

Agentic AI

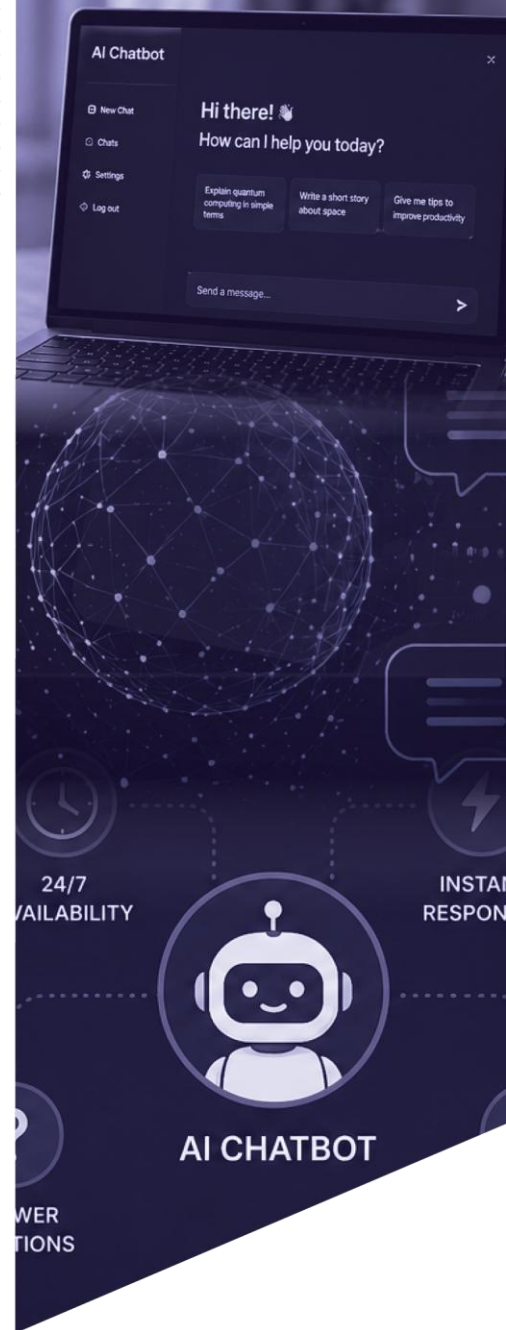
2026 Outlook

Disrupting the \$700 Billion Application-Software Industry

Artificial intelligence agents are poised to reshape the application-software market, with lower barriers to software creation, growing competition, gross-margin pressure and weakening software-as-a-service moats setting the stage for a volatile period for the industry. As enterprises adopt agent-driven workflows, pricing models will shift from seat-based subscriptions toward usage- and outcome-based structures, challenging the recurring-revenue framework that has defined SaaS for two decades. Category leaders from Salesforce and ServiceNow to HubSpot and Intuit face differing degrees of risk to their low-teens growth profiles, high gross margins and stable backlog visibility. The resulting margin pressure, competitive intensity and moat erosion increase the likelihood of valuation compression, consolidation and industry exits.

- **Business Model Overhaul Ahead:** AI is rewriting application-software economics by pushing pricing from seat-based subscriptions toward outcome- and task-based models, disrupting predictable annual recurring revenue (ARR) growth tied to user expansion.
- **SaaS Moats Threatened:** As AI model providers move up the tech stack from reasoning engines into orchestration, frameworks and application functionality, some SaaS vendors, such as HubSpot, Klaviyo, ZoomInfo and GoDaddy, risk being displaced. Moats built on user interfaces, workflow control and light integration lock-in face structural pressure.
- **Broad-Based Pullback, Uneven Impact:** Though the application-software industry faces widespread upheaval, certain areas such as systems-of-record, vertical software and engineering platforms should prove more resilient, positioning companies like Cadence, Procore, SAP, Samsara, Synopsys, Veeva and Workday more favorably.

Featured in This Report: Bloomberg Intelligence's AI Agent Building Activity Index gauges the level of developer activity in building agents, serving as a proxy for their introduction across enterprise applications like marketing, customer service, financial operations and human resources. [BI's AI Risk & Opportunities Matrix](#), in Section 8 and on the Terminal at BI ASFTG <GO>, identifies companies that are threatened by the disruption as well as those positioned to benefit.



April 29, 2026

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More detailed analysis and interactive graphics are available on the Bloomberg Terminal

Section 1. Executive Summary

1.1 AI Remaps Application Software's Road to \$1.8 Trillion

\$280 Billion

Interface-heavy app
spending at risk from AI

156 Million

Claude Code downloads
from July to January

58%

Enterprise application-
software AI adoption by
2037, according to IDC

The application-software industry faces significant disruption as AI agent adoption accelerates across enterprise functions from marketing to finance, enabled by advances in agentic coding, orchestration frameworks and emerging interoperability standards. In turn, a two-decade-old recurring-revenue model reliant on seat-based subscriptions is giving way to usage- and outcome-based pricing. Companies with vertical products (Veeva, Procore) or engineering tools (Cadence, Synopsys), and large caps with deep integration (SAP, Microsoft) are among those best positioned to navigate these changes and benefit from software's automation of human labor.

Key Research Topics:

- **Software Market Restructuring:** The application-software market is on track to reach \$1.8 trillion by 2035, a 10.7% CAGR from 2025, but it faces a restructuring as AI agents ramp up. Outcomes-based pricing might grow at a 30% compound annual rate to account for 60%, or \$1.05 trillion, of the application-software market, compared with 2% for subscriptions.
- **Front-Office Leads, Engineering Lags:** Adoption is accelerating fastest in front-office applications such as marketing, sales and customer service, where workflows are language-heavy and repetitive. In engineering domains, integration is more incremental and assistive, given higher accuracy requirements and deeply embedded system architecture.
- **Agents Building Agents:** Coding agents help build other agents, speeding software production. As barriers to building intelligent workflows fall, SaaS vendors face rising competition from model providers, startups and their own customers. The 39% (\$280 billion) share of the market that leans toward probabilistic functions faces the most direct threat.
- **Gross Margins Under Pressure:** Agent-driven software introduces significantly higher variable costs through model inference and orchestration layers, weakening profitability. Gross margins could narrow 100-900 basis points, depending on the level of agent use.
- **Valuation Compression Risk:** As AI upends pricing models, weakens moats, accelerates competitive entry and pressures gross margins, the fundamental drivers of premium SaaS valuations – recurring revenue stability and high margins – will come under pressure.

Performance and Valuation

The S&P 500's Application Software Index fell 24% this year through April 27 vs. gains of 4.7% in the S&P 500 Index and 6.8% in the Nasdaq 100, while the subsector's P/E ratio of 23.9x topped the broader benchmark's 21.8x. A basket of 50 application-software makers is also down 24%, with front-office providers sliding 30% vs. back-office peers at 26% and the overall software industry at 21%. The top performers are from the engineering software segment (down 13% in dollar terms), led by Cadence (down 5%), PTC (10%) and Synopsys (17%). Application-software valuations trail other software segments, like infrastructure software, and may stay near all-time lows. The group trades at 3.8x forward price-to-sales – well below its 10x average over the past decade – as well as 16.2x price-to-free cash flow and 19.3x price-to-earnings. Shopify was valued highest, at 67.5x forward earnings, and ZoomInfo lowest, at 5.5x.

Section 2. Catalysts to Watch

A Transition Year for Application Software

AI agents are becoming embedded within enterprise workflows, marking 2026 as a transition year. Application-software vendors' near-term AI monetization will likely be limited as they develop and deploy agent portfolios and experiment with hybrid pricing models that blend subscription-, consumption- and outcome-based structures. Throughout the year, we expect leading large language model providers such as Anthropic, OpenAI and Google to introduce capabilities that extend into workflow and task-level functions. The resulting competitive overlap with traditional SaaS vendors will likely increase uncertainty around the durability of growth, margins and valuation multiples.

