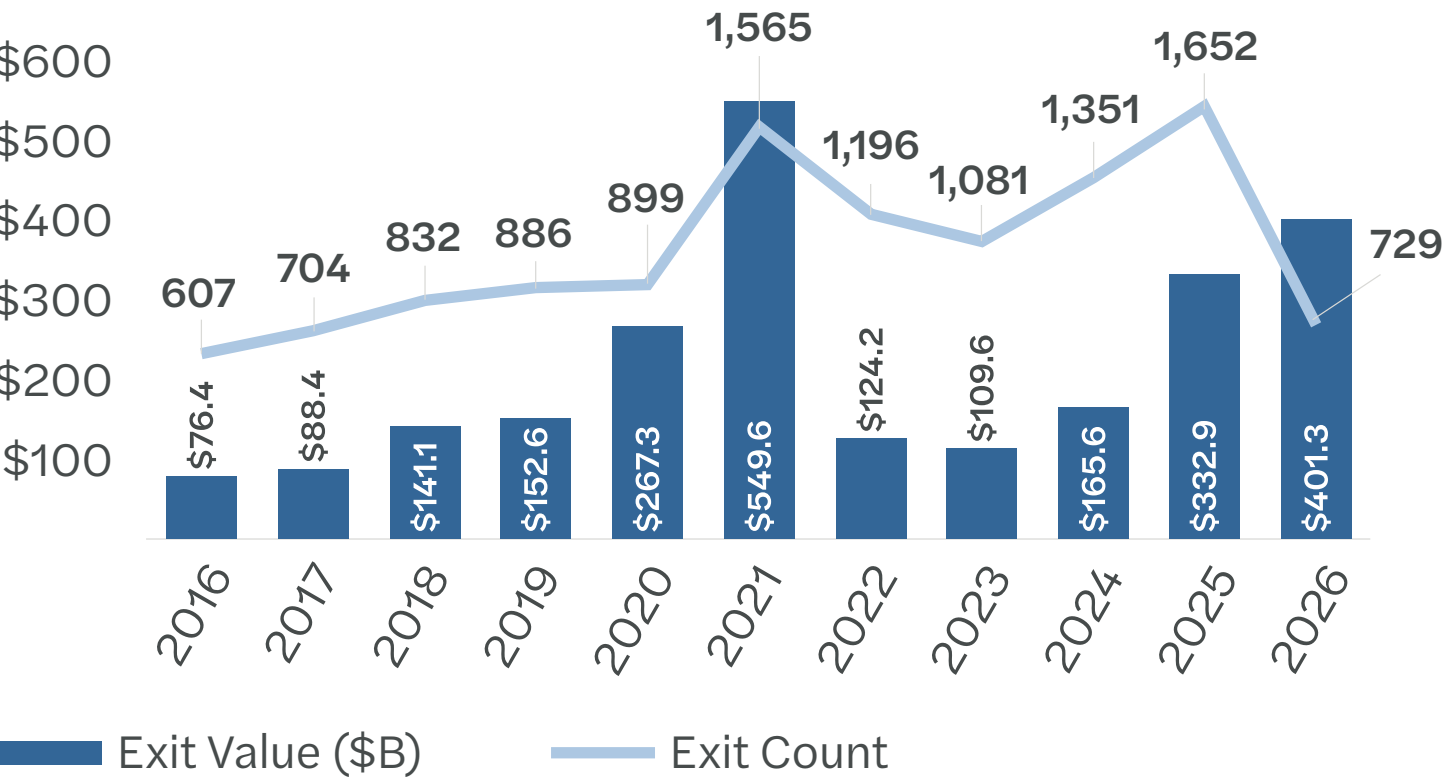
Market Trends



While AI has driven most of the deals executed in H1 2026, this has not translated into an increase in closed deals, as the exit environment has continued to fall short of expectations. For investors to obtain new capital commitments and, subsequently, deploy this capital, they must have seen returns on their previous investments.

Exits are the first step in capital recycling in the fundraising flywheel, and H1 2026 global SaaS PE and venture capital (VC) exits show slower annualized exit volumes (roughly 1,458) than in full-year 2025 (1,652). VC-backed exit activity has added further nuance to the story, but without outliers (like SpaceX’s \$250 billion and \$60 billion acquisitions of xAI and Cursor collectively constituting 77.2% of VC and PE exit value), the broader exit landscape is much more muted than aggregated figures suggest.

SaaS VC & PE Exit Activity



Source: PitchBook | Geography: Global | As of: June 30, 2026

The second-order effect of a slower-than-ideal exit environment materializes in fundraising activity and distribution figures, and, unsurprisingly, H1 2026 figures for these two metrics have not fared well. Global PE fundraising is expected to annualize to a third consecutive year-over-year (YoY) decline in fund volumes (roughly 636) compared with 2025 (843).

