

- **AI funding reached record levels in Q1 2026, with \$226B+ raised by private AI companies** - surpassing full-year 2025 totals in a single quarter
- **Q1 2026 S&P 500 earnings growth is on track to exceed 27%**, with public software indices returning to positive territory post “SaaSocalypse”, though the rebound remains highly bifurcated between perceived AI winners and more challenged names.
- **Global AI spending is on pace to reach \$301B in 2026** (+35% YoY), with ~72% of enterprises now running AI workloads in production

S&S M&A Weather Report

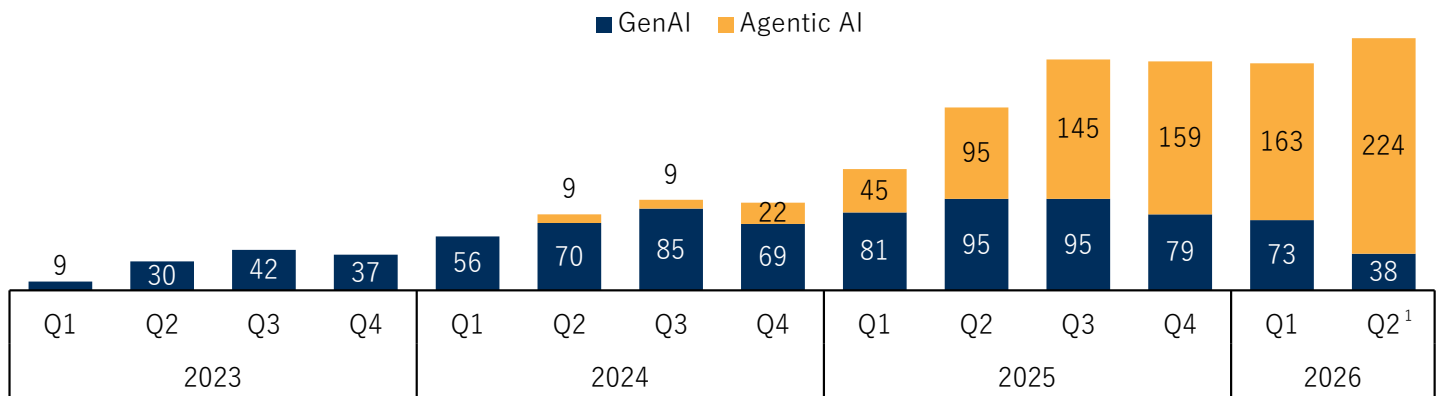


Increasing Clouds

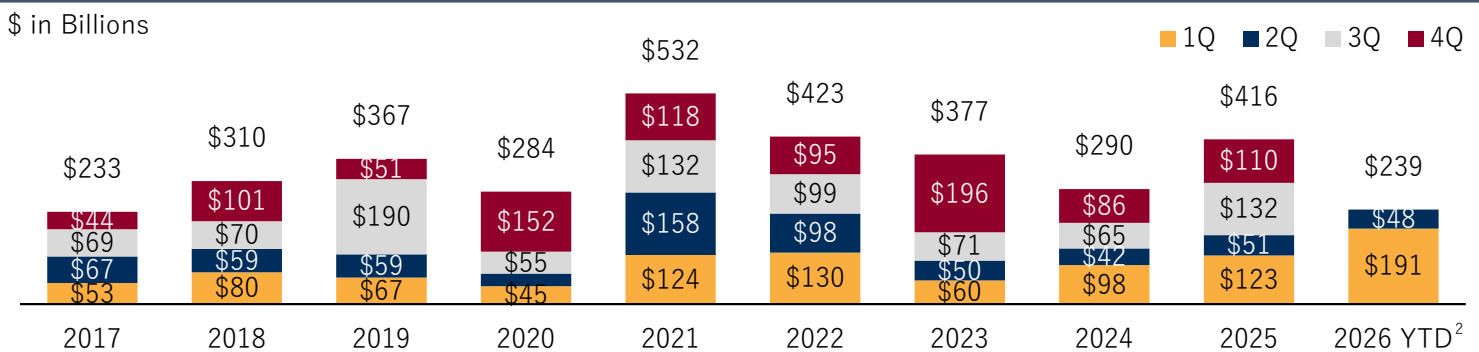
While AI-driven megadeals and IPOs have begun to crack open the exit market, the broader software landscape remains under pressure, weighed down by persistent valuation headwinds and mounting geopolitical uncertainty that continues to temper capital allocator confidence.