Critical Milestones:

- **2026:** Anthropic and OpenAI expand into workflow and application-layer functionality, heightening competitive overlap with SaaS vendors. OpenAI could introduce a rival to Claude Cowork.
- **Mid-2026:** Business updates on major SaaS vendor-cloud partnerships, such as Salesforce-Google and ServiceNow-Anthropic, should provide insights into enterprise adoption, monetization and deployment scale.
- **September 2026:** HubSpot's analyst day will likely spotlight its agent portfolio's momentum, including conversion and attach rates across its 290,000-customer base.
- **September 2026:** Intuit's analyst day could highlight AI monetization in new tax segments for the company – business and assisted. QuickBooks, its business accounting solution, will be a litmus test on the durability of mid- to high-teens sales growth in the AI era.
- **October 2026:** OpenAI's DevDay could yield some business-facing agent solutions or a formal vertical agent offering.
- **January-February 2027:** AI's pricing impact may be tracked in full-year earnings reports for HubSpot, Klaviyo, Salesforce, Workday and other application-software vendors. Key indicators include the percentage of new bookings on outcome pricing, changes in contract duration and backlog visibility, inference costs' impact on gross margins and average revenue per customer trends as agent consumption rises.

Section 3. AI Agents

Agentic AI Rewrites \$700 Billion Software Market

Demand disruptions in the \$700 billion application-software market are set to deepen as AI-agent development accelerates. Advances in agentic coding tools such as Claude Code and Cursor, more capable reasoning models from Anthropic, Google and OpenAI, and easier integration with data and software are speeding deployment. Our proprietary agent-building activity index rose 51% month over month in March.

3.1 Beyond Chatbots, Executing Tasks

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LLMs, SaaS providers and large companies are building AI agents

AI agents are software that can interact with external systems, such as databases, to complete tasks using large language models (LLMs) and tools while considering user preferences and constraints. Actions might include executing code, retrieving data and interacting with other software through application programming interface (API) calls.

A tool can be a search engine, a weather API, a RAG (retrieval-augmented generation) system or software. The AI agent's brain is an LLM like ChatGPT, where thinking, reasoning, planning and tool choice occur. The body of an AI agent carries out actions by invoking available tools, while its memory is established by accessing a database and using a search function to query it.

Workflows define when to act, what steps to follow, which tools to call and how outputs are structured. An AI agent's workflow can start with an inbound request. Asking it to book a flight, for example, triggers the agent's LLM to map out a plan: Find flights, compare them, select one and book it. The LLM then calls APIs covering flight searches, calendars and payments to gather data.

Since LLMs forget the current conversation, agents add memory layers. Short-term memory saves booking details such as user seat preferences. Other layers include long-term (persistent storage), episodic (past interactions for context) and vector stores (embeddings in databases for semantic search).

LLMs made huge strides in intelligence in 2025, shifting the focus to AI agents' ability to access tools and data in business applications. We see software as a service as a major distribution channel for specialized agents, with SaaS providers embedding them directly into business workflows. Corporations are also introducing specialized agents – albeit at a slower pace – via platforms such as OpenAI, Anthropic, Amazon.com, Microsoft and Google.

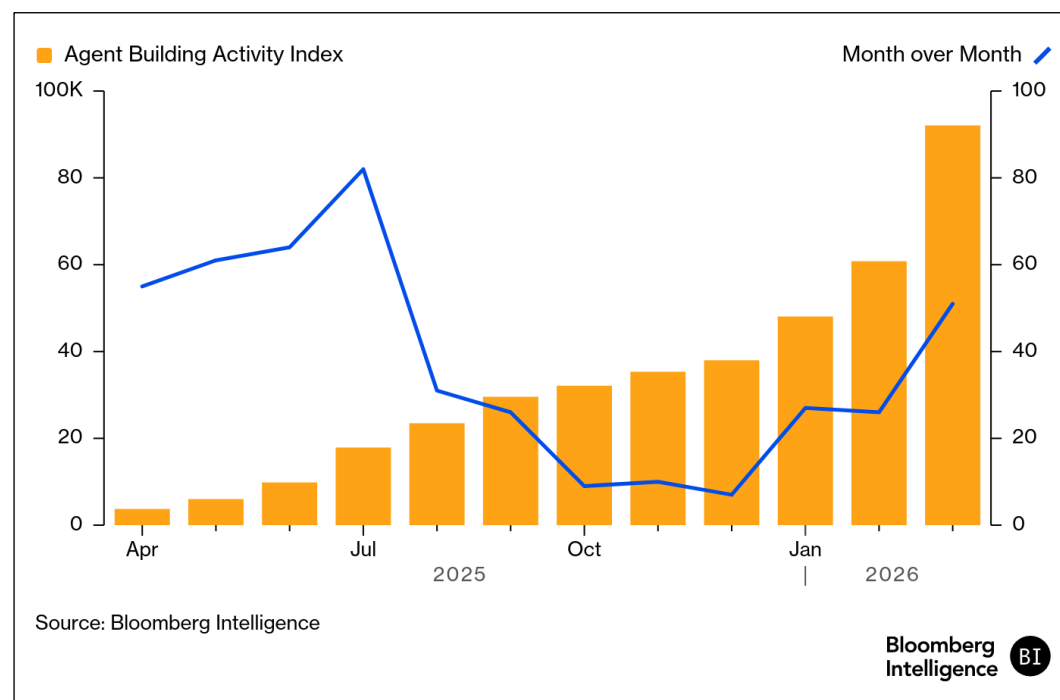
Major improvements are being made to interfaces, permissions and auditability through the introduction of Model Context Protocol and orchestration frameworks. Developer demand is surging across these building blocks, as seen in agentic coding downloads (Claude Code and Cursor) and the use of MCP and orchestration install packages such as LangChain and CrewAI.

With our index of AI agent-building activity (Figure 1) showing no sign of deceleration in early 2026, we expect agents to disrupt the \$700 billion application-software industry for years.

Figure 1: AI Agent Building Activity Index, MoM Growth

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AI agent building activity surged in mid-2025



3.2 Coding Agents Speed Everything Up

Coding agents are a key multiplier in bringing AI agents to market faster. A new wave of agentic coding, where AI autonomously plans, executes and verifies code, is disrupting how software is built. As coding agents' capabilities ramp up, we expect an acceleration in agent production for business apps, from finance and marketing to customer service.

AI agents are now doing much of the software work required to create, connect and operate AI systems – assembling working AI products rather than just writing code. As the bottleneck shifts from model intelligence to integration and reliability, tools like Anthropic's Claude Code, Anywhere's Cursor and Replit are pushing adoption forward.

These coding agents are reducing failure modes and time-to-market for production-ready AI agents by helping developers tackle setup, integration, orchestration, reliability and observability. Agentic coding represents a step beyond copilots, performing junior developer-like tasks. Coding agents can already handle application scaffolding – repo structure, configurations, SDK wiring and UI setup or integration – as well as API wrappers, database access and app connections.

LLMs are improving AI coding agents' performance with a step-change in reasoning. As Figure 2 shows, Anthropic, Google and OpenAI have cleared the 75% solve rate – the percentage of GitHub issues resolved correctly. Both LLMs and the agent scaffolding are factors in the so-called SWE-bench score, which measures an AI system's ability to fix a real bug reported on GitHub, a cloud-based platform for hosting, managing and collaborating on software-development projects.

Downloads of AI coding agents like Claude Code or Cursor indicate 2025 marked an inflection point, as seen in Figure 3. Claude Code downloads exceeded 20 million a month in the six months through January, surging from less than 1 million in each of the first three months of last year.

Claude’s command-line tool explores a repository (a project’s home folder), answers questions and proposes edits. It covers workflows at all stages, including building, debugging and shipping, and is favored by senior developers seeking to automate basic tasks.

