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# SaaS Under Pressure:

How AI agents are compressing software valuations and why the selloff may be overdone

H1 2026

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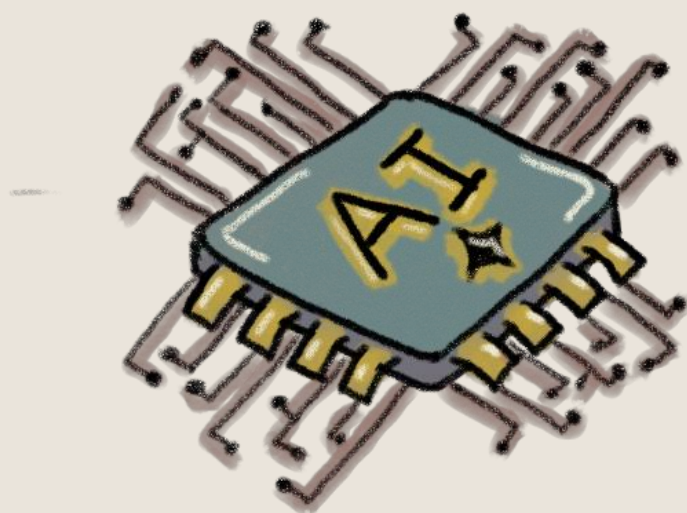
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## Overview

# A shaky start to the year for software stocks

Software stocks have had a poor start to 2026. From January to February, some of the biggest names in SaaS lost between c.25% and 30% of their market value, driven by a fear that AI agents are about to make their products redundant.

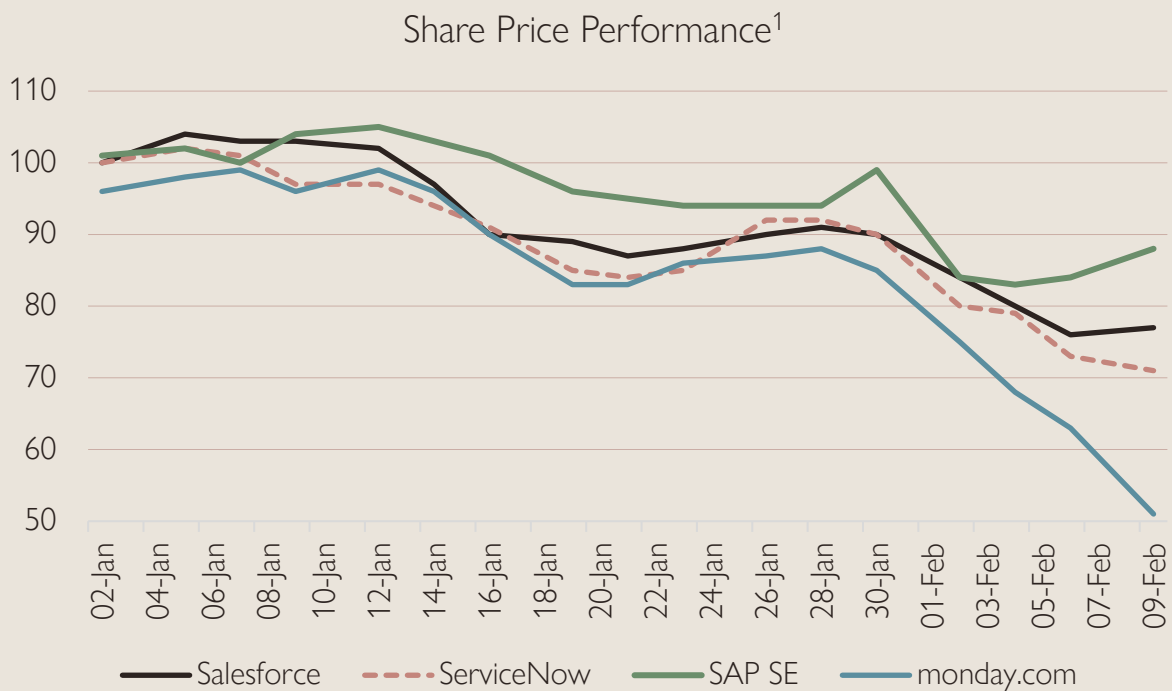
Despite revenue growth across the sector and customers maintaining stickiness, the companies that are best placed to win in an AI-driven world are, in many cases, the same incumbents the market is currently selling off. This report looks at what is happening and what it means for SaaS businesses and their owners.



## The selloff in numbers

“The market is not viewing SaaS as a monolith, distinguishing between vulnerable, top-layer applications and durable systems of record.”

LSEG data, reported by the Financial Times, shows the scale of the moves. From early January to February 9th, four of the most prominent names in enterprise software lost significant ground.



The gap between monday.com and SAP is worth dwelling on. monday.com is a workflow tool whose value sits primarily at the interface layer, directly in the path of what AI agents are being built to replace. SAP, by contrast, has its systems embedded deep into enterprise operations, carrying decades of customer data and process history. This suggests the market is not viewing SaaS as a monolith, distinguishing between vulnerable ‘top-layer’ applications and durable ‘systems of record’.

