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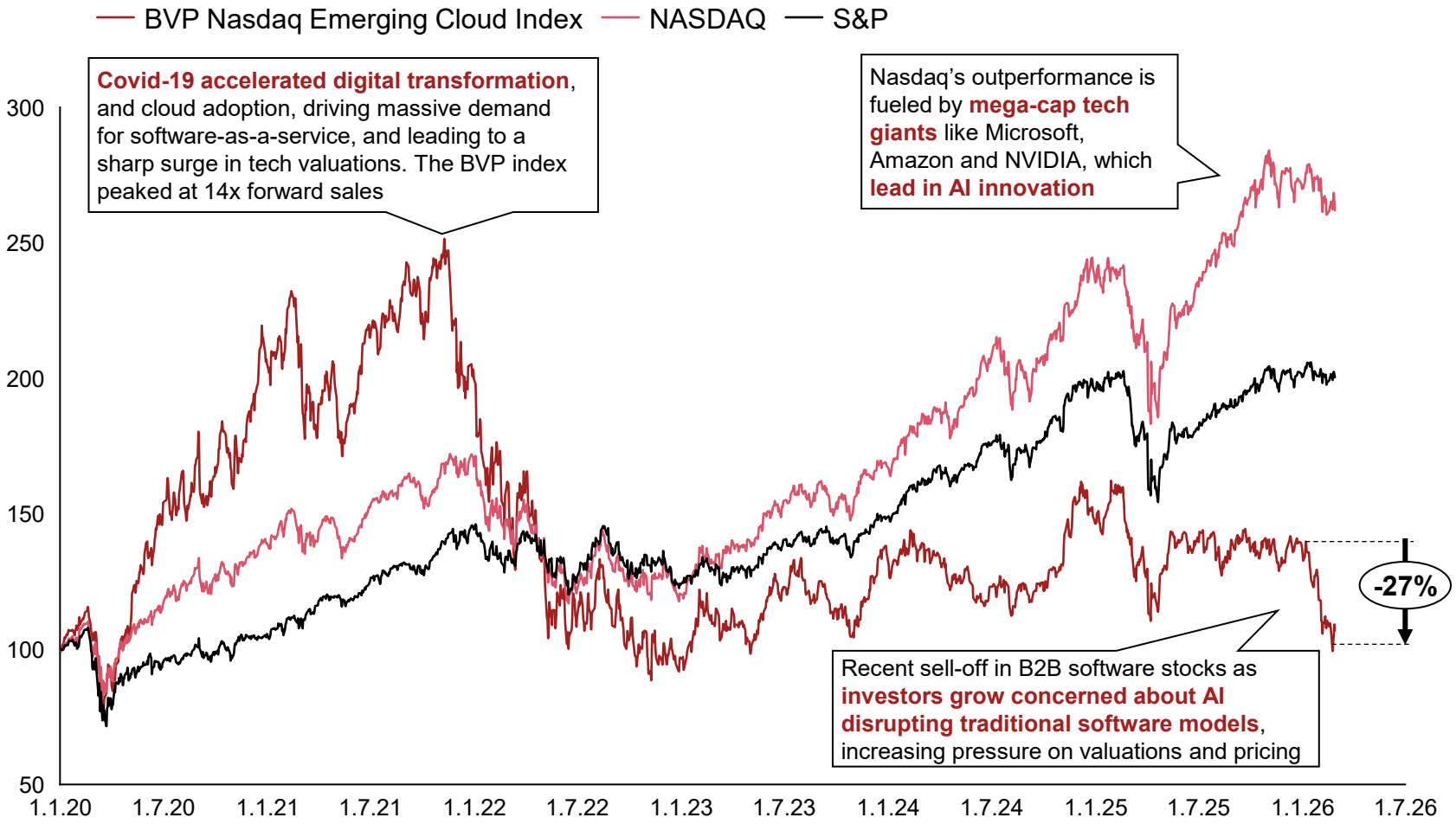
AI Is Rewriting Software – Yet Markets Fail to Recognize Defensibility

A Strategy& Publication
March 2026

Software is trading down by ~30% in 2026, reflecting a broader market sell-off driven by fears that AI will disrupt traditional software models

Software sector performance, Bessemer Venture Partners (BVP) Emerging Cloud index vs relevant reference indices