BI
Benchmark shows AI problem solving has dramatically improved

Figure 2: Foundational Models' Software Benchmark Scores

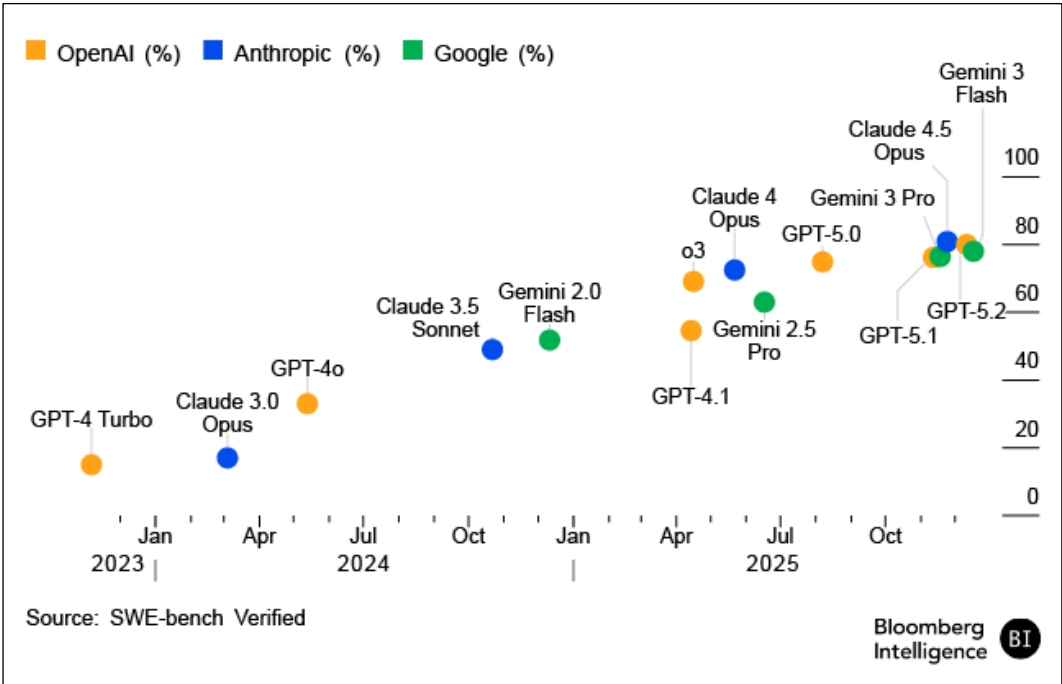
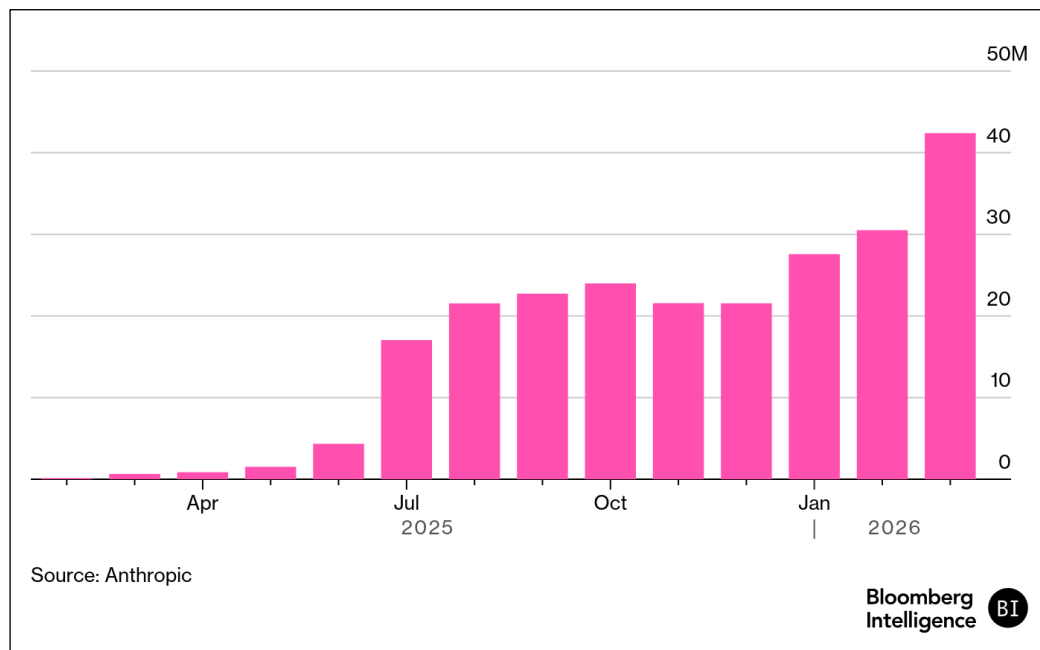


Figure 3: Claude Code Downloads

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Claude downloads topped 20 million a month since August



3.3 Replit Pushes Vibe Coding; Cursor Use Accelerates

The multi-model AI agents from companies like Anysphere and Replit allow users to choose between third-party foundational models for different tasks. Replit's agent covers the full scope of an application: It writes the front end for the client, sets up the back-end server, configures the database and deploys it. It draws on multiple LLMs, including Google's Gemini 3, Anthropic's Claude 3.5 and 4.5 and its own fine-tuned models for code completion.

Replit's workspace combines an IDE (integrated development environment), a hosting provider and an AI agent, and runs the IDE in Google Cloud – a unique approach. The company targets 14-fold growth in annual recurring revenue from March 2025 through 2026, to \$1 billion, driven by improved model performance.

Anysphere's Cursor has an edge when the buyer is an engineering team and the workflow is repo-first: centered on diffs (before and after code changes), refactoring, code review and tight test loops within the IDE. Cursor offers an AI-native code editor, and its low-latency foundational model, Composer, is trained with Cursor's tools. Active users exceeded 2.1 million in January, more than doubling from a year earlier.

These coding agents are tackling a broad spectrum of software-development tasks, from building websites and automating workflows to making other agents. The tools are expanding the developer community to non-developers and accelerating time to completion for senior developers. Yet they have their limits and can fail because of coordination, sequencing and rollout complexity.

Moving a SaaS platform from "per-seat" to "usage-based" billing is one example of a change that takes place across multiple services with complex dependencies. Cooperation is required

between the provider’s database and schema, back-end APIs for billing and product services, front-end user interface, infrastructure and data pipeline and migration plan.

Software companies will likely continue to highlight gains in "code shipped" or developer productivity due to AI. However, profit or revenue leverage won’t be realized in the near term, with most companies still in an early development and deployment phase. On the bottom line, we expect a period of net-neutral investment, with reduced non-AI spending and head count offsetting higher AI development costs.

Figure 4: AI-Agent Technology Stack

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Some vendors operate at multiple levels of the AI agent tech stack

Layer	What It Does?	Leading Vendors
User Interface	Chat apps, enterprise agent, voice assistants	OpenAI (ChatGPT), Microsoft (Teams), Salesforce (Slack), ServiceNow
Orchestration Frameworks	The "manager" that lets AI plan steps, use tools, and loop until a task is done	LangChain (LangGraph), CrewAI, AutoGen, OpenAI Agents SDK
Foundational Models (LLMs)	The "brain" of the agent - understands language, reasons and decides what to do	OpenAI (GPT), Anthropic (Claude), Google (Gemini), Meta (Llama), Mistral
APIs (External Systems)	Ways for the agent to interact with software (CRM, ERP, payments)	Salesforce, Stripe, SAP, ServiceNow, Shopify
Memory (Short-term)	Remembers what just happened in the conversation	Built into most LLM platforms
Memory (Long-term)	Stores knowledge over time (preferences, past interactions, documents)	Pinecone, Weaviate, Chroma, Milvus
Vector Databases	Special databases that store knowledge in a way AI can "search by meaning"	Pinecone, Weaviate, Qdrant
Retrieval-Augmented Generation (RAG)	AI looks up trusted info before answering	LlamaIndex, LangChain, OpenAI
Observability & Monitoring	Tracks what the agent did and why; Detect problems, prove compliance	LangChain (LangSmith), Arize, Weights & Biases, Datadog, Dynatrace, Langfuse
Deployments & Hosting	Where the agent runs (cloud, private servers)	AWS, Azure, Google Cloud

Source: Bloomberg Intelligence

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3.4 MCP: New Protocol Eases AI Connections

A key factor in accelerating AI agents’ spread is LLM providers’ broad adoption of Model Context Protocol (MCP), which is becoming the open-source standard for connecting systems and tools. By cutting the cost of bespoke integration and switching costs, MCP weakens integration moats for SaaS suppliers like HubSpot and Salesforce while shifting differentiation toward proprietary data.

MCP downloads reached 62 million in December, soaring from 83,000 a year earlier, as software developers sent downloads up 90% month over month on average over the past 12 months.

Agentic-coding releases from Cursor 2.0 (October), OpenAI's Codex (May 2025) and Anthropic's Claude Code (February 2025) were major drivers of higher MCP use, enabling agents to better reason across tools and context.

