



## **DCP Debrief: Don't Write the SaaS Obituary Yet**

*March 13, 2026*

### **A Slow and Then Sudden Death for SaaS?**

You have likely encountered a new term over the past several weeks: the "SaaSocalypse." (Though we think "SaaSacre" has a better ring to it.)

The software displacement thesis has been building for over a year. AI investment has skyrocketed, increasing from \$121 billion (23% of all VC funding) in 2022 to \$270 billion (53% of all VC funding) in 2025. The BVP Nasdaq Emerging Cloud Index (EMCLOUD) was already down 19%, and forward revenue multiples had compressed from 6x to 4x between the start of 2025 and January 30, 2026, before the Anthropic announcement dropped.

But what started as a quiet Friday release on January 30th, when Anthropic posted a set of open-source plugins for its Claude Cowork agentic AI platform on GitHub, turned into a software market rout by Monday. Legal technology and data services stocks were hit first. By Tuesday, Thomson Reuters dropped 16% and RELX, parent of LexisNexis, fell 15%. The sell-off reflected a sudden belief that if a generalist AI model could replicate core software workflows, then the specialized, high-margin businesses these companies built over decades were structurally impaired.

The damage cascaded quickly. Over the following two weeks, enterprise software companies such as Salesforce dropped 16%, Workday plunged 19%, and even Microsoft fell more than 10% – aggregating into the EMCLOUD falling an additional 17%. The software market has since clawed back some of these losses, but sentiment has fundamentally shifted.

### **What DCP Is Actually Seeing**

At District Capital Partners, we sit at the intersection of technology M&A and private equity deal flow. Plenty has been written about the SaaSocalypse, but we wanted to share what we are actually seeing in the deal market. The short version: some headwinds, but nothing that warrants writing an obituary for SaaS, especially across the board.

- *Regulation-related and specialized industry software are still seeing significant buyer interest.* The cost of error or the specific domain expertise in categories such as GRC and GovTech is substantial, so customers underwrite to predictability. AI is supplementing these platforms, not replacing them.
- *Quality assets are still attracting interest, but at lower multiples.* Platforms that might have drawn 8-10x revenue interest a year ago are now seeing 6-7x conversations. Buyers are not walking away but are evaluating deals more critically and are pricing in the risk of uncertainty or at least taking advantage of it. For sellers, the window is open, but the price of hesitation is growing.
- *Private credit for software has tightened, but deals are still closing.* Lenders want tighter covenants, stronger equity contributions, and clearer cash flow coverage. The capital is there for quality assets, but it is just harder to access for anything that does not check the right boxes.
- *Generalist and specialist funds are diverging.* A few generalist PE funds have moved to the sidelines on software, hesitant to underwrite a category under this much narrative pressure. Dedicated tech and software specialist funds, however, are still executing selectively. Platform deal flow has slowed but remains active, though debt financing for new platforms is tighter.
  - Add-on M&A appetite for software specialist funds remains robust, though it has pivoted toward targets with a clear AI angle as opposed to non-AI product expansion or consolidation angles.
  - Software acquirers are trying to separate winners from losers. The fundamental question in every diligence process right now is whether a given platform is exposed, insulated, or will benefit from AI. That is a nuanced, company-specific question which is driving more rigorous analysis.
- *AI enthusiasm has matured from reflexive to disciplined.* A year ago, any company with "AI" attracted attention automatically. That attention remains very high, particularly for AI point solutions that can accelerate product roadmaps (often for new table-stakes capabilities such as document review, automated intake, etc.) to augment the companies' core software offerings. However, buyers now want to deeply understand what they are buying and if these AI products can translate into durable monetization as opposed to headline announcements.
- *Software fundamentals remain robust.* Many software targets we are evaluating for clients or preparing for sale have strong retention (GDR >90% and NDR >110% for enterprise) and healthy pipelines. While some metrics like retention are backward-looking, the numbers do not point to an industry in freefall.

### **Key Takeaways**

The net of what we are seeing is a slight slowdown, but not nearly as severe as the headlines suggest. Platform M&A is slowing, and the multiples buyers are offering are compressing, but add-on M&A remains robust in both deal flow and valuations. We are finding that companies that can articulate and demonstrate a credible AI story and resilience to substitution risk will command meaningfully better outcomes.

We remain cautiously optimistic as recurring revenue, high gross margins, and predictable cash flows have not evaporated. The bar buyers set is higher, but the opportunity for well-positioned businesses is still substantial.

### **How We Can Help**

Whether you are a software business owner evaluating a potential sale, a PE sponsor looking to deploy capital into the dislocation, or an investor reassessing your existing portfolio in light of these dynamics, we would welcome the conversation.

District Capital Partners advises on both buy-side and sell-side M&A for technology and tech-enabled services companies across the middle market. We work with both private equity sponsors and founder-led businesses.

If any of the themes in this report are relevant to your situation, please reach out to us at [mlynch@dcp.com](mailto:mlynch@dcp.com) or visit [www.dcp.com](http://www.dcp.com).