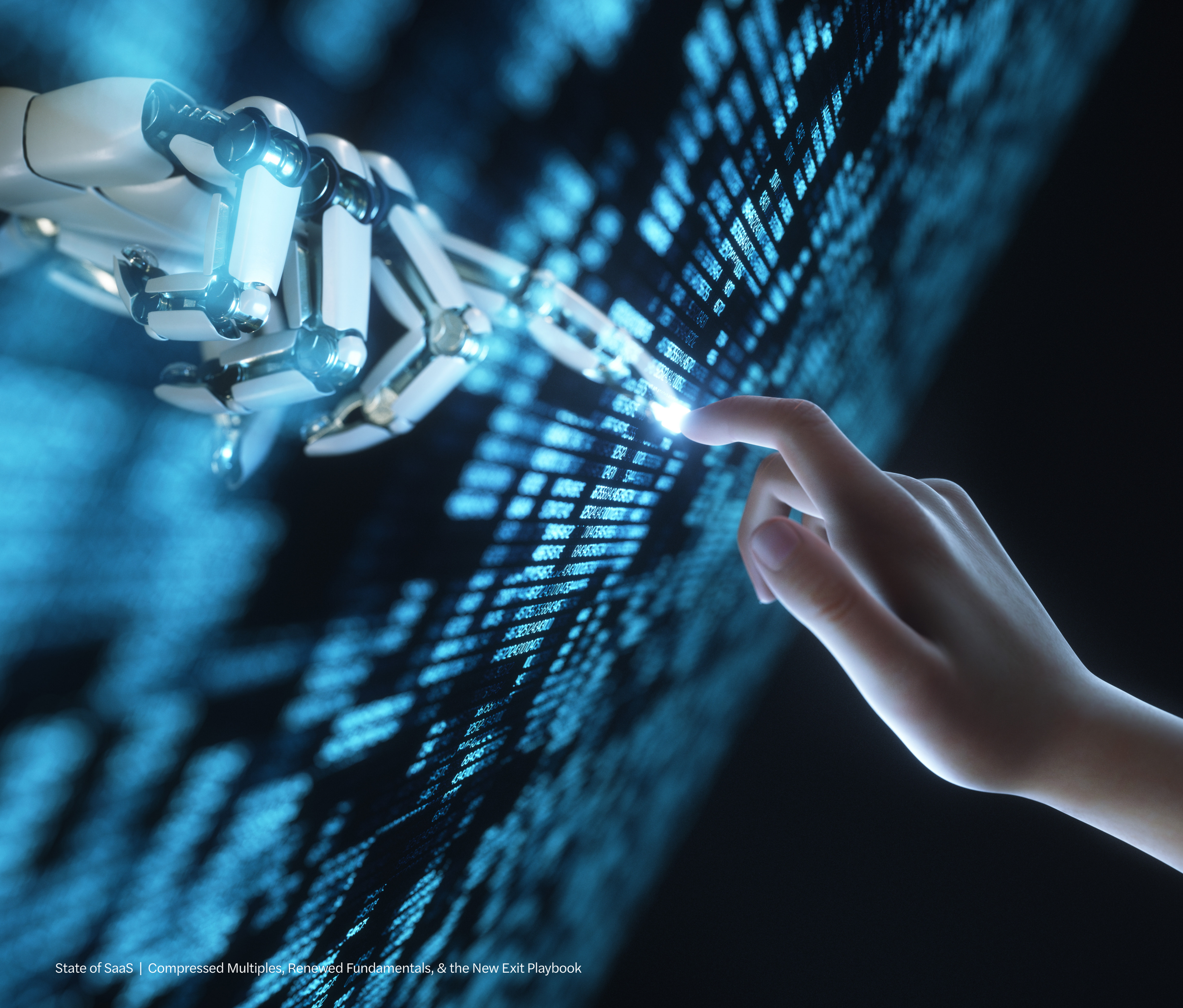
In fact, global private capital fundraising has stagnated; by the end of Q3 2025, there was \$4.4 trillion in dry powder—\$100 billion less than 2024 year-end. The stalled growth in dry powder has also been accompanied by a continued rise in net asset value, indicating that portfolios continue to hold aging assets. As assets are not being sold, limited partners continue to wait for their distributions. Since 2022, global private capital net cash flows—distributions less contributions—have remained negative.

These three factors underpin H1 2026’s divergence from the headline dealmaking figures observed in H2 2025, painting a less rosy picture for 2026. For SaaS business leaders, there is more than AI to consider. Fund economics implicate all players operating in private markets, and SaaS companies and investors alike are not immune to these market headwinds.

Private Capital Assets Under Management



Source: PitchBook | Geography: Global | As of: September 30, 2025



Market Trends



Expectations should first be set around the current fundraising and exit environment, while AI should be perceived as a wild card. AI dominates global SaaS PE and M&A dealmaking because taking risky bets based on a fear of missing out is perceived as a better, more frictionless alternative to missing out entirely.

For sponsors, AI is dominating the SaaS dealmaking landscape, heightening competition for such deals in 2026 thus far. AI as a technological force is here to stay, but the value-creation opportunities it offers in the SaaS industry will not be as enduring. The lowest hanging fruit—SaaS companies with the weakest competitive moats in the age of AI—will be all but picked by the end of 2026, if not within the next 24 months. Thus, sponsors should look beyond turnaround plays; the next opportunity set lies in addressing the operational and cost challenges facing market-leading companies.



Strategic Acquisitions Drove M&A Activity, While Sponsors Took a Back Seat

AI was a conspicuous throughline, driving much of the activity seen across global SaaS PE and M&A dealmaking strategies. However, its impact on corporate and sponsor-backed activity, as well as its implications for business leaders and fund managers, could not be more different. The main differences span transaction sizes and frequency of outlier transactions. Realigning expectations around how a new technological revolution is shaping the majority of consolidation activity in the current market environment offers informative context on how the market schism between AI haves and have-nots is deepening. This point is as true for private markets as it is for public markets, as discussed in this report’s “Spotlight” section.