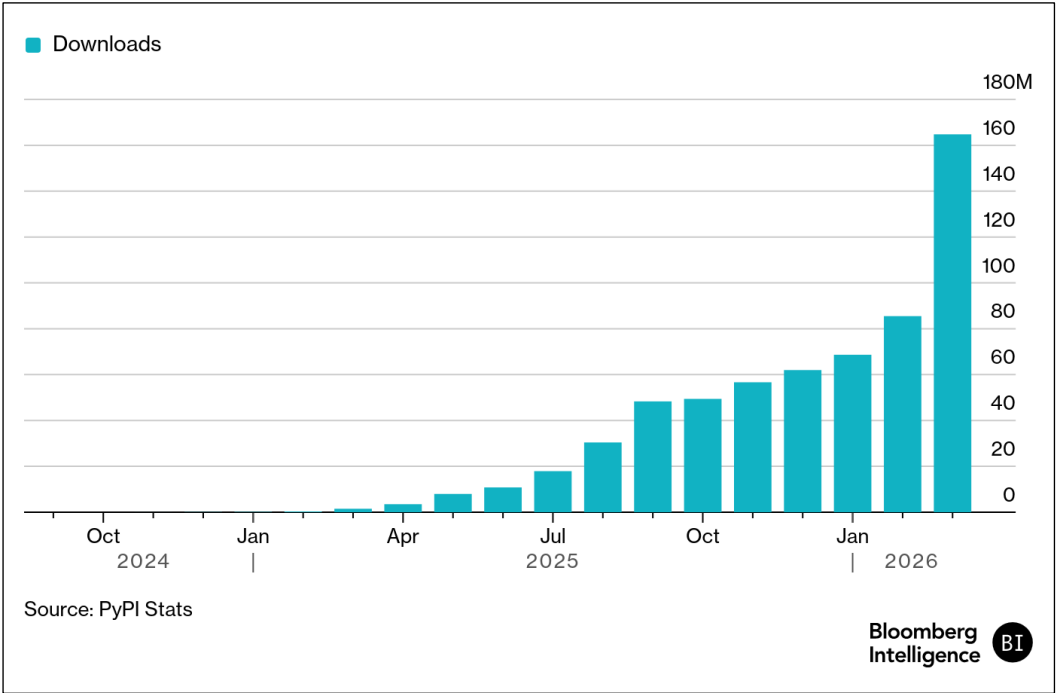
MCP lets foundational AI models connect with data sources, APIs, apps, websites, system of records and other tools in a standard way. As AI agents were being introduced in 2023, Anthropic, OpenAI, Google and others developed incompatible tool-calling formats. That created a challenge for developers, since every agent system required custom connectors for each data source.

Anthropic solved that problem with the public release of MCP in November 2024. It's now managed as an open-source standard by the Agentic AI Foundation. MCP was released with software-development kits in Python, TypeScript, C# and Java. An application or agent can connect a single MCP client to multiple MCP servers associated with a data source, app or tool provider such as Canva, HubSpot or Google Analytics.

Figure 5: MCP Downloads

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MCP downloads showed no slowing through January



The productivity of coding agents comes from tool access and orchestration, not the language model alone. MCP standardizes communication between agent hosts and external tools. The host, an application or agent such as Claude Desktop, typically maintains a tool registry and exposes available tools on a server (like a local file system or GitHub) to the LLM for selection.

As illustrated in Figure 6, the MCP client sits in the host and is the software layer that knows how to discover, describe and execute tools through third-party MCP servers. The protocol is transport-agnostic and focuses purely on the interoperability layer; permission enforcement is handled by the host and the server.

When an agent expresses intent – say, "find inactive leads" – the MCP client translates that into a structured, standardized format that any MCP-enabled application can understand. Each application, connected through an MCP server or adapter, interprets the request in its native API or schema and executes it.

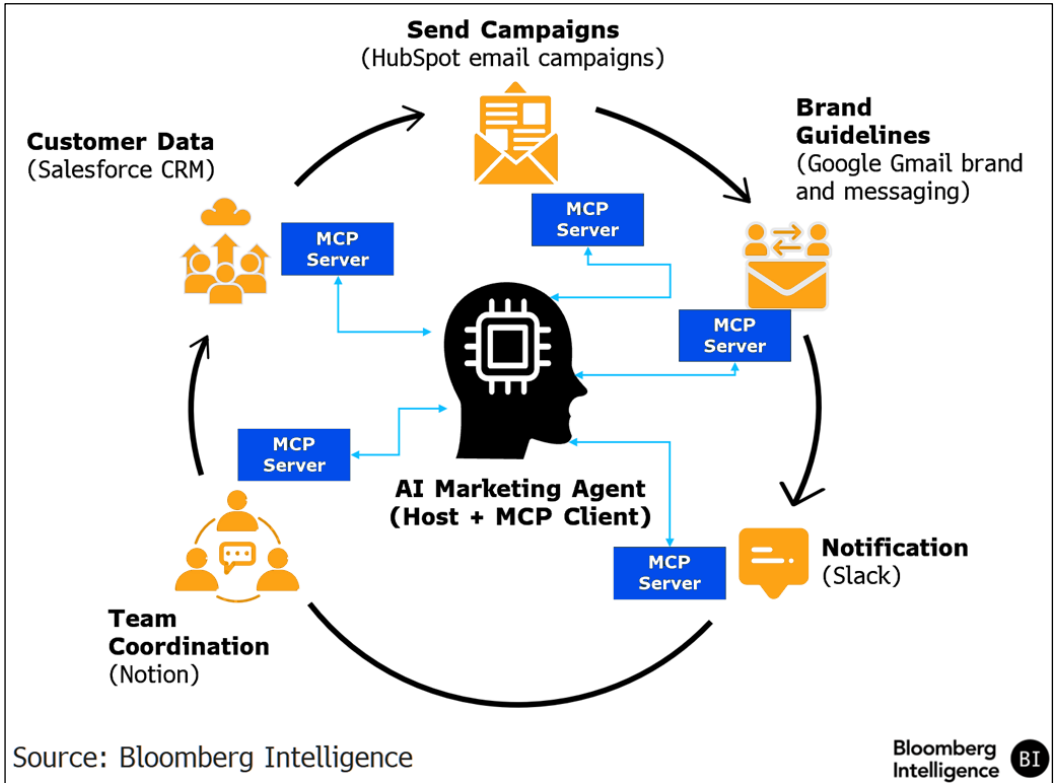
Before MCP, model-to-application wiring relied on custom integrations that were brittle, hard to reuse and didn't scale well. In the early ChatGPT era, tools were integrated through ChatGPT-specific plug-in manifests tightly coupled to a single model and ecosystem.

Using MCP simplifies integration, lowers engineering costs and enables AI agents to orchestrate workflows across multiple systems. The modern marketing stack, for example, spans dozens of API categories, including content generation, analytics, customer data, advertising platforms, orchestration tools, real-time data streams and machine-learning services.

Without MCP, building a marketing agent might require five separate software-development kits, authorization systems, schema definitions and maintenance pipelines. MCP collapses that complexity into a single protocol layer.

Figure 6: Marketing Agent With MCP Protocol

BI
MCP servers
translate directions
into standardized
format



3.5 Orchestration Frameworks: Organizing AI Agents

The traditional IT-automation stack, from user interface to deployment, needs to be redesigned for AI agents, which diverge from older rules, scripts and deterministic workflows. By standardizing integration and separating orchestration from the LLM, developers gain flexibility and reduce vendor lock-in to providers like Anthropic, OpenAI or Google.

Software coding in practice requires a lot of coordination among tools, moving between the source-code repository and continuous integration systems that automatically run tests and security checks when code changes. Companies such as LangChain, LlamaIndex and CrewAI have emerged as leading developers of orchestration frameworks, which coordinate models, tools, data and control flow into a reliable and repeatable AI loop, turning an LLM into a working app.

Before frameworks like LangChain, agentic applications were built using direct software-development kit (SDK) calls, custom code, workflow engines or rule-based pipelines. In the new workflow, a user submits input through a user interface, and the orchestrator acts as the controller, constructs messages for the LLM, interprets tool requests, validates permissions, executes tools, appends results to the conversation, records logs and enforces policies. The orchestrator repeatedly invokes the model with updated context until the task is completed, a step limit is reached or escalation is needed.

By keeping tools outside the model, so-called allow lists can be enforced ("access only these APIs"), per-user permissions applied, sandbox code executed and logging and auditing controls implemented. Model-native approaches increase speed but deepen vendor lock-in to LLM APIs. Still, many enterprises may favor such systems for determinism, auditability and governance at scale.

