

- Worldwide AI spending is projected to reach \$2.7T in 2026, up 49.5% YoY, including \$461.6B of AI software spending, reinforcing strategic demand for software assets that embed AI into established workflows.
- August saw incumbents buy AI capabilities outright, including Visa's \$2.4B acquisition of BioCatch and Dynatrace's \$915M acquisition of Arize, underscoring that established software platforms are increasingly turning to M&A to accelerate AI product development across Cybersecurity and Data & Analytics.
- Vertical software made up 54% of SaaS M&A in Q2 2026, up from 46% a year earlier as buyers favor embedded, industry specific workflows that AI cannot easily displace.

S&S M&A Weather Report

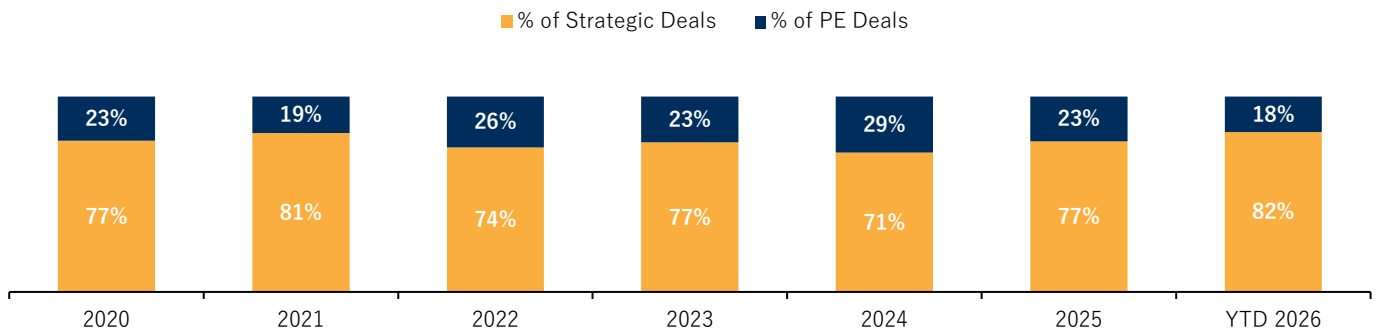


**Brighter,
but Breezy**

Software leads deal activity, with SaaS multiples recovering off their Q2 lows. The Fed's rate hike is a new crosswind, making leverage pricier and favoring strategies and equity-rich sponsors over leveraged buyouts. Quality assets are trading at premiums while the rest face continued scrutiny.

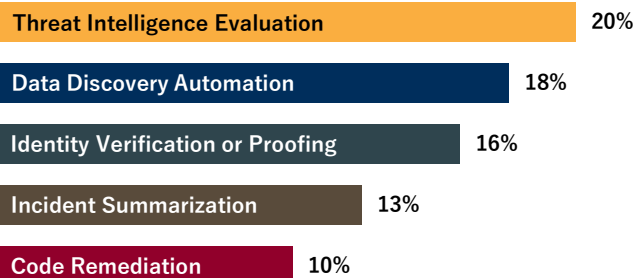
Software Trends We Are Tracking

Percent of Deals Led by Strategic Acquirers vs. Financial Sponsors⁽¹⁾

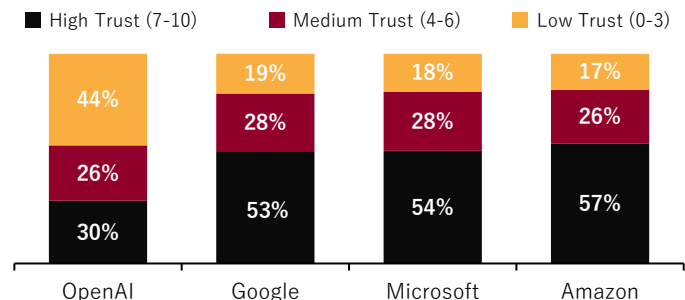


AI Security Within Enterprises Accelerates While Consumer Trust in Vendors Diverges

Top AI Security Use Cases for Enterprises⁽²⁾



OpenAI Trails Peers on Consumer Data Trust

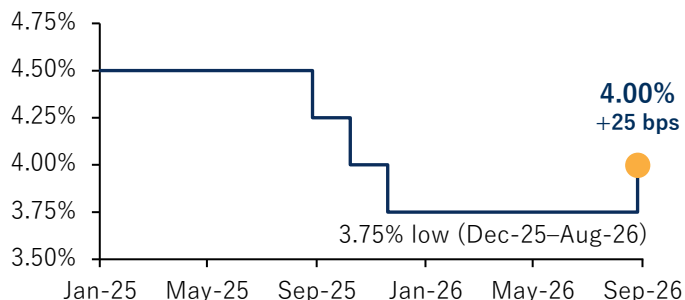


Recent Noteworthy M&A Transactions – September 2026

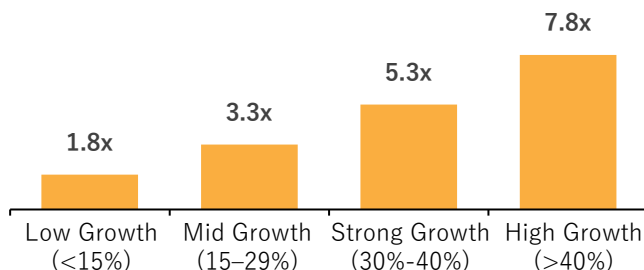
Acquirer				
Target				
Sub-Sector	Energy & Industrials Tech	Supply Chain & Logistics Tech	AI ComplianceTech	AI PropTech
Enterprise Value	\$281M	\$120M	\$28M	\$50M
EV / LTM Revenue	4.8x	Undisclosed	13.3x	Undisclosed

Rates Are Rising Again: What It Means for Software M&A

The Fed Has Turned: Fed Funds Target (Upper Bound)



M&A Pricing by Growth: Median EV/LTM Revenue



- ✓ **Leverage Gets Pricier** – With the 10-year Treasury above 5% and markets pricing another hike by year-end, debt-funded platform buyouts face a higher bar. Software was already just 8.8% of 1H 2026 syndicated loan issuance, down from 17.6% in 2025 and its lowest share since 2013.
- ✓ **Equity Is Doing the Heavy Lifting** – Sponsors are becoming increasingly comfortable funding deals with higher equity contributions and are rapidly deploying capital through add-ons financed at the portfolio company level, which now represent ~45% of U.S. PE software deal value in 2026.
- ✓ **Quality Still Clears at a Premium** – High-growth software trades at 7.8x LTM revenue vs. 1.8x for sub-15% growers, with quality PE firms maintaining their ability to call capital.
- 💡 **Key for Sellers** – Strategics with strong balance sheets and specialist sponsors are the natural bid. Businesses with durable growth should generate competitive tension while others should expect structure to bridge valuation gaps.

Sources: FRED; PitchBook; Capital IQ.

Intrepid's Software & Services Coverage

- Compliance Technology
- Cybersecurity
- Data & Analytics
- Energy & Industrials Tech
- GovTech
- Healthcare IT
- Human Capital Management
- PropTech
- SalesTech
- Supply Chain & Logistics Technology
- Tech-Enabled Services
- Vertical Software + AI

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