Software Trends We Are Tracking / Market Snapshots

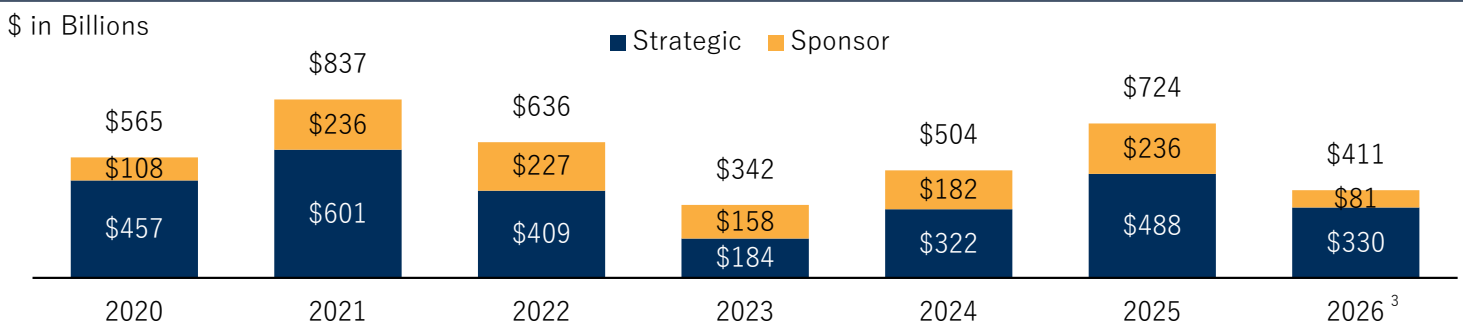
M&A Deal Count Mentioning “Agentic AI” vs. “GenAI” by Quarter



Quarterly Software M&A Activity YoY



Annual Tech M&A Spend by Acquirer Type



Notes: (1) Q2 2026 represents projected M&A Deal value for the quarter; (2) YTD through May 2026 (adjusted for the XAI acquisition); (3) 2026 reflects projected full-year M&A spend. Sources: EY US M&A activity insights: March 2026; CapitalIQ; Pitchbook; The M&A Advisor; CBInsights.

Widening Gaps Across Software Valuations

Software is no longer a single asset class. AI disruption has split the market into two distinct deal economies, and buyers are pricing them very differently.

Where We Are Today

- Median public SaaS EV/TTM revenue compressed to 3.3x in Q1 2026, from 4.9x at year-end 2025 - ~33% drawdown.
- Select AI-native software platforms command 25–30x revenue multiples - structural decoupling from traditional SaaS comps.
- Top-quartile public SaaS still trades at ~13.8x; but bottom-quartile at ~1-2x - the widest dispersion in a decade.
- 443 software M&A transactions were reported in Q1 2026 at an aggregate value of \$287B — a 3x QoQ jump.

What This Means for M&A

- **Undervalued SaaS is a consolidation target of note**, with compressed entry increasing attention on assets acquirers view as “mispriced” or “undervalued.”
- **AI-native commands a capability premium.** Strategics are paying up to acquire AI-native talent, models, and workflows rather than build.
- **The "AI-vulnerable" target is emerging as a category.** Investors are staying clear of companies where AI threatens to disintermediate workflows and moving in on assets where they believe AI can be embedded rather than replaced.













The Takeaway

Quality assets - defined by retention, vertical depth, and a credible AI roadmap - continue to command premium valuations, while weaker companies are being challenged, creating attractive acquisition opportunities across more discounted SaaS assets.

Corporate strategy around AI and banker positioning matter more than ever. With multiples this dispersed, the difference between a defensible AI narrative and a compressed-multiple story is now worth multiple turns of revenue.

Sources: SaaSrise, Quantpillar, M&A Science

Intrepid's Software & Services Coverage

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-  Data & Analytics
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-  GovTech
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