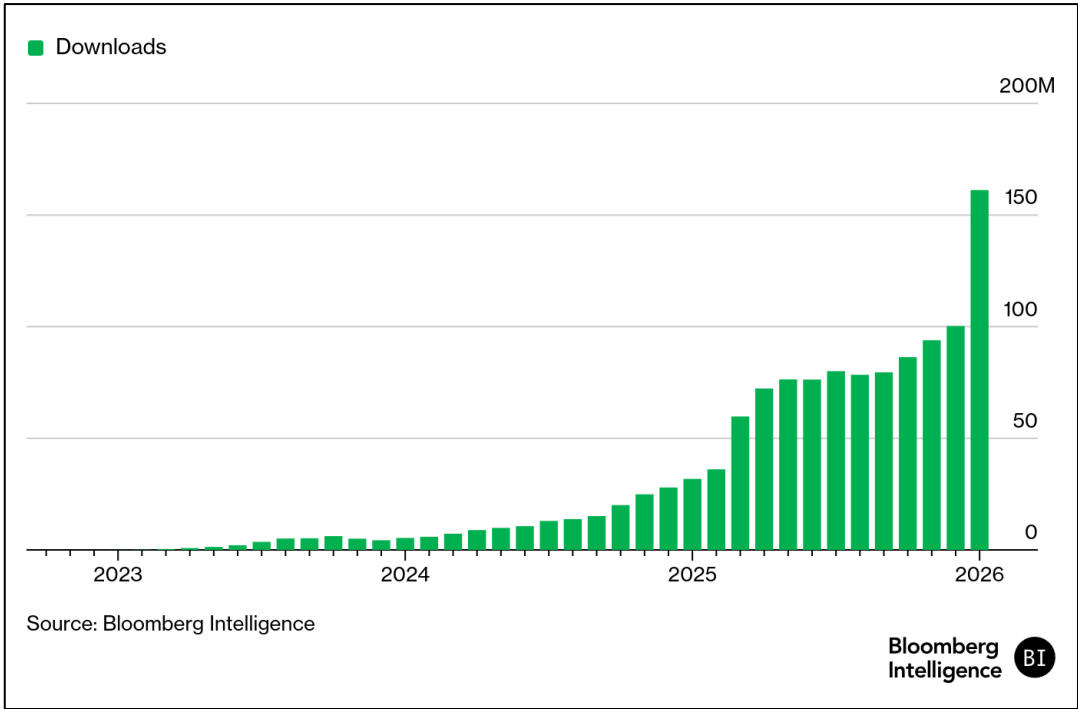
LangChain is a leading open-source framework for building AI agents and a good indicator of AI-agent development activity, whether from SaaS or platform providers. LangChain downloads reached 100.3 million in December, more than tripling from a year earlier. Similarly, downloads of Saab's CrowdAI, used to coordinate multiple agents, reached 3.5 million in January, up more than sixfold from a year earlier.

The multi-agent wave among developers and CrewAI's Python-first orchestration framework are also driving strong Python Package Index (PyPI) installs for the open-source software. PyPI is a centralized third-party repository of software libraries, modules and tools for the Python programming language.

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LangChain downloads serve as a proxy for developer activity

Figure 7: LangChain Downloads



Section 4. Software Market Outlook

AI Adoption Uneven as Incumbents Retain Edge

The enterprise-application software market is about to be transformed by AI agents, but adoption will be uneven, with contact-center, salesforce and marketing apps seen shifting close to 100% by 2031, according to IDC. Customers' labor savings will be a key driver, with the greatest disruptions likely for companies like HubSpot, Klaviyo and ZoomInfo. Back-office apps like human resources and finance will take longer, sparing ADP, Autodesk and Intuit for now.

4.1 Deepening Existing Moats

The move to AI agents involves big investments across multiple technologies, beyond foundational models and generative-AI applications. So far, the development of AI technology has been most visible in cloud infrastructure and foundational models. Now, improving the context awareness of agents is a key theme, aimed at enhancing knowledge, memory capabilities and tool access.

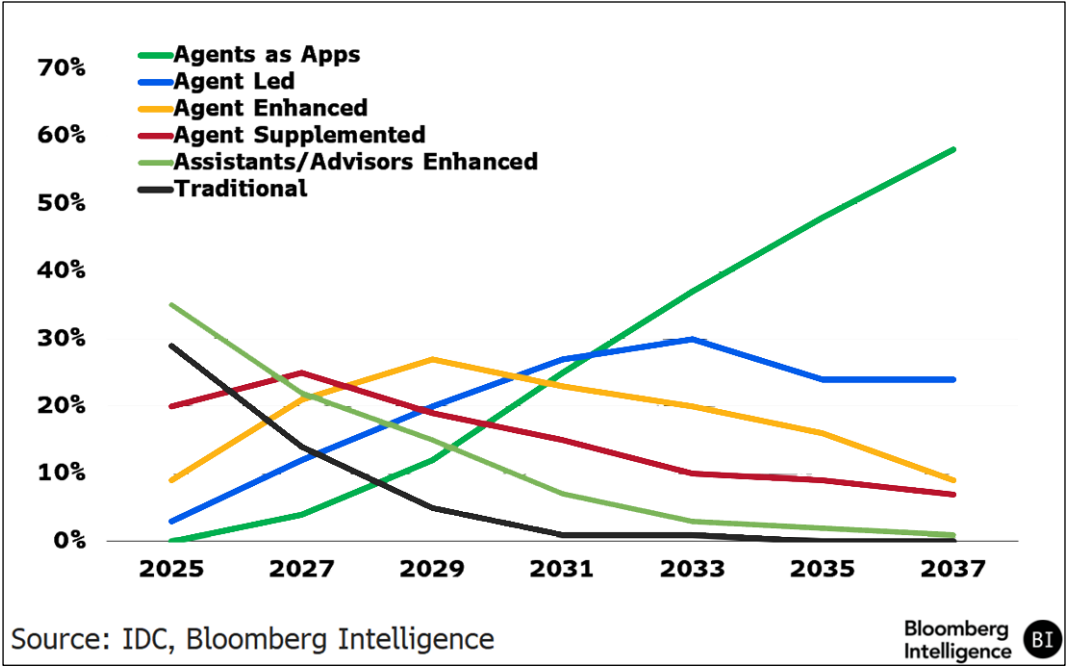
The \$700 billion application-software market should retain its value as AI takes on a greater role, with BI seeing a 10.7% CAGR to \$1.8 trillion by 2035. Though AI agents are set to upend SaaS economics, the largest opportunity isn't software, it's labor. The world's 1 billion knowledge workers represent a \$45 trillion global wage base. As agents take on workflows across HR, engineering, legal and health care, trillions of dollars could shift from wages to AI systems, benefiting the companies that provide them.

At just 5% penetration, AI agents performing business tasks - "digital labor" - imply a \$2.3 trillion total addressable market (TAM) globally, including \$452 billion in the US.

Figure 8: Enterprise Application Software - Move to Agents

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Agents as apps is the fastest-growing AI category



Disruption risk in the application-software categories listed in Figure 9 is most elevated for vendors with revenue models closely tied to seat count, products that are relatively simple and easier to replicate and in markets with broad access to open-source alternatives. Risk also appears greater for providers less exposed to regulated industries, where compliance and work-flow complexity can make replacement more difficult.

The largest software companies will likely expand market shares as net beneficiaries of AI, countering the narrative of massive disruption. The top 50 software providers had a cumulative market cap of around \$7.3 trillion at the end of 2025 and generated cash flow of \$154 billion.

We expect these incumbents to wield their financial strength to add AI capabilities from frontier model providers, use lower coding costs and their marquee brands to grab share from smaller vendors, and to sell more enterprise agreements to offset risks to seat-based models.

Software providers with high market share in their respective categories, such as Workday, SAP, ServiceNow, Shopify and Salesforce, have created ecosystems that we think are difficult to disrupt, offering custom integration between clients' internal systems. If multiple frontier models are available to such companies, we don't see their market share eroding in any meaningful way by 2030. However, that could change if one model emerges that's vastly superior to the others, and applications are built around it.

In the meantime, Fortune 2000 customers are unlikely to take risks with their core systems of record if incumbent companies can add agentic capabilities of their own. As IBM's mainframe and Oracle's database products have shown, demand can remain extremely sticky for decades despite high disruption threats.