BVP Nasdaq Emerging Cloud Index

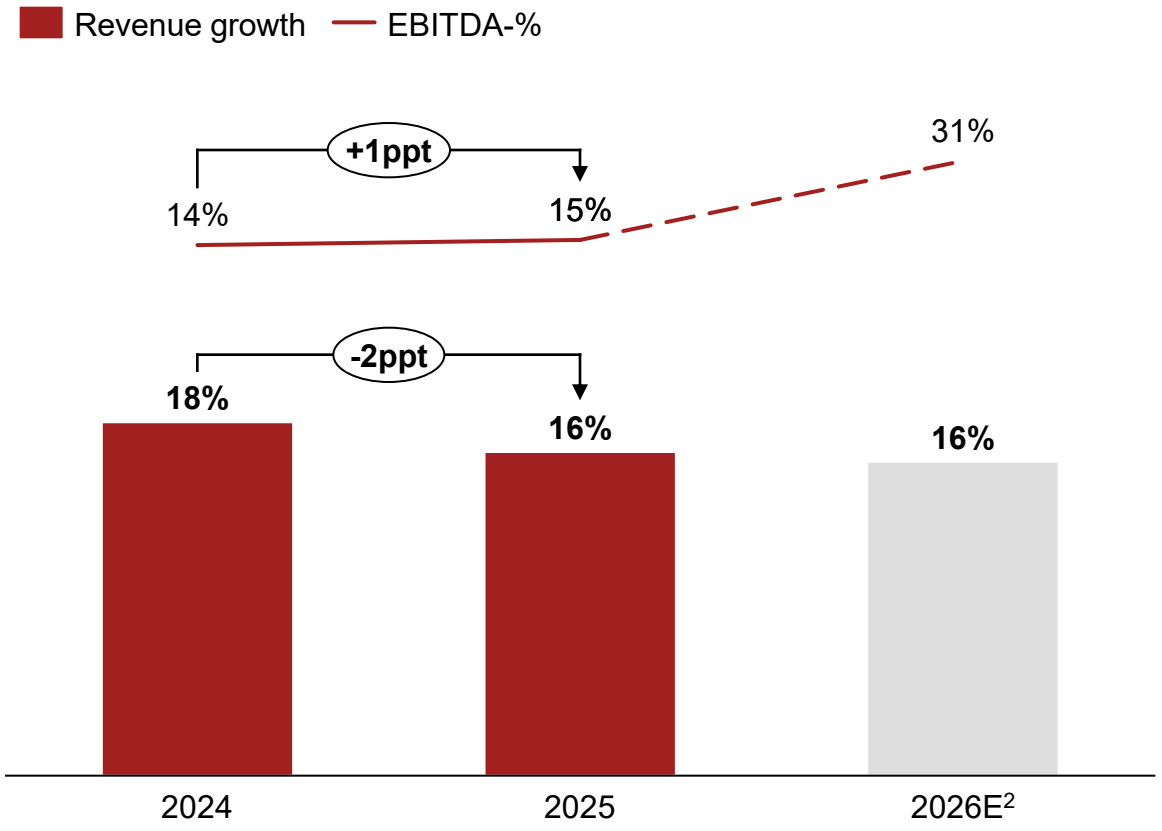
- **The BVP Cloud Index is a stock market index that tracks the performance of publicly traded North American software-as-a-service and cloud companies**, such as Salesforce, Workday, ServiceNow and Oracle
- Unlike the broader Nasdaq, which includes companies across diverse industries like hardware and tech infrastructure, consumer electronics, biotech, etc., the BVP Cloud Index focuses solely on pure-play cloud software businesses, providing a more accurate reflection of trends, financial performance, and capital dynamics in the B2B SaaS market.

Sources: S&P Capital IQ, Strategy& analysis

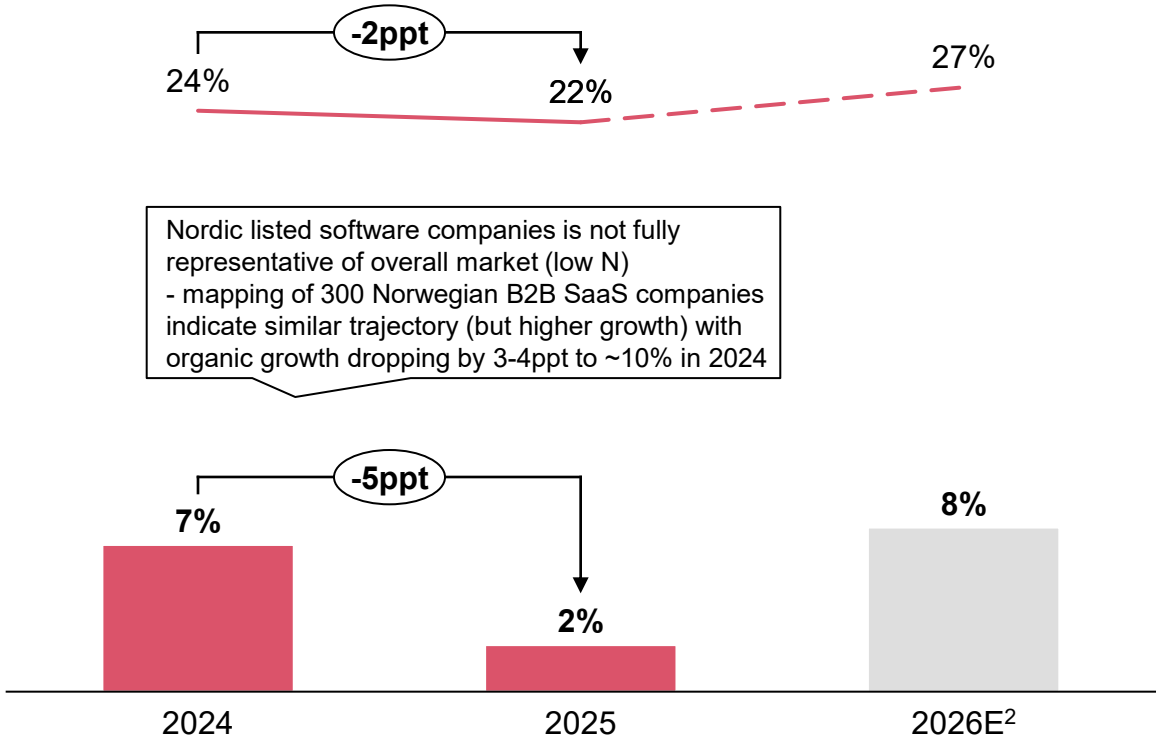
Despite stock-market drop, financials remain strong and largely unchanged on rule-of-40 basis albeit slight shift towards profitability