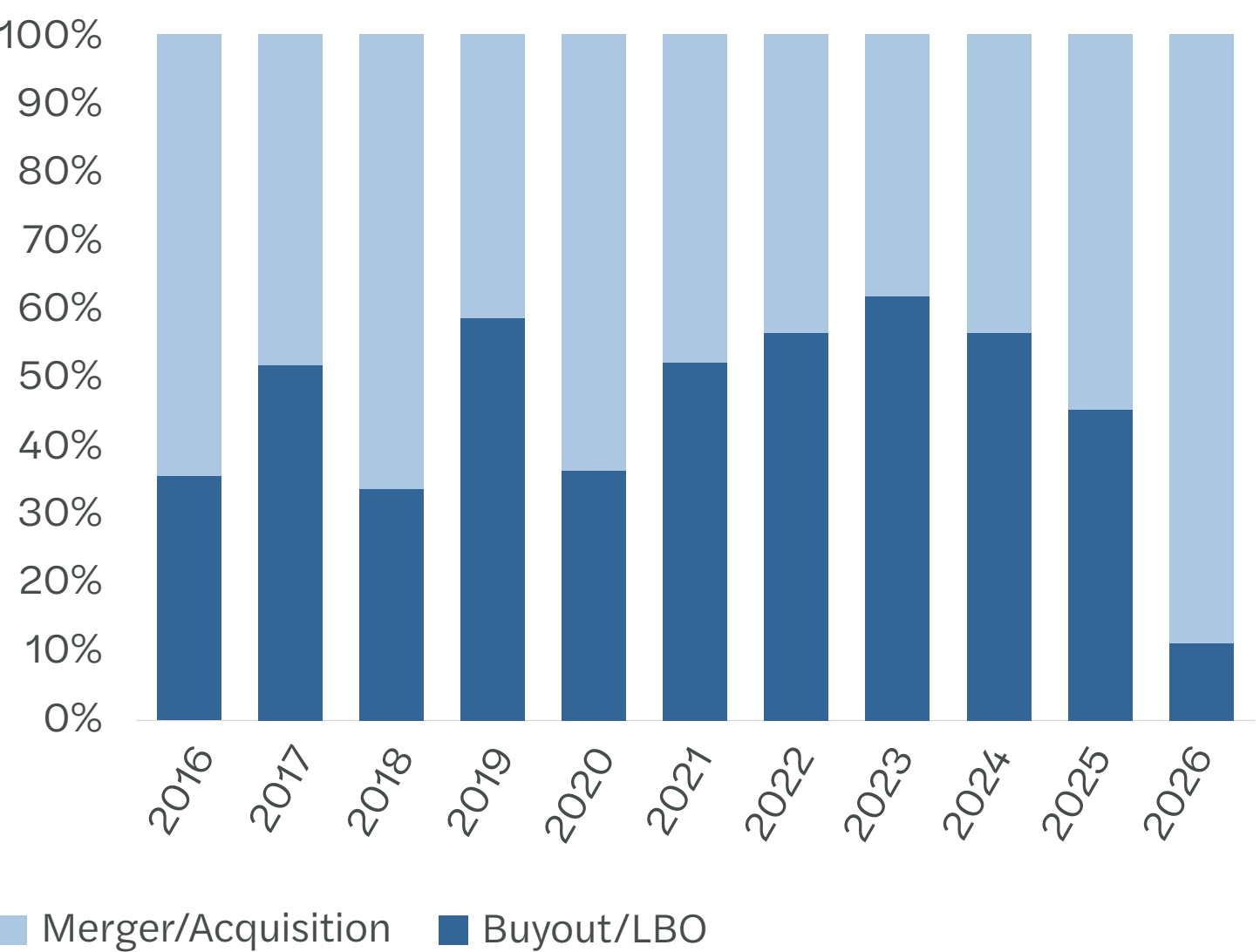
An examination of global SaaS M&A activity by transaction type sets the backdrop for how AI deepened the bifurcation between how strategic acquisitions and PE buyout deals are executed today. Of the \$439.7 billion in value generated across 1,346 M&A deals YTD, 88.7% (\$390.1 billion) was attributable to strategic acquisitions, which saw no greater growth in deal volume than their PE counterparts did from 2025 to H1 2026. In fact, global M&A SaaS value generation

achieved a third consecutive year of YoY growth because of robust strategic acquisition activity, which also culminated in the largest M&A transactions closed in H1 2026—like xAI, Cursor, and Wiz’s collective \$342 billion transaction value. Such outlier transactions drove the average global SaaS M&A deal size to a staggering \$2.5 billion, an over four-fold increase from 2025. Notably, all five M&A \$10 billion-plus transactions in H1 2026 were executed by familiar names in tech, namely SpaceX, Alphabet, NVIDIA, and IBM,¹ providing a vivid picture of who is driving M&A activity. Unsurprisingly, the key motivation for tech’s spending spree was enhancing their competitive standing in the AI race.

On the other hand, the average PE deal size plummeted to \$256.2 million YTD compared with \$448.9 million in 2025. As one of the largest and most leveraged PE strategies, the decline of buyout deals, excluding add-ons, as a share of overall PE transaction volumes had a material impact on average deal sizes. The pullback in sponsor capital is an even starker contrast at a time when corporates, not constrained by the fundraising cycle, are spending unprecedented levels of both unlevered and levered free cash flow to acquire or

fortify AI capabilities. Thus, it was the pursuit of strengthening competitive moats that drove H1 2026’s largest deals, which were also largely strategic acquisitions.

Share of M&A Value by Type



Source: PitchBook | Geography: Global | As of: June 30, 2026

1: The report’s inclusion of these specific company names is based on PitchBook’s methodologies pertaining to the collection of publicly available data. Data is collected via public and primary sources, in which the respondent has agreed to publicly disclose information to be published on PitchBook’s platform.

Market Trends



Premium SaaS Valuations Fade as Expectations Reset in the Age of AI

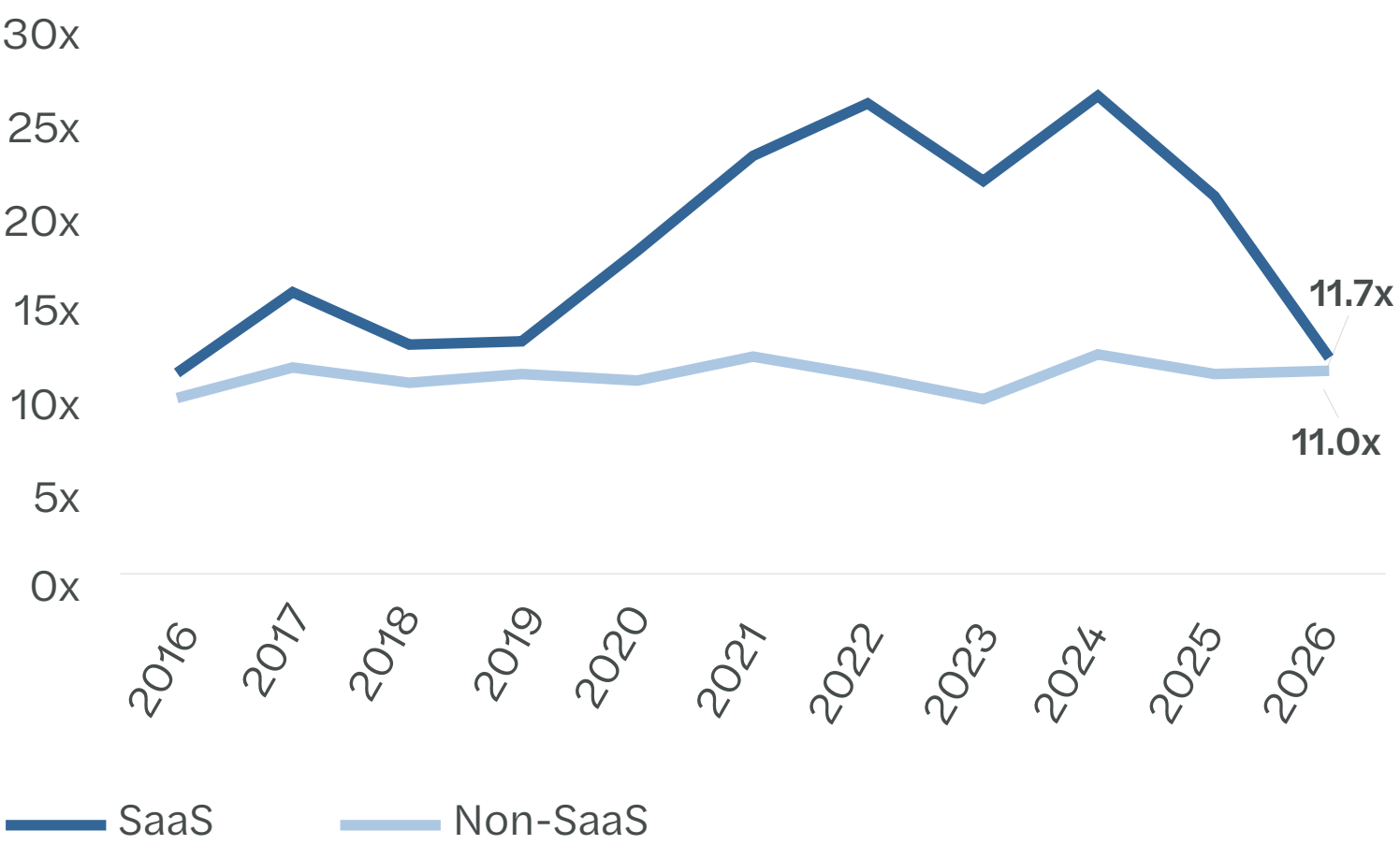
M&A transaction sizes were some of the largest ever recorded, but when dealmaking is stripped of its outliers, the data becomes representative of what is actually happening on the ground. Trends in median global SaaS enterprise value (EV)/EBITDA multiples have been a signal of how investors are valuing SaaS targets. Underneath these figures, nuances are emerging in how PE buyers assess SaaS company financial health and structure the deals accordingly. This has implications for how SaaS business leaders should evaluate their own business’ valuation as well as the fair market value of SaaS acquisition targets.