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Contact center and marketing are among most at risk from AI

Figure 9: Software Market Size, Growth and Share by Apps

Software Applications	Market Size (\$Billion)	Growth (2020-2024)	Top Vendors (Market Share)
Contact Center	 \$14.2	+11% ▲	Genesys (16), Nice (15), Five9 (7), Avaya (7), Cocentrix (4)
Customer Service	 \$21.1	+14% ▲	Salesforce (39), ServiceNow (7), Zendesk (7), Microsoft (4), HubSpot (1)
Digital Commerce	 \$11.2	+16% ▲	Shopify (22), Salesforce (10), Adobe (4), BigCommerce (2)
Financial	 \$55.5	+11% ▲	Intuit (16), SAP (11), Oracle (5), Microsoft (3), Sage (3)
HCM	 \$41	+13% ▲	Workday (13), UKG (8), SAP (8), Oracle (6), Dayforce (3), Cornerstone OnDemand (3)
Marketing	 \$32.7	+16% ▲	Salesforce (13), Microsoft (6), HubSpot (4), Klaviyo (3), Intuit (3)
PLM	 \$3.9	+10% ▲	Siemens (27), Dassault Systemes (23), PTC (18), Oracle (7), Autodesk (5)
Procurement	 \$12.2	+12% ▲	SAP (27), Coupa (7), Docusign (3), Oracle (4), Jaegger (4)
Sales Force and Productivity	 \$21.1	+13% ▲	Salesforce (37), Microsoft (11), Oracle (6), HubSpot (3), Gong (1)
Source: IDC, Bloomberg Intelligence			

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Figure 10: AI Disruption Rank for Application-Software Peers

Company	AI Risk	Application	Disruption Potential
Asana	High	Project/Work Management	Task planning can be handled by AI inside Slack or Teams with minimal UI
Monday.com	High	Project/Work Management	AI can auto-generate workflows and track project status natively in productivity suites
Zoom	High	UCaaS (Video)	Summaries, transcription and scheduling can be bundled by platform players
ZoomInfo	High	Sales Intelligence / Data	LLMs can enrich leads; go-to-market data becoming a feature of CRMs/agents
Klaviyo	High	Ecommerce Marketing Automation	Email, SMS personalization is increasingly AI-native in commerce platforms
Mailchimp (Intuit)	High	Email Marketing	Writing, design and testing increasingly bundled in office suites and website builders
HubSpot	Medium	CRM and Marketing, Sales Suite	AI reduces manual campaign and content work, but HubSpot's data model is sticky
Adobe Experience Cloud	Medium	Marketing Cloud	Execution features commoditize, but first party data + integrations are strong
Salesforce Marketing Cloud	Medium	Marketing Automation	Copilot/LLMs can automate campaigns; Salesforce's data/integration moat helps
ADP	Medium	Payroll, HCM	Some HR workflows can be automated, but regulated payroll is sticky
Dayforce	Medium	Payroll, HCM	Regulated payroll protects core; AI trims support/admin layers
Autodesk	Low	CAD, PLM, AEC	AI aids design, but regulated and complex engineering persists
Workday	Low	HCM, Finance	System-of-record with heavy compliance and process control
Veeva	Low	Vertical SaaS (Life Sciences)	Industry-specific compliance and data models protect moat
Procore	Low	Vertical SaaS (Construction)	Ties to field ops and specialty workflows blunt pure AI displacement
Samsara	Low	Vertical SaaS (IoT, Operations)	Physical sensors + telematics create a hardware-software moat

Source: Bloomberg Intelligence

Bloomberg Intelligence BI

The software industry's shift to agentic AI will somewhat mirror the journey to SaaS from licenses, with gross margin declining but addressable markets expanding, along with lower operating costs and higher revenue per employee. Software companies are already increasing productivity as hiring lags behind sales growth. For example, ServiceNow's head-count growth-to-sales growth ratio fell to 0.58 in 2023-2025 from 0.84 in 2016-2019, as sales per employee jumped to \$478,000 in 2025 from \$317,000 in 2016.

Enterprise-software providers are already offering AI agents, as seen in Figure 11. A steady decline in coding costs could push some of the companies to go down-market and release "lite" versions of their core products. Their brands, high level of trust and enterprise-level security could help

them take market share from hundreds of smaller vendors that target niche areas.

We also envision more product bundling and a greater focus on enterprise license agreements for larger corporations that include unlimited use of tokens, the fundamental units of data broken down into text by LLMs. Microsoft in May is launching an M365 bundle called E7, priced at \$99 a month per user – 74% higher than its E5 plan.

A bundled product from Salesforce might include multiple software clouds and unlimited token use. Similarly, Workday could combine its enterprise-resource planning (ERP) and HR products, including multiple add-ins for its larger customers. This pricing style will be harder to offer for smaller software vendors that have neither scale nor multiple products that they can sell as part of a suite.

Figure 11: SaaS Vendors' AI Agents

BI

SAP and Oracle seek to retain customers with AI brands

Vendors	AI Agent Brand	Scope	Type ^{1, 2}
GoDaddy	Airo.ai	Create online presence faster (domain/website, logos), create on-brand marketing campaigns , SEO optimization	Agentic
HubSpot	Breeze	Marketing : generate campaigns/content and optimize for conversion. Sales : prospecting/outreach help	Copilot, Agentic
Intuit	Intuit Assist	Accounting : explain numbers, recommend next steps in QuickBooks. Do for you - bookkeeping, invoicing, cash flow actions inside SMB workflows	Copilot, Agentic
Oracle	Oracle AI Agents	Embedded assistants across finance, HR, supply chain mgmt in the workflows. business-process automation inside Fusion workflows	Copilot, Agentic
SAP	Joule Agents	Automate SAP workflows end-to-end like procure-to-pay, service, finance operations	Copilot, Agentic
ServiceNow	Now Assist AI	IT, HR, customer service management workflows: answer employee questions, resolve incidents with playbooks	Agentic
Workday	Illuminate	role-based HR/Finance task completion; also pushing governance via agent system of record.	Copilot, Agentic
Zoom	Zoom AI Companion	Internal productivity : schedule meetings, summarize, draft, take actions across Zoom Workplace	Copilot
Note: 1. Copilot style - "ask, draft, summarize, explain". UI layer assistants embedded in the app 2. Agentic/action taking - "complete the task"			

Source: Bloomberg Intelligence

4.2 Systems of Record, Proprietary Data Offer Protection

Software companies with a system-of-record status and proprietary data are in the strongest position in the AI era. These areas include ERP, payroll, product-lifecycle management, electronic-design automation and construction software. Deep data history, compliance, audit trails, change control, design data and write-access provide support, but the sectors have varied values.

Though system-of-record data is seen as "proprietary" for software peers, the companies are processors of customers' data, not the owners. The data is proprietary to the system due to being stored in a vendor's schema, with links to permissions, integrations and deep history.

Customer relationship management (CRM), for example, is the operational database for revenue processes, integrated with other systems like marketing and controls write access. Yet it's more vulnerable to AI than ERP, since customer data is spread across billing, support and web analytics.

ERP is sticky because it's the financial system of record, has strong ties to regulatory controls and deep integrations in procurement and payroll. The \$104 billion CRM market is fragmented, led by Salesforce's 21% share, followed by Microsoft (5%), Oracle (4%) and Adobe, SAP and Shopify (3% each).