<sup>1</sup>LSEG via markets.ft.com / Financial Times, “Serving up a storm”, February 2026, Note: All series rebased to 100 at 2 January 2026

## What is driving this fear?

# Investors worry capable AI agents will disrupt traditional SaaS models.

The market's concern centres on increasingly capable AI coding and development tools. The fear is that businesses and individuals will no longer need to pay recurring subscriptions to external SaaS vendors when they can instruct an AI agent to build something tailored to how they actually work, at a fraction of the cost.

For instance, a finance team that might once have defaulted to Salesforce for pipeline management could, in this world, simply build its own equivalent.



Compounding this is a broader anxiety about general-purpose AI agents, following moves by Anthropic and OpenAI to reposition their models to handle tasks across multiple applications without the user ever opening a separate app.

The vision being priced in is one agent managing your inbox, logging your expenses, drafting your contracts and updating your CRM, without a Salesforce login, a Workday session or a monday.com board in sight.

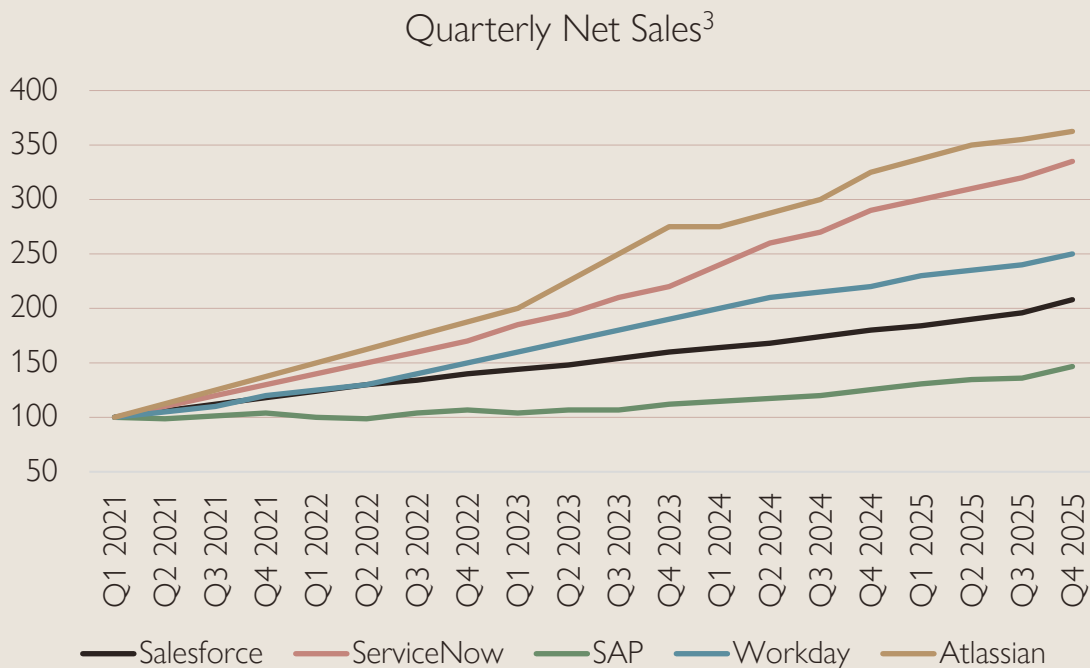
As the Financial Times reported in February 2026: "You may soon be able to ask an all-purpose agent to do all this and more, without having to open all the different apps currently used to accomplish these tasks."<sup>2</sup>

Whether or not this plays out at the pace and scale the market is currently assuming is another matter. However, taken together, these concerns point to a perceived threat to the per-seat, per-application subscription model that has driven SaaS growth for two decades. **The market has applied that fear across the entire sector, and that is where we think it has gone too far.**

<sup>2</sup>Financial Times, AI agents and SaaS disruption reporting, January-February 2026

## Financial performance tells a different story

What the share price moves do not reflect is that every major SaaS business has grown its revenues consistently throughout the AI era.



Salesforce grew from approximately \$5bn to \$10bn in quarterly revenues over this period. ServiceNow essentially tripled, from around \$1bn to \$3.2bn.



Despite intense debate about AI disruption, there is little evidence in the financials of major enterprise software vendors of meaningful customer churn, revenue contraction, or demand destruction attributable to AI.