Financial performance of BVP and Nordic listed software companies

BVP index – growth and margins



Nordic listed software[1] – growth and margins

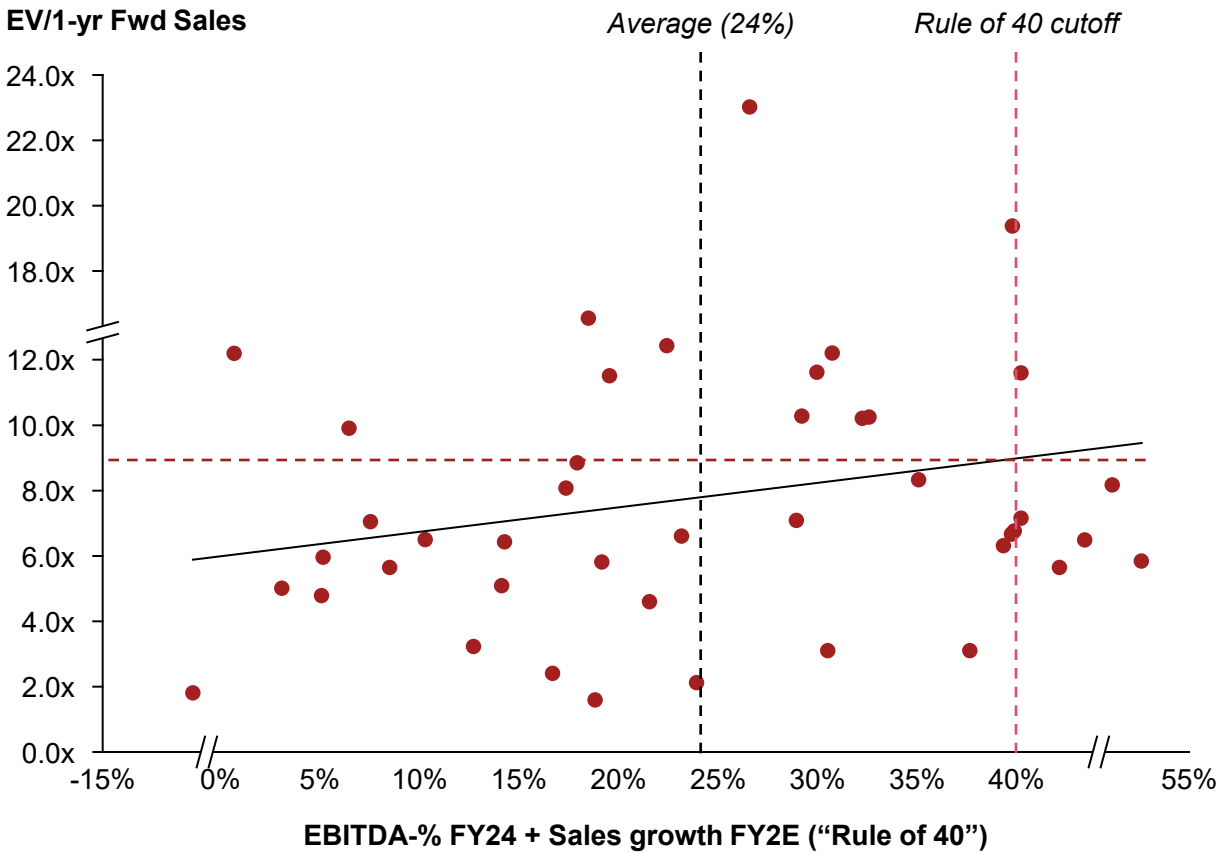


Note: 1) List 30 listed Nordic B2B SaaS companies 2) CapitalIQ analyst forecasts
Sources: S&P Capital IQ, Strategy& analysis