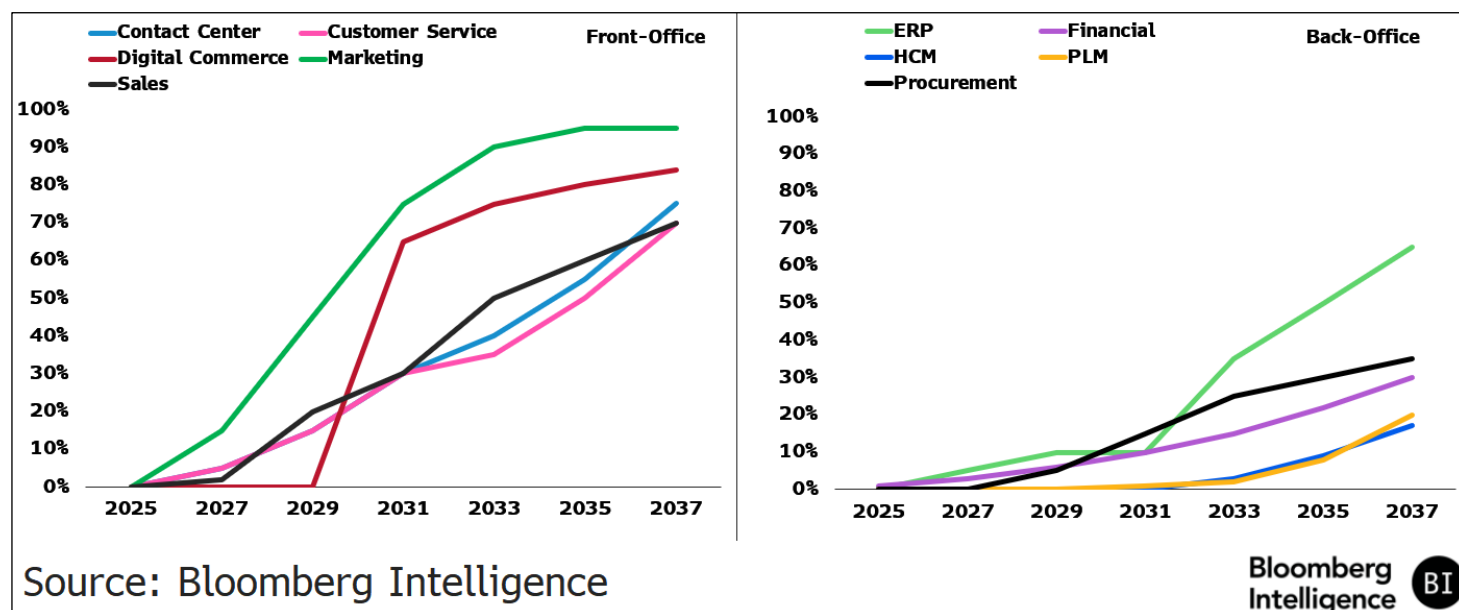
High volume, low operational risk and conversational interfaces make front-office software applications a prime target for AI agents. Significant scale is needed to rationalize the investment in AI-agent development and agentic systems, and customer-service tasks manage millions of inbound chats and calls or marketing campaigns for thousands of customers.

This contrasts with the biweekly runs of payroll or lower volume of expense reports. In terms of operational risk, a payroll or tax-compliance error carries a more negative outcome than an incorrect service-rep response or a less effective ad. Interactions in marketing and customer service are language-native, with processes being dialogue-based - a strength of LLMs. HR and finance tasks instead rely on form processing, data and rule-based checking.

Contact centers and marketing are the two areas of software applications where agents are set to take over 100% functionality by 2031, followed by 90% adoption for sales force and commerce. Manufacturing software, like product-lifecycle management (PLM), as well as human-capital management (HCM) and financial applications will progress more slowly due to legal, regulatory and compliance issues and lower volume.

Overall, 55% of enterprise-application software already includes some AI features, embedded in or enhancing traditional products. Agent adoption in 2025 was much lower, covering three categories: agent-enhanced at 9%, agent-led (3%) and agent as apps (0%), according to IDC. The enterprise-application software market may follow an S-curve as it evolves toward agents as apps. IDC projects a steady acceleration to 58% adoption by 2037 from 4% today. Inference costs are expected to decline 90% or more over the next few years, presenting a tailwind for software providers to offer AI agents at lower price points.

Figure 12: Agent as Apps Adoption Curves by Software Segment



4.3 Build or Buy a Risk-Management Decision

Companies will have a choice when trying to integrate AI into workflows: to buy from outside providers or build tailored solutions. Their decisions will be increasingly shaped by how risk is allocated across operational downtime, security exposure, vendor lock-in, price escalation, talent dependency, feature velocity, compliance burden and data sovereignty. Together, these factors determine total cost of ownership, execution risk and long-term flexibility.

Roughly half of the 130 chief information officers polled by IDC cited IT and customer service as the top three areas for the potential use of AI agents, as seen in Figure 13. Across ERP components like finance, accounting and order management, about 20% of IDC survey respondents said they plan to define and build their own AI agents. Though less than 37% are intent on using AI agents designed by application-software providers, it's still a meaningful number.

AI-first platform re-engineering may offer cost-saving opportunities, yet for large enterprises, the transition is likely to be multistep, multiyear and operationally complex. Its feasibility and economics hinge on factors like the existing tool stack, data-migration requirements, retention and privacy policies and the engineering resources needed.

Furthermore, overhead costs are unlikely to disappear. AI agents are inherently non-deterministic; they require persistent monitoring, quality control and risk signoffs in areas like regulatory compliance, uptime, security and governance. These responsibilities introduce steady operational costs that are unlikely to fade.

At the individual enterprise level, such costs could become meaningful, rather than being absorbed and managed at scale by larger SaaS platforms like Salesforce and ServiceNow. Buying those companies' software can reduce a customer's operating burden and accelerate

BI

Building AI in-house can raise operational and execution risks

deployment yet introduces provider dependency and greater exposure to pricing and road-map changes.

Building in-house offers greater control over pricing, data and architecture but typically increases operational and execution risk. The full cost is often understated, failing to capture the value embedded in SaaS providers' R&D scale, support infrastructure, user experience, quality assurance and integration breadth. It also may overlook talent costs and the opportunity cost of diverting engineers from core product innovation.

Our analysis suggests that, for small and mid-sized providers, SaaS platforms still offer better value for money than building and operating an in-house platform. That advantage may narrow as enterprises expand and spread fixed technology costs across a larger revenue base, gradually improving the economics of in-house development.