From the PE perspective, shrinking EV/EBITDA PE multiples for SaaS deals signal several dynamics that are not mutually exclusive: AI disruption discounts, focus on cash flow generation, and a higher cost of capital.

In H1 2026, the median SaaS EV/EBITDA PE multiple fell to 11.7x from 20.4x, nearly converging with the non-SaaS multiple of 11x. The end of an era defined by the SaaS premium is nigh; AI has drastically disrupted SaaS subscription models, threatening to displace SaaS-enabled workflows and systems

with lower cost alternatives. Such uncertainties around SaaS’s competitive moats are now baked into the prices that sponsors are willing to pay for these opportunities.

Median SaaS Versus Non-SaaS PE EV/EBITDA Multiples



Source: PitchBook | Geography: Global | As of: June 30, 2026



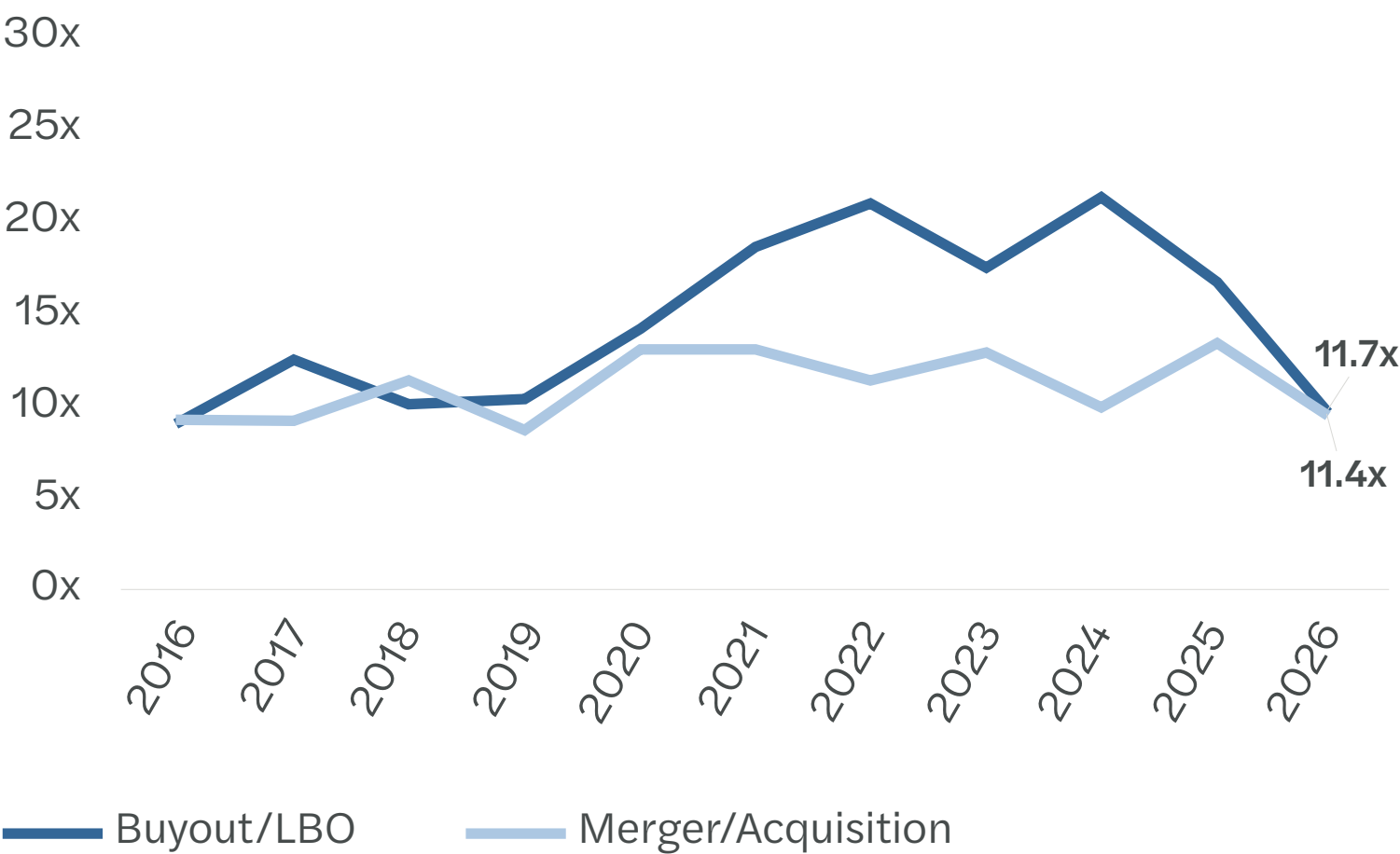
Market Trends

At the same time, this has caused a pivot back to basic business fundamentals, such as financial health. The most attractive SaaS profile in 2026 is a company that can generate real hard cash and occupy a defensible market position in the age of AI—often being AI, AI-enabling, or cybersecurity investments.² For companies that fall short of this profile, multiples have fallen, and so too have the amount of loans that sponsors take out to finance these deals. In the U.S., software’s share of broadly syndicated loans (BSLs) for leveraged buyout deals declined sharply to sub-15% of BSL volumes in H1 2026, down from nearly 35% in 2024. Even in private credit, where software direct lending loans totaled 19% (\$500 billion) of total direct loans in 2025,³ there was also a pullback from software, refocusing lending efforts on real-economy borrowers.⁴