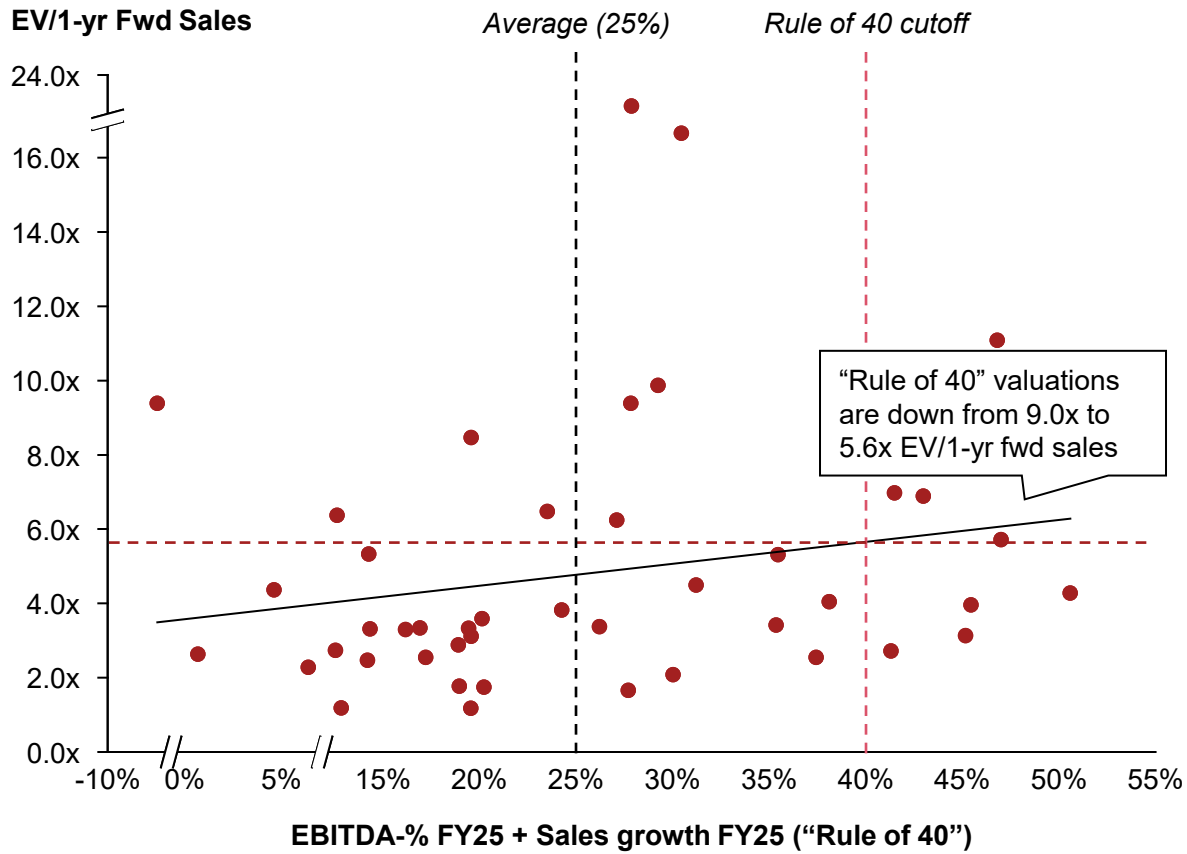
EV/fwd sales for a Rule-of-40 company has dropped from 9.0x to 5.6x (-38%) in 1 year, reflecting growing AI concerns and risk premiums