Figure 13: Business Areas for Agentic AI Focus

BI
CIOs target IT and customer service before legal and R&D

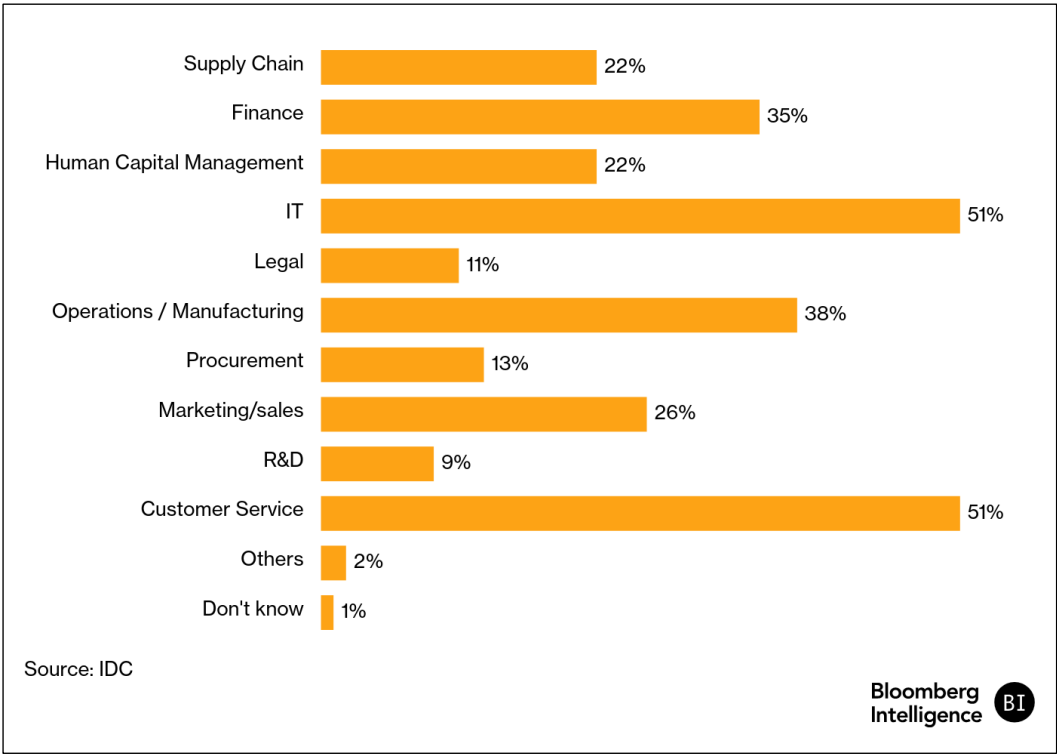
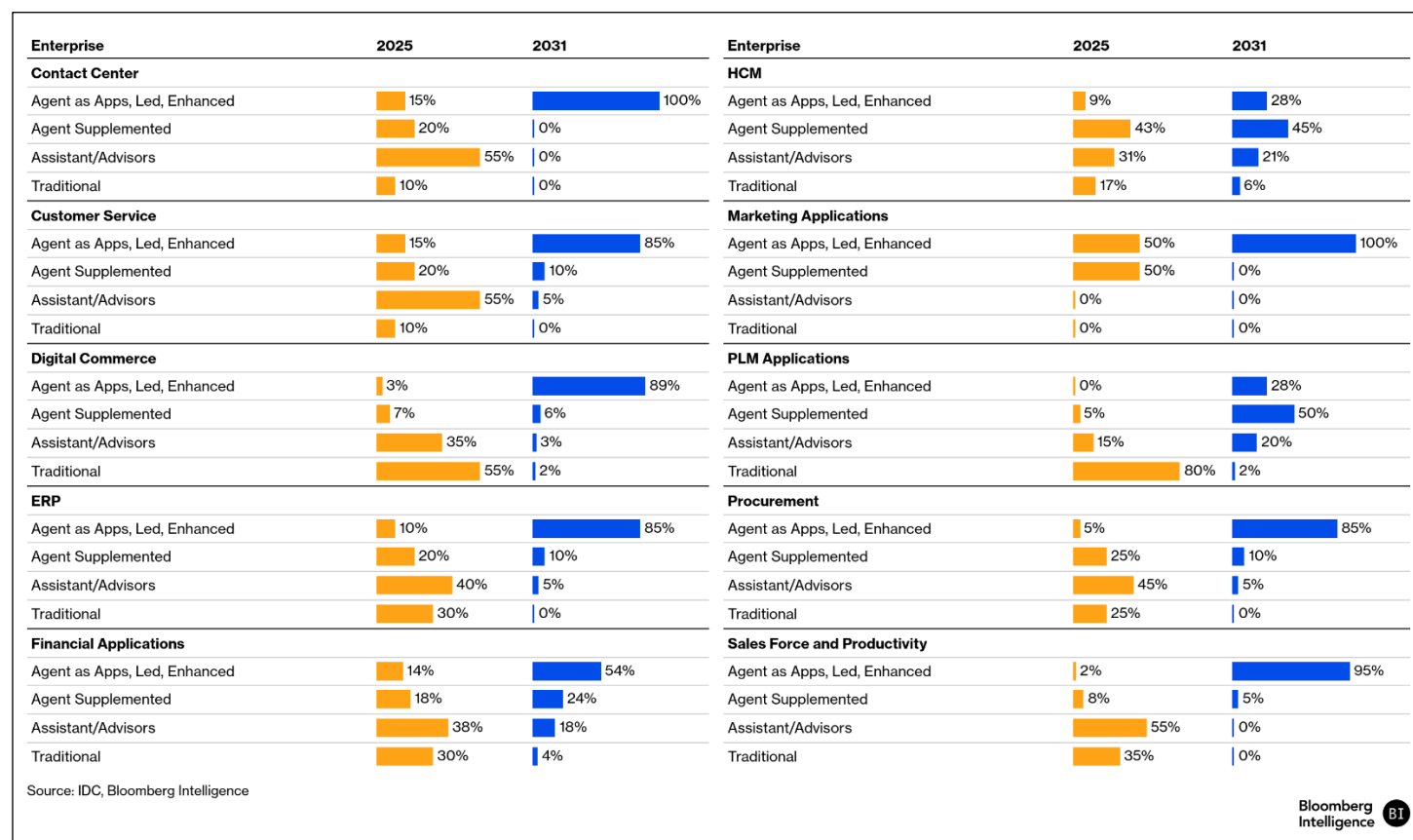


Figure 14: AI Agent Adoption by Software Segment



4.4 EU Data Act Could Threaten SaaS Moats

The US Congress and Trump administration have so far avoided imposing sweeping regulations related to AI. In Europe, however, the EU's Data Act, which came into force in September, may weaken the "systems of record" moats of SaaS providers like SAP, Salesforce and ServiceNow.

Those companies are racing to build agentic-AI layers to prevent autonomous assistants from commoditizing their core platforms. By embedding AI within proprietary data environments, providers aim to ensure third-party agents lack the operational context needed for mission-critical workloads. Yet this strategy intersects with EU regulation designed to reduce digital lock-in. The EU act requires data holders to make certain data available under fair, reasonable and nondiscriminatory terms, strengthening enterprises' ability to extract operational information from proprietary environments and deploy it in third-party AI systems.

SaaS companies may be required to provide structured, machine-readable export and open interfaces where technically feasible. Systems-of-record data might remain sticky, and litigation will likely test the boundaries of what can be withheld under trade-secret protections. Still, the act introduces incremental erosion to data-driven moats in Europe just as SaaS companies are pivoting to AI-centric monetization.

Section 5. Sector Risks

App Software That Leans Probabilistic Faces Displacement

Application software isn't equally exposed to AI. Interface, interpretation and advisory layers are most vulnerable, while system-of-record and execution layers are more defensible. We calculate about \$280 billion of interface-heavy app spending is at risk, spanning leaders from Adobe and Microsoft to HubSpot, Genesys and ZoomInfo, as AI agents such as Anthropic's Claude Cowork reduce the number of user seats and software tools needed by businesses.

5.1 Workload Types, Complexity Define AI Moats

Success for application-software companies hinges on the type of workloads they offer and how deeply embedded they are in customers' systems. AI agents will reshape many categories, with the biggest disruption risks for lightly embedded probabilistic tools from the likes of Monday.com and GoDaddy, while deeply ingrained deterministic systems of record such as SAP and Veeva are more resistant, and others like ADP lie in between.

Deterministic systems are built on accuracy, complex state management and low tolerance for error. These categories, which account for about \$245 billion in annual software spending, include enterprise resource planning, core accounting, payroll and inventory management and regulated domains like health care. They depend on rule-based execution, transactional integrity and zero tolerance for error.

Enterprise SaaS ecosystems often integrate dozens of applications, but that's not the competitive moat; the embedded complexity is. There are three layers of integration – APIs and middleware (data movement), data-model dependencies (customer IDs match across systems, for example) and business-process coupling (cross-system workflows). The last layer is the most defensible.

Data complexity arises from years of fragmented customer data with custom fields and inconsistent schemas that must be reconciled across CRM, ERP and other systems. For example, when a sales rep updates an opportunity, it can trigger finance approvals, generate invoices, initiate onboarding workflows and notify support and customer success.

Integration and reporting dependencies mean that replacing a system requires rebuilding synchronizations between ERP and CRM, marketing pipelines and data-warehouse models without breaking billing or revenue recognition. Organizational coupling reinforces this structure, with functional teams operating through linked dashboards.

AI can augment these systems, but their system-of-record and compliance cores are more defensible than language-heavy workflows. Even so, deterministic systems won't be immune to business pressure as pricing shifts to usage-based models from seat-based, and as AI drives higher marginal costs. The SaaS interface loses value as LLM-driven chat becomes the entry point for knowledge workers, cutting reliance on app-specific workflow builders.

Yet probabilistic systems will remain the prime targets of AI-driven disruption. These include content generation, customer support and some workflow tools that operate on pattern recognition and language, where errors are more tolerable.

Figure 15: Probabilistic and Deterministic Systems

Characteristic	Probabilistic	Deterministic
Output	Inferred, judgment-based	Exact and predictable
Logic	Pattern-based	Rule-based
Variability	High	Low
Failure tolerance	Medium	Very low
AI Risk	High	Low-Moderate
Example	Drafting a legal memo	Payroll tax calculation
Application Software Targets	Customer Support & Ticketing (Zendesk, Freshdesk, Intercom)	ERP Systems (SAP, Oracle)
	Content Creation & Marketing Tools (Adobe, HubSpot, Klaviyo, ActiveCampaign)	Payments (Stripe, Block, PayPal, Visa, Fiserv)
	Document Review (Relativity, Everlaw, DocuSign)	Infrastructure and DevOps (AWS, Azure, Google, DataDog, Dynatrace)
	Business Intelligence (Tableau-Salesforce, Qlik, ThoughtSpot)	Accounting (Workday, Intuit, Sage, Xero)
	Sales and CRM Workflow