The cost of capital is not expected to ease materially any time soon, as regional instability in the Middle East raises concerns about energy prices and, consequently, inflation. The three trends characterize the declining median multiples observed across SaaS PE deal activity and serve as a signal for PE buyers. SaaS valuations are being reset to lower-than-historical levels, but opportunity lies in the few that get it right by focusing on profitability and defensible moats.

SaaS business leaders concentrating their efforts on fortifying their competitive moats often do so through strategic acquisitions, which have also seen a decline in multiples, showing that the valuation reset extends beyond sponsored deals to the broader M&A market. Historically, strategic acquirers paid a synergy premium, but there is less confidence today in synergy realization. AI is also letting buyers build in-house what they once would have acquired, so sellers face more pressure to justify a high multiple with a clear rationale and the financial metrics to back it.

Median SaaS M&A EBITDA Multiple by Type



Source: PitchBook | Geography: Global | As of: June 30, 2026

2: “Private Credit, PE Buyers, and Your SaaS Exit: What’s Actually Happening in 2026,” L40, Juan Ignacio García Braschi, May 5, 2026.
3: “Private Credit’s Software Lending Meets AI Disruption,” BIS, Sebastian Doerr, et al., March 16, 2026.
4: “Q2 2026 US Credit Markets Quarterly Wrap,” PitchBook | LCD, Marina Lukatsky, et al., July 1, 2026.



Spotlight

From Market Noise to Next Moves

Spotlight

From Market Noise to Next Moves



This spotlight section is focused on another main objective of this report: translating market insights into actionable steps for business leaders strategizing their exit. The questions that are top of mind for SaaS business leaders today are:

- Is now the right time to exit?
- What does history's largest public floats mean for the industry?
- What metrics actually matter?

These questions will provide business leaders with data-driven insights and a qualitative framework to help inform their own exit strategies.

Spotlight

From Market Noise to Next Moves

Timing an Exit: Favorable Post-IPO Outcomes Dependent on Market Positioning

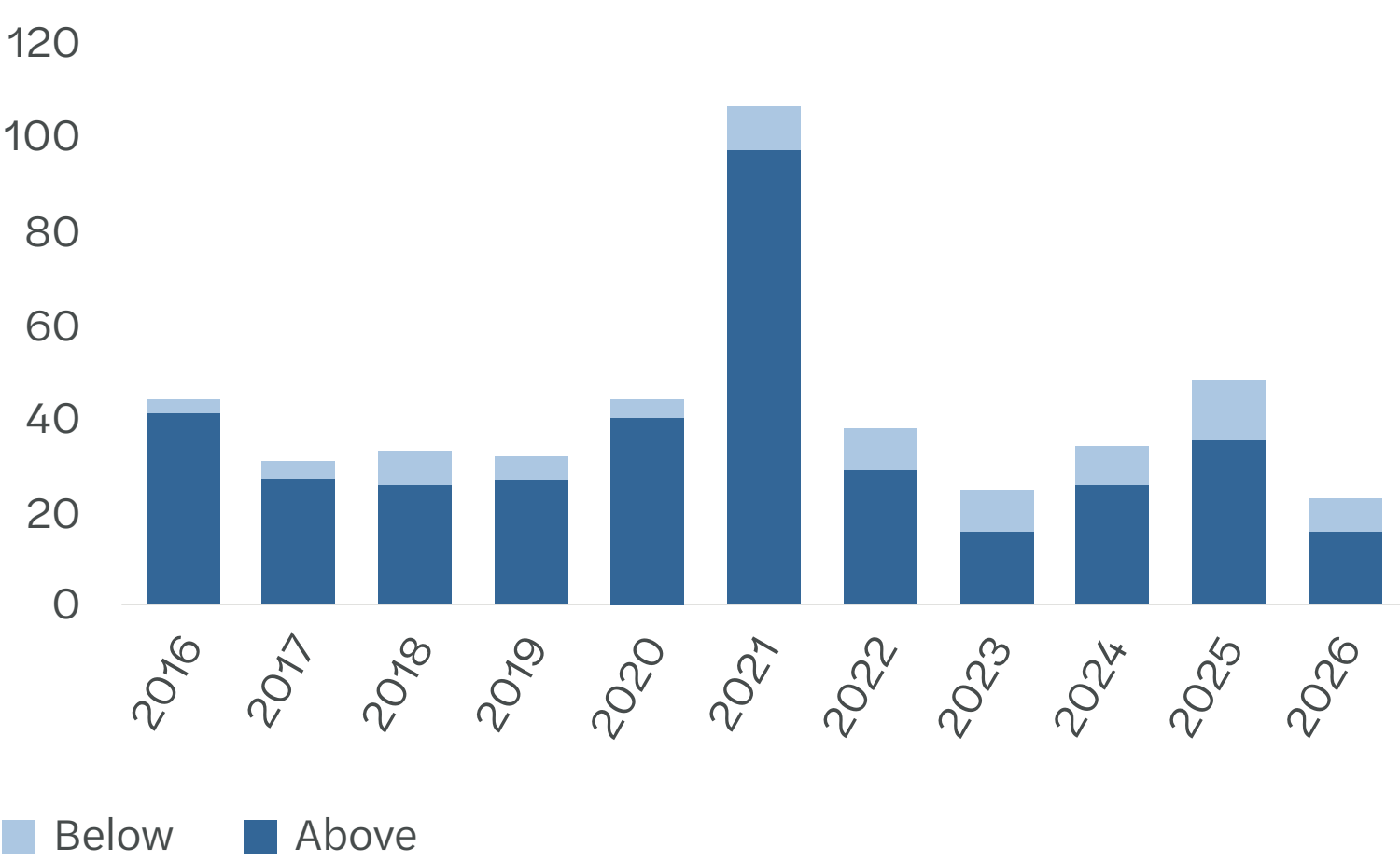
One of the most straightforward methods to time an exit is to learn from those who have already walked the same path. In H1 2026, a total of 23 SaaS companies worldwide were listed on a public exchange, of which 16 were listed above and seven were listed below their last known private-market valuation. While the impact of the private to public-market transition on valuations has appeared favorable for businesses, successful IPO outcomes remain concentrated on high-growth, venture-backed companies. Three of the most highly valued SaaS IPOs that closed in H1 2026—Cerebras Systems, Zhipu, and EquipmentShare—exemplify this.