Valuation of selected BVP companies

Valuation of BVP companies, March 11th 2025



Valuation of BVP companies, March 11th 2026

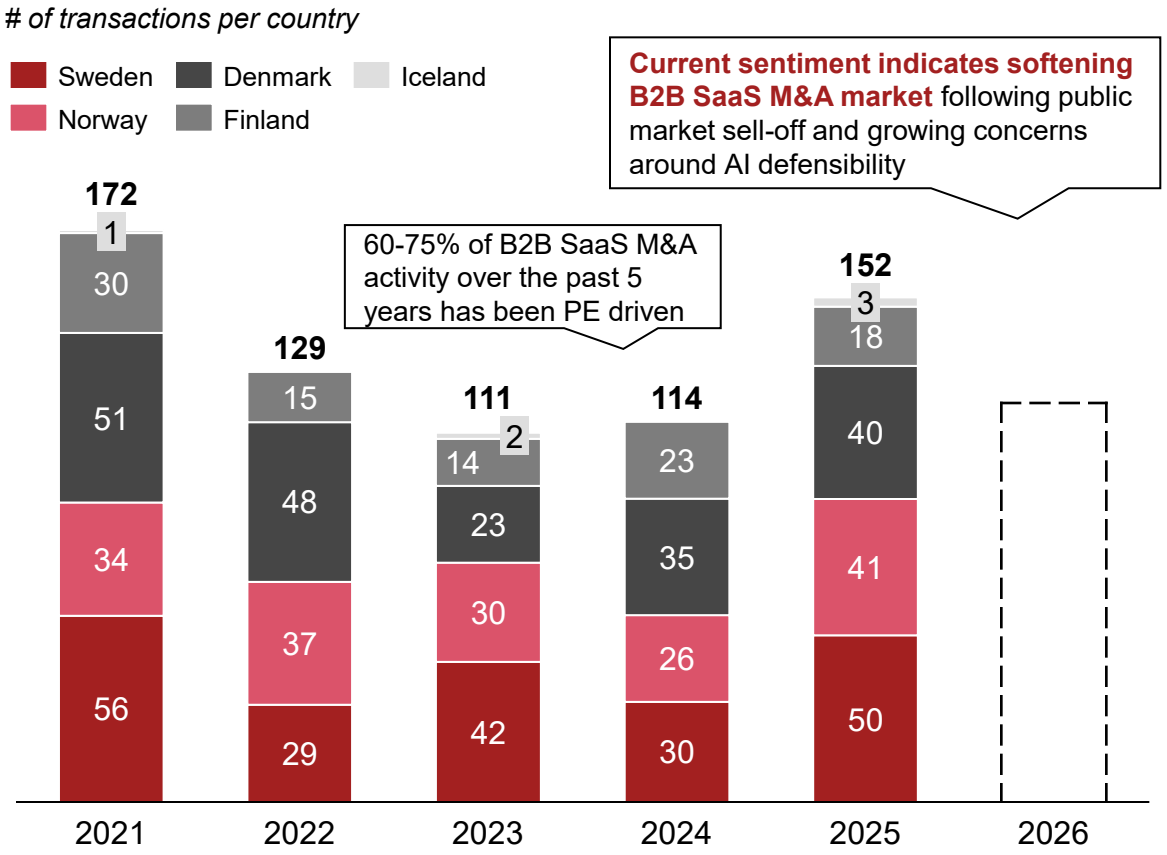


Notes: 1) EV / 1-yr Fwd Sales as of 4. March 2026
Sources: S&P Capital IQ, Strategy& analysis

Following a strong B2B Saas private M&A market in 2025, we see signs that the market is cooling and more selective amid the public sell-off

B2B SaaS M&A market in the Nordics

Indications of softening B2B SaaS M&A in '26 after strong '25…



… with buyers more selective on types of assets they pursue

*"**Investors are a bit more cautious and looking closely at the public markets and the observed valuation drop** – final bids came down by 15-20% from the NBOs"*
- Nordic investment bank on live deal

*"**AI defensibility and opportunity is now top of the agenda for our investment committee** and critical part of the due diligence process. Companies that fail to move past these discussions are dropped before NBOs"*
- Nordic software investor

*"**AI-native players are quickly capturing ground across white-collar service industries**, but for now we mostly see them deployed on top of traditional software"*
- Nordic software CEO

*"We still see strong potential and **SaaS headroom across many asset-heavy industries**, with **accelerating sensor-deployment**, data capture and cloud migration"*
- Nordic software investor

*"**We do not view AI as a direct competitor to mission-critical software**. On the contrary, AI will be used to automate new tasks and increase the value of the software for customers*
- Nordic software investor

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Note: 1) Includes M&A deals with change of control and assumed EV above NOK 50m
Sources: Mergermarket, Strategy& analysis

The nature of the sell-off relates to the risk of AI-native vendors disrupting and commoditizing traditional software business models

Key drivers of B2B software market sell-off

Elevated AI replacement risk

Growing concerns that traditional software "tools" will be replaced by AI agents, increasing uncertainty and market discount rates

Lower barriers and cost of entry

Software development costs are decreasing towards "zero", driving elevated competition and price pressure, as well as **discounting values on invested R&D capital**

Evolving pricing models

Pricing models are changing as market is pushing harder on ROI and usage-based pricing, challenging the traditional per-seat models associated with predicable and recurring cash flows

Pressure on organic growth

Sector-wide **organic growth is dropping towards lower double-digit / high single-digit**, with new logo growth particularly challenging in more mature software segments, compounded by weaker macro (particularly seen in Nordics)

Sources: Strategy& analysis

Investors are concerned that traditional software vendors are replaced by agentic AI companies that provides outcomes rather than tools

AI transitions B2B software delivery models

	Traditional SaaS – at risk of replacement	*Native system of action replacing incumbent "workflow SaaS" or incumbent SaaS making transition to system of action5*
	User-driven Humans navigate menus & click through forms	**Agent-driven** AI plans, acts & verifies goals autonomously
Workflows	**Click-heavy workflows** • Users manually navigate screens to complete each task	**Goal-driven execution** • Agents plans → acts → verifies on behalf of the user to deliver outcomes
Development cycles	**Slow development and release cycles** • Lengthy planning, manual coding, extensive testing, delayed deployment	**Accelerated development & product-market fit** • AI-assisted coding significantly shortens development cycles, testing and QA
Data intelligence	**Fixed behaviour on retrospective data** • Predefined rules and logs (past data) to process known scenarios	**Extracts insights and learns from large, complex datasets** • Handles structured and unstructured data and improve with more data
User fit	**Humans adapt to software** • Learn UI patterns, memorise workflows	**Software adapts to humans** • Natural language intent, no UI navigation required