The disruption currently priced into software valuations is therefore largely anticipatory rather than observable in reported results

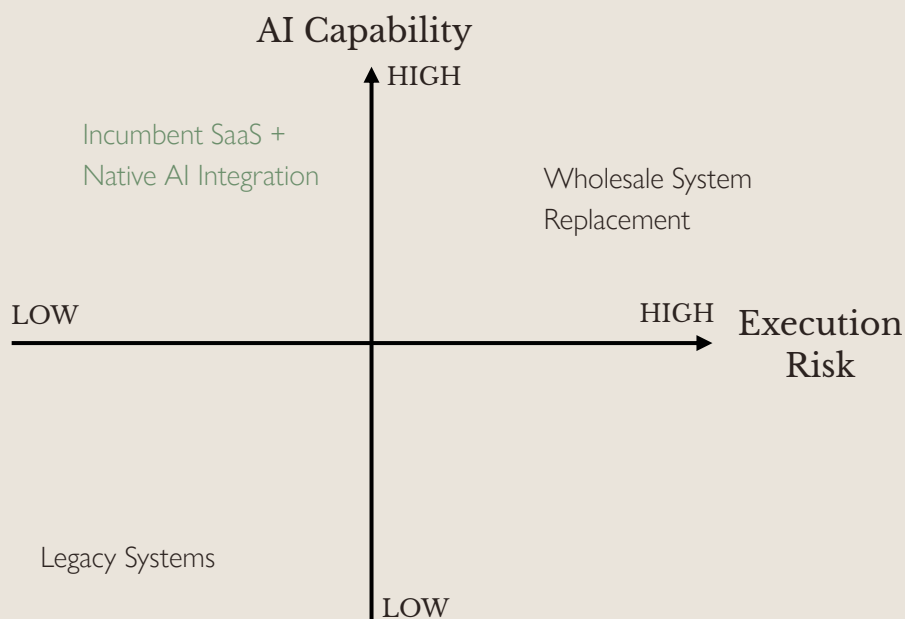
<sup>3</sup>FactSet via Financial Times, 2026, Note: Figures approximate from published FT/FactSet chart and all series rebased to 100 at Q1 2021

## The Opportunity

As observed earlier, the market is right in recognising the uneven distribution of risk across simpler, more generic platforms and deeper specialised systems with years of proprietary data and embedded process history.

**AI is only as useful as the data it has access to, and that data sits inside SaaS platforms.** Rather than displacing the vendors who hold it, the more likely outcome is that AI becomes another capability layer built on top of existing infrastructure, making those platforms more powerful and more valuable over time, not less.

The market also appears to be underweighting the sheer reluctance of large organisations to rip out systems they have spent years embedding into their operations; replacing a core ERP or CRM is not a straightforward exercise. It carries significant execution risk, demands enormous internal resource, and, if something goes wrong, there is no third party to hold accountable.



For most businesses, the attractive path is not wholesale replacement but rather working with existing vendors as those vendors integrate AI into their own platforms, quickly delivering intelligent solutions on top of existing, trusted infrastructure. Several of the largest incumbents in the sector are using AI to make their existing products meaningfully better and are therefore best positioned to navigate this transition.

## Conclusion and our view

### Three reasons the market has overreacted

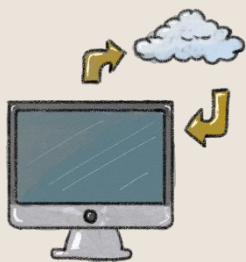
The pace and scale of the January and February selloff is not consistent with a considered, stock-by-stock reassessment of long-term value. It looks far more like a sector-wide risk-off move, and there are three reasons we think the reaction has gone further than the evidence warrants.



First, companies growing revenues at 20% to 30% per year do not lose half their value in five weeks based on a competitive threat that has not yet affected a single earnings line. **Markets are pricing a feared future, not a demonstrated present, and when sentiment shifts those moves can reverse quickly.**



Second, geopolitics has been doing considerable heavy lifting in this selloff that has little to do with AI. **2026 has opened with significant macroeconomic uncertainty and ongoing geopolitical tension weighing on technology stocks broadly.** Reuters has documented these macro headwinds compressing multiples across growth assets regardless of individual company exposure to AI disruption, and disentangling the two is essential to a fair reading of where valuations should sit.<sup>4</sup>



Third, and perhaps most importantly, well-run SaaS businesses have every opportunity to use AI to strengthen their position rather than cede it. Salesforce, ServiceNow and Workday are already embedding AI capabilities across their product suites, using their proprietary data assets to build better and stickier offerings. As Bain and Company note, the transition to an AI-centric computing environment "may cause some upheaval but is far from the existential crisis that the market is pricing in."<sup>5</sup>

<sup>4</sup>Reuters, Enterprise Technology and Geopolitical Risk Reporting, Q1 2026

<sup>5</sup>Bain & Company, "Why SaaS Stocks Have Dropped and What it Signals for Software's Next Chapter", 2026

## How is your SaaS business navigating the shift?

Princelet works side-by-side with tech founders and shareholders to make sense of moments like this, whether you are thinking about an exit, an acquisition, or simply want a clear view of where your business stands, contact our team to start the conversation.

# About Us

We're a boutique corporate finance firm that works side-by-side with tech founders, shareholders and investors to deliver exceptional M&A outcomes.

We don't stop until the right acquirer is found, the best terms negotiated, and the deal signed.



**2010**  
Founded

**£10-£50m**  
Deals specialists

**+£3 billion**  
Aggregated deal value

**37 deals**  
Completed since 2012



# Our Team

We're a team of experienced advisors, former investors, and sector specialists.

Each of us brings a different perspective, but we're united by a shared belief in hard work, thoughtful approach, and seeing the deal through.



**Stephen Moore**  
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**Mitchell Upama**  
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