Most companies that publicly listed in H1 2026 were not yet profitable at the time of their listing; yet they achieved favorable post-IPO outcomes because of their alignment with technological tailwinds. For instance, Cerebras Systems is developing the frontier AI infrastructure, and Exyn Technologies is pioneering autonomous AI-enabled robots.

In fact, the top nine most highly valued VC-backed SaaS companies with the highest probability of a successful IPO operate within or adjacent to the AI space, and over half of the top 20 VC-backed SaaS companies most likely to achieve a successful M&A were also AI. That said, the dominance of AI in

SaaS exit outcomes, as well as its role as a driver of exit volumes, is geographically concentrated to the United States. Thus, U.S. SaaS leaders can reasonably expect a valuation uplift from pre-IPO to IPO but should temper that expectation against how their AI positioning holds up to public-market scrutiny.

SaaS IPO Valuation Count Above & Below Pre-IPO Private-Market Valuation



Source: PitchBook | Geography: Global | As of: June 30, 2026

Spotlight

From Market Noise to Next Moves



Interpreting Current Signals: Public-Market Reception of History's Largest Floats Remains Mixed & Serves More as a Cautionary Tale

Ever since the pandemic, private companies have stayed private for longer, sourcing and meeting all of their capital needs from private markets. However, the fundamental rationale behind listing on public markets remains unchanged. The sheer depth and breadth of public markets remain tantalizing, especially for companies with enormous capital expenditure (capex) needs. This is why SpaceX (which listed in June), Anthropic, and OpenAI announced intentions to list in 2026. Given these three major U.S. IPOs, expected not only to close by the end of 2026 but also to shatter historical records, decision makers will need data and insights to help them assess the direction that the market is headed and what that means for them.

SpaceX's IPO on June 12 was the first of the three major IPOs to be completed, and the first month of its listing showed that public-market investors are less willing to buy into the hype than its private-market backers. On its IPO debut, SpaceX raised \$86.3 billion at a valuation of \$1.8 trillion, resulting in the largest IPO in history. The IPO pop did not last long, however, as short positions accounted for about 29% of publicly traded shares as of July 16, compared with 5% to 7% three weeks prior.⁵ The stock was down 17% as of September 15 since its debut.

Given what SpaceX's prospectus revealed—\$4.3 billion in losses, \$10.1 billion in capex (mostly in AI), and only one of three profitable business units as of Q1 2026—it is no surprise that SpaceX's valuation is now being hit with the scrutiny that it had long evaded when operating privately.⁶ Even though the market was aware of such plans to list in 2026, SaaS business leaders were not yet convinced that the timing was right.

Only 22 VC- and PE-backed SaaS companies successfully listed in H1 2026, compared with 31 in H2 2025. The main takeaway from SpaceX's IPO is that exceptions will not be made for new entrants. Financial statements still matter, because they represent a company's ability to deliver on a promise made.

5: "Short Sellers Load Up Against SpaceX As Stock Drops Below IPO Price," CNBC, Yun Li, July 16, 2026.

6: "Forms S-1," United States Securities Exchange Commission, Space Exploration Technologies Corp., May 20, 2026.

Spotlight

From Market Noise to Next Moves



What Metrics Matter: Non-U.S. GAAP Measures Are Even More Popularized in the Age of AI

From an investor’s perspective, the largest concern around becoming involved in AI is profitability. AI-related expenditures are growing—like the cost of computation, token usage, and infrastructure construction—and these one-off spending sprees can easily distort perceptions of the company’s performance based on U.S. GAAP measures. A way both private and public companies have combated such distortions is by using non-U.S. GAAP financial measures (NGMs) to strip AI-related costs from their core operations. At the same time, tailored financial metrics can increase the diligence burden on investors. When the market treats AI as an exception to the rule, these investments become inherently speculative, and investors must scrutinize fundamentals more closely than ever to make sure they are backing a sound business rather than a trend.

Sophisticated investors rarely take NGMs at face value, and the SEC has issued written guidance on their use.⁷ Because these measures are not standardized, the metrics it claims to represent can appear dubious. Private AI companies’ use of

such metrics, like contracted annual recurring revenue (CARR)—potential revenue from contracts not yet signed—is already under scrutiny.⁸ The algebra of public companies, including adjusted EBITDA, adjusted free cash flow, AI-specific ARR, and net revenue retention, is no less complicated.

Non-U.S. GAAP reconciliation has always existed to strip out noncash or nonrecurring items, but the scale of AI-related stock-based compensation, restructuring, and depreciation assumptions is now large enough that the gap between U.S. GAAP and adjusted earnings raises concerns over additional due diligence.

The public market’s largest tech players are spearheading the shift toward AI-specific NGMs. Morningstar’s earnings-surprise data offers a more balanced view of how a company’s carefully crafted AI narrative can translate into its earnings per share (EPS), a critical metric in stock analysis.

Oracle, for instance, has leaned on adjusted margins and a fast-growing cloud backlog—measured by U.S. GAAP’s remaining performance obligations metric—to frame its AI build-out as accretive.⁹ Even so, Oracle’s EPS has fallen short of analyst expectations. On the other hand, despite increasing its 2026 capex range by \$5 billion to \$15 billion, Alphabet’s AI strategy has drawn conviction rather than skepticism from value investors like Warren Buffett, based on the strength of its profitable cloud business and a clear sense of the return on investment (ROI).¹⁰ As such, Alphabet was one of a handful of Big Tech companies to beat analyst expectations.

7: “Conditions for Use of Non-GAAP Financial Measures,” Securities and Exchange Commission, August 31, 2023.