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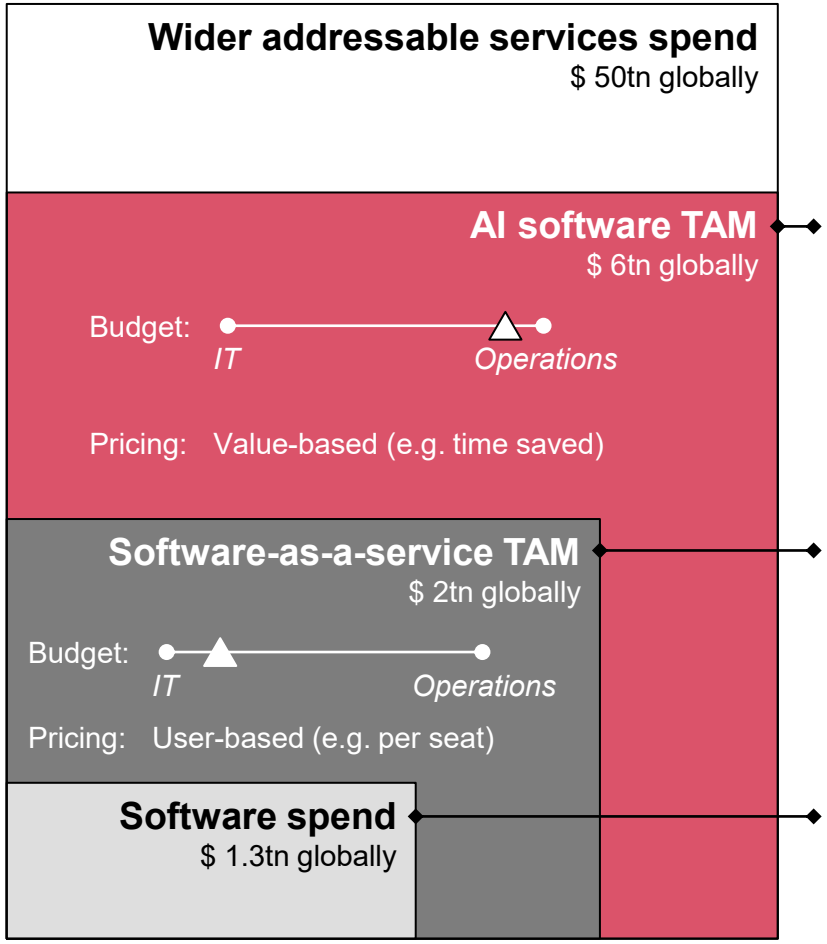
Sources: Strategy& analysis

With the added capabilities of AI, software TAM is no longer defined by IT budgets, but by the size of the industry the software can automate

AI expands the addressable market for software



Wider services spend
Total spend across white collar services and broader administrative functions (sales, HR, Finance etc.)

AI software TAM:
Total potential annual global spend on software solutions that embed or enable AI into workflows

Vendors ability to showcase ROI will determine level and speed of wider addressable services value capture

SaaS TAM:
Total potential annual global spend on software, assuming 100% penetration on cloud-based modules / features

Software spend:
Total potential annual global spend on software, assuming 100% penetration on cloud-based modules / features

High-potential AI software segments

- *Accounting and finance*
- *Healthcare (practitioners)*
- *Developers*
- *Legal, arts and publishing*
- *Research and science*
- *Business & office management*

Software segments that are more resilient to AI

- *Manufacturing*
- *Construction*
- *Transportation & logistics*
- *Energy and offshore*
- *Food and agriculture*
- *Installation & maintenance services*

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Source: Gartner, IDC, Strategy& analysis

Nordics, especially Sweden, are leading on AI software, with several notable companies attracting global attention and high valuations

AI-native software companies are emerging across the Nordics

Company	Target users	Value proposition	Geo	ARR est., USDm	Founded	Fund raising & valuation
Legora	*Legal, arts and publishing*	AI tool for lawyers that helps with research, review, authoring and case worklfows Plug-in with Microsoft Word and Outlook, and can be connected to internal databases		30+	2023	Raised **~550 USDm** in **March 2026**, at a **~5.5 USDbn valuation** in a series D funding round, following a 150 USDm series C raise in October 2025
Sana	*Business & office management*	AI platform that uses company data to automate workflows and train employees Integrated to Microsoft Outlook, Teams, Sharepoint, Gmail, Google Drive and Slack		20+	2016	Acquired by **Workday** for **~1.1 USDbn** in **September 2025**
Lovable	*Developers*	AI powered no-code platform that enables creating and deploying full-stack web applications using natural language prompts		200+	2023	Raised **~330 USDm** in **December 2025**, at a **~6.6 USDbn valuation** in a series B funding round

Other example Nordic AI companies

Riff	Edda	Crunched	Endra	Neko Health	Light	Inven
Simplifai	Sanna	Mimir	Tandem	Tembra	Cernel	Flow AI

Sources: Strategy& analysis

Despite growing concerns, many software providers have defendable business models, or are well-positioned take AI-native positions

Many existing B2B software have defensible characteristics or first-mover advantage on AI

'Traditional' software vendors

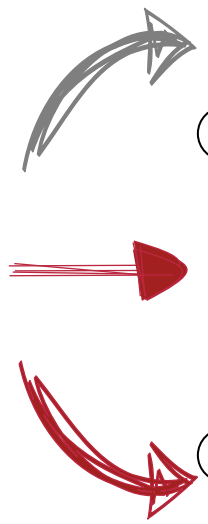
Adobe Workday

Lime Tech. Pexip

'AI native' players

OpenAI UiPath

Legora Lovable



0 Software at risk of replacement
Companies with business models that are not resilient to AI and unable to reposition will likely be replaced by AI

Software companies expected to struggle in the new AI-era as they become commoditized and increasingly replaced by AI agents.
Companies are characterized by:

- Supports simpler workflows with lack of vertical specialization
- Builds or maintains highly routine, and rule-based software
- Lack of proprietary data and interoperability with other systems

1 AI defensible software businesses
Companies with business models that are highly defensible also in the AI era

Software companies strongly positioned in the new AI-era, where existing business models are likely to co-exist with AI solutions. Companies are characterized by:

- Deep embeddedness in mission-critical processes
- Controls and enables proprietary data capture (system of record, HW sensor data etc.)
- Domain expertise and vertical specialization combining software with managed services
- Sells into regulated / compliance heavy workflows, making last-mile coding difficult

2 AI-native 'system-of-action' players
Companies that can leverage AI to capture larger markets as 'systems of actions'

AI-native companies delivering outcomes, as opposed to tools, enabling replacement of activities or optimization of processes. Companies are characterized by:

- End-to-end AI ecosystems—data capture, model training, and monitoring
- Control or monetize large, high-quality datasets critical for AI performance
- Agile, iterative development that deliver outcomes and improve over time
- Innovative, value-based pricing models capturing increased share of wallet

Source: Strategy& analysis

B2B SW companies that are deeply embedded, control or own data and support specialized workflows are more challenging to replace

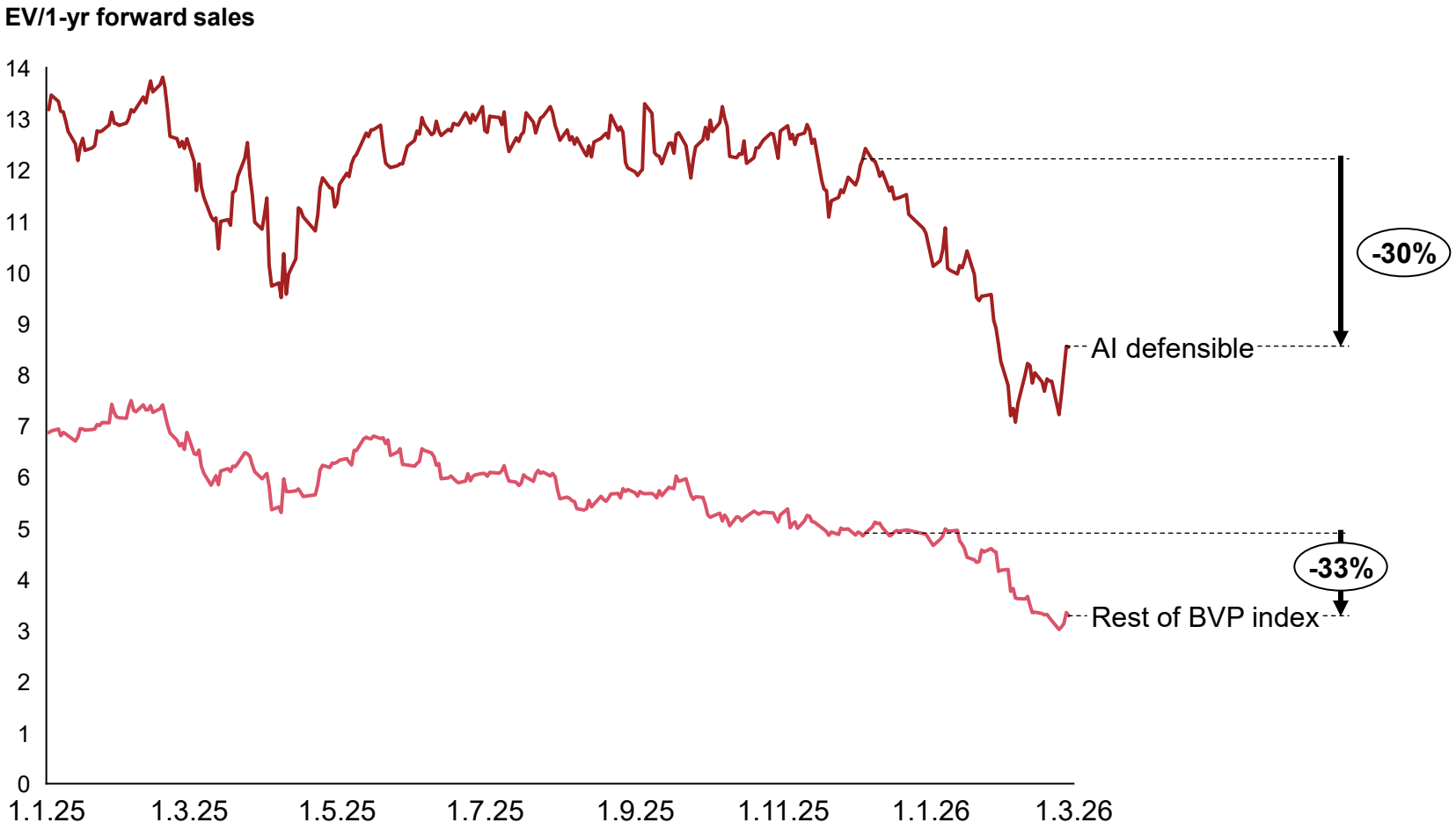
Characteristics and examples of definsible B2B software companies