8: “The New Fake Math of AI Startup ARR: Not So Annual, Not So Recurring,” The Information, Stephanie Palazzolo, August 12, 2024.

9: “Oracle Announces Record Q4 and FY 2026 Results Driven by Cloud Infrastructure & Cloud Applications,” Oracle, June 10, 2026.

10: “Warren Buffett Says He Made the Call for Berkshire to Plow Billions Into Alphabet, but Regrets not Getting in Earlier,” Business Insider, Jennifer Sor, July 15, 2026.

Spotlight

From Market Noise to Next Moves

Whether investors are assessing U.S. GAAP or non-U.S. GAAP measures, the cost of AI has inflated metrics under both standards. It is most important that investors can home in on a single or a combination of such metrics to assess the durability of a company’s cash flow generation.

Some of this generation’s most prolific investors, like Warren Buffett and Howard Marks, hold the same viewpoint: Focus on an asset’s fundamentals, not its promises.¹¹ Investor conviction should remain grounded in metrics that convey a clear path to profitability. Non-U.S. GAAP metrics cut both ways. They clarify a company’s underlying, non-AI operations while obscuring whether—and when—its AI spending will convert into earnings. An experienced professional who understands how AI is reshaping corporate financial audits to account for AI spend, and how investors are interpreting these changes, will become an essential partner for those looking to see through the noise and get it right from the start.

Select Companies’ EPS Surprise by Fiscal Quarter

	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026
Apple	\$0.06	\$0.03	\$0.05	\$0.06	\$0.20
Microsoft	\$0.26	\$0.22	\$0.25	\$0.23	\$0.57
Alphabet	\$0.14	(\$0.00)	(\$0.09)	\$0.21	\$0.39
Amazon	\$0.17	\$0.25	(\$0.05)	\$0.33	(\$0.20)
Meta	\$1.22	\$1.47	\$0.75	\$0.86	\$1.62
NVIDIA	\$0.13	\$0.18	\$0.28	\$0.35	\$0.23
Oracle	\$0.08	(\$0.02)	(\$0.10)	(\$0.14)	(\$0.07)

Source: PitchBook | Geography: US | As of: July 7, 2026
Note: EPS Surprise is calculated by subtracting estimated diluted EPS from actual normalized EPS
11: “Warren Buffett’s Approach to Investing in Artificial Intelligence,” Investing.com, Favour Samuel Ogunniyi, June 13, 2026.





Editorial Q&A



Ricardo Martinez

Partner

Ricardo is a partner in the Southwest Region assurance practice at Forvis Mazars. Starting his career in 1998, Ricardo has more than 25 years of technology industry audit group experience, including more than 10 years with an international accounting firm. Ricardo moved to a national firm in 2010, where he continued to serve public and private technology companies and held leadership roles within the firm’s group and audit practice.

He is a member of the American Institute of CPAs and California Society of CPAs, where he serves on the Accounting Principles and Assurance Services Committee. He also serves on the Accounting Advisory Board of Santa Clara University and Cal Poly San Luis Obispo. Ricardo also serves as a Board Member of CalCPA and the Vice Chair of the Accounting Principles and Assurance Services Subcommittee.

Ricardo is a graduate of Santa Clara University, California, with a B.S. degree in accounting.



Tripp Bacon

Principal

Tripp has more than 25 years of audit and risk advisory experience with public and private clients in the technology, software, consumer products, and manufacturing industries. His areas of focus include internal audit, internal controls/Sarbanes-Oxley Act, and process transformation. Before joining Forvis Mazars, Tripp worked for more than 15 years at an international accounting firm in its internal audit and internal controls practice.

Tripp is a graduate of Indiana University, Bloomington, with a B.S. degree in accounting.



Q When companies the size of OpenAI, Anthropic, and SpaceX file for IPOs, it can create a perception that the public markets are wide open for any well-performing tech company. For a midmarket SaaS business watching these filings, how should leadership separate “the IPO window is open” from “our IPO window is open”? What is the most common readiness gap you see between companies that think they are prepared and companies that actually are?

A **Martinez:** With so much buzz around these IPOs, we are observing a wait-and-see approach when it comes to the performance of the Big Three. Historically, IPOs experience an initial pop directly after launch. However, with recent IPOs, market activity has dipped subsequently, driving prices below the initial IPO price and then ultimately settling there. That trend suggests that the market is moving cautiously and that investors are not necessarily accepting a company’s story around sustained, consistent, future growth and profitability when it goes public. The market intrigue lies in the continual success of these three companies over the next six to nine months and beyond. From there, we can start to make initial assessments around the sustainability of IPOs and whether the market is showing signs of a rebound and is willing to embrace more.

In the meantime, many companies are focusing on what they can control, including their internal processes, technology stack, product development, [internal AI strategy](#), and market narrative.

Controlling internal strategies is important while external geopolitical uncertainty continues, indirectly affecting market appetite for new IPOs.

Currently, there is a focus on preparation and being primed for when the market does rebound and open. That timing may differ from one organization to the next, but the emphasis needs to remain focused on preparation.

A **Bacon:** Some readiness challenges we see come down to introspection. Company leadership needs to ask themselves whether they have the right people in the right seats and whether they truly understand the expectations of being a public company.

Several midmarket and smaller SaaS companies have had great success because they are owner- and founder-led, with strong focus and drive at the core of the business. That dynamic changes as they enter the public markets, where leadership

must also address regulatory and governance requirements, investor expectations, and public-company reporting. The added demands can distract focus from the business and require time to develop the necessary capabilities and processes.

Companies should prioritize having the right professionals and parameters in place across areas such as financial reporting, risk and governance, board and audit committee composition, information technology, and information security (security, privacy, and third-party risk management). When a company goes public, these operational aspects will be elevated due to disclosure requirements. Failing to consider these factors is a common readiness gap, though it can be avoided if a company prepares with discernment.



Q These three major companies are resetting expectations around the financial metrics and timelines to profitability that institutional investors expect to see upon an exit event. How should SaaS companies in the current exit landscape interpret signals coming from history's largest listings?

A **Martinez:** While U.S. GAAP metrics may portray a bleak picture for these three companies, management has pivoted to NGMs to demonstrate a more positive outlook. With the AI industry in its infancy, investors will require additional education on how to interpret these NGMs and how those metrics can demonstrate the company's ability to drive toward consistent and sustained revenue growth and profitability.