Defensibility characteristics	Description	Example software categories
		Non exhaustive
Deep embeddedness in mission-critical processes	• **Embeddedness drives significant and structural switching costs** enabled by high operational risk, deep integrations and high degree of configuration • **Vendors that own "where work happens" can embed AI on top** and is well positioned to capture 'system of action' position and perform the work	Core ERP Payroll Warehouse management systems
Controls and enables proprietary data or data rights	• **Accessing and capturing high-quality and high-frequency data is fundamental** for building AI workflows on top and will continue to be – more / better data outperforms "smarter" algorithms • **Multi-step data capture (**e.g. fraud confirmed, device failed etc) **enabled through end-to-end workflow software** is more valuable than raw data for future AI use cases	Industrial IoT, HW + SW Data platforms (e.g. S&P) Cybersecurity software
Verticalized software with deep domain expertise	• **Deep domain expertise embeds the software in hard-to-replicate industry-specific processes**, edge cases, and terminology that generic AI struggles to model reliably • **Vertical software (especially in blue-collar) captures structured, context-rich data** over time (often tied to real-world observations), enabling automation and benchmarking	Maritime software Construction project mgmt. Field service management
Sells into regulated / compliance heavy workflows	• **Regulation / compliance forces hard requirements and edge cases** that slow down generic AI entrants and make "last-mile" coding difficult to replicate • **High-risk and regulated environments drive operational risks** and switching costs, favoring proven incumbents	Bank / Finance Public sector
Combining software with hardware and/or managed services	• **Integrated offerings enable ownership of both how data is generated and how work is performed across the workflow,** strengthening ownership of the end-to-end workflow • **The integrated software–hardware–service mix creates operational dependency beyond the application layer**, improving value propositions and increasing switching costs	Energy management & smart infra Healthcare diagnostics & monitoring

Sources: Strategy& analysis

The recent shift in valuations does not meaningfully distinguish between AI-defensible companies and the broader BVP index

Median EV/1-yr forward sales multiples of AI defensible companies vs broader BVP index



BVP 'AI defensible index'

- We identified the ten most AI-defensible companies in the BVP Nasdaq Emerging Cloud Index based on four key resilience characteristics
- AI resilient companies command premium valuations, consistently trading at higher multiples than the rest of the index
- **The recent shift in valuations does not meaningfully distinguish between AI-defensible companies and the broader BVP index**, despite our view that some players are better positioned to capture larger value pools in the AI era

Sources: S&P Capital IQ, PwC Strategy& analysis

The Nordic team brings broad and deep experience across the wider B2B software landscape, backed up by global centers of excellence

Strategy& - Core Nordic B2B Software team

Main authors and contributors

Anders Brun
Managing Partner, Oslo
Email: anders.brun@pwc.com
Tel: +47 982 04 010

Jussi Lehtinen
Partner, Helsinki
Email: jussi.lehtinen@pwc.com
Tel: +358 50 300 1174

Erik Wall
Partner, Stockholm
Email: erik.wall@pwc.com
Tel: +46 70 929 31 25

Milos Lørup Bartosek
Partner, Oslo
Email: bartosek.milos@pwc.com
Tel: +47 952 60 758

Jørgen Frost Bø
Senior Manager, Oslo
Email: jorgen.f.bo@pwc.com
Tel: +47 974 10 730

Thomas Nilsson
Senior Manager, Stockholm
Email: thomas.nilsson@pwc.com
Tel: +46 70 359 12 13

Jakob Grønli
Manager, Oslo
Email: jakob.gronli@pwc.com
Tel: +47 901 45 351

Anders Pay Eriksen
Associate, Oslo
Email: anders.pay.eriksen@pwc.com
Tel: +47 95 99 40 46

Emil Clemensson
Associate, Stockholm
Email: emil.clemensson@pwc.com
Tel: +46 70 354 22 72

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