With these NGMs, the three companies are attempting to tell their story toward profitability. NGMs like annualized revenue (different from ARR), data center capex, enterprise adoption metrics, compute costs, and token usage are providing investors with a guide on how to evaluate these companies. Undoubtedly, such metrics have the potential to redefine the NGMs for the fledgling industry in future filings.

From these metrics and narratives, SaaS and pre-IPO organizations are closely monitoring and assessing their IPO readiness. In addition, they will observe the market acceptance and stock value for these IPOs to guide them on market acceptance, understanding the impact on future market volatility.

A **Bacon:** The influence of the Big Three and other market-leading companies often extends beyond their own organizations, shaping expectations across the broader IPO landscape. However, smaller and emerging companies should view these market signals with the appropriate perspective. Unlike these well-capitalized industry leaders, most organizations do not have access to the same scale of resources, investor backing, or market influence.

Rather than attempting to emulate the narratives of these larger enterprises, smaller companies are better served by focusing on the fundamentals that investors value most: sustainable profitability, predictable operations, and a recurring revenue model. Demonstrating consistent financial performance and long-term growth potential is often more compelling than aligning with short-lived market trends or industry buzz.

Equally critical is a company's ability to present a differentiated equity story. [As AI continues to transform industries, organizations should clearly articulate how AI is embedded in their operating strategy, product development, customer experience, or broader competitive positioning.](#)

Although many companies reference the future potential of AI, few can demonstrate practical applications that have produced measurable business outcomes. For companies preparing for an IPO, evidence of AI-enabled efficiency, growth, or customer value can provide a meaningful point of differentiation. A demonstrated record of AI-driven impact, supported by clear ROI, may strengthen the company's narrative in an increasingly competitive capital markets environment.



Q A wave of headline IPOs can add pressure on management teams to exit today, foregoing the opportunity to assess and learn from post-IPO performances. How do you help clients hold the line on a disciplined readiness plan when there is pressure to chase a market window that may not exist for their specific company?

A **Martinez:** Boards are savvy enough to know when it is the right time to go public. Experienced boards and audit committee chairs work deliberately and wait, rather than chasing a quick IPO pop and attempting to take advantage of what the market has to offer at a particular point in time.

To that end, boards should make sure that their houses are in order and prepare for any and all opportunities. Readiness may mean waiting a year for the pre-IPO company to be successful in a public environment. In addition, seeking a premature exit can increase nonrevenue-generating expenses—such as compliance costs and staffing requirements to meet certain compliance timelines—that companies may be ill-prepared to incur.

As professionals, our goal is to set companies up for success. That materializes in many ways. For one, we try to educate the board, CEOs, and CFOs on the elements of a strong, successful IPO before, during, and after the exit event. We want to assist our clients in maintaining sustained growth and operational efficiency, as well as in understanding options for the timeline of an exit.

We encourage a measured process when it comes to an IPO. Gather as much information as possible, remain engaged with

the current IPO landscape, and monitor the successes and failures of other companies that go public—what stories they are telling, and what metrics support their story. Then, take note of how the market accepts the information, considering this is a new industry that we have never experienced before.

AI is quite novel, and within this newness is an opportunity to learn. It will be interesting to see where IPOs go and how the market reacts to the AI company stories being told.

A **Bacon:** Before pursuing a favorable market window, companies should recognize that an IPO is only one of several potential exit or growth strategies. Clients benefit from evaluating a range of alternatives, including M&As, strategic acquisitions of their own, continued PE ownership, or organic growth. In many cases, a near-term IPO may not be the most appropriate path.

Effective IPO planning begins by understanding the fundamental objectives behind the discussion. Companies that move too quickly, particularly when they remain several years from being public-company ready, may face execution challenges and valuation outcomes that fall short of expectations.

A disciplined readiness plan should begin with a strategic timeline and include an assessment of governance, investor relations, talent, technology, and other critical operating components. Together, these elements support a compelling IPO narrative and help position the company for sustainable growth.

Although each company's circumstances are unique, a 12- to 24-month preparation period is often the most effective window for IPO readiness. Compressed timelines can lead to shortcuts that create additional cost, complexity, and remediation needs after the offering.

Experienced advisors can help companies mitigate these challenges and navigate the IPO process with greater discipline. Investment bankers, consultants, and other third parties play an important role in helping management align the strategic priorities required for a successful public offering.

As consultants, we can help clients evaluate the capabilities required within their leadership teams and identify the actions that effectively support the company's long-term interests. Our approach is broad and educational, providing guidance across key aspects of the IPO journey before, during, and after the offering.

Outlook



Outlook

The outlook for SaaS in the second half of 2026 comes down to two areas: when to pursue a liquidity event, and where value will be found. Both concepts are being reshaped by the same forces that reset multiples in the first half—a flight to fundamentals and a market that has become increasingly wary of hype-led growth.

On exit readiness, the IPO window is only selectively reopened, and post-IPO outcomes show a deep bifurcation between the market’s top and bottom performers. Across the top 100 public SaaS companies, market capitalization spans a staggering 38.3x between the 95th percentile (\$199.2 billion) and the 5th percentile (\$5.2 billion). That dispersion is far narrower in private markets, where the top 100 SaaS companies show only an 8.1x gap between the same percentiles. Going public, in other words, concentrates premium outcomes in a handful of names.

For the top performers, public markets offer valuations that private rounds cannot match; for everyone else, a listing risks crystallizing a discount rather than a premium. Exit readiness is, therefore, less about timing the window than about earning a place among the companies that the public market chooses to reward.

For PE investors, the opportunity set narrows down to SaaS companies that generate real cash and hold a defensible position in the age of AI. With the SaaS premium gone and multiples converging toward the broader median, returns will come from underwriting durable cash flow and buying the few businesses whose moats survive AI disruption. Value now lies not in the sector, but in the minority of SaaS companies positioned for long-term growth.

Top 100 Private & Public SaaS Companies’ Last Known Valuation & Market Capitalization (\$M)

	Private Companies	Public Companies
Companies With Valuation Data Count	100	100
Median Valuation	\$11,000.00	\$13,721.47
Mean Valuation	\$20,182.56	\$67,822.36
95th Percentile	\$60,932.69	\$199,154.62
75th Percentile	\$16,850.00	\$34,268.68
25th Percentile	\$8,375.00	\$6,951.87
5th Percentile	\$7,496.45	\$5,214.93

Source: PitchBook | Geography: Global | As of: July 7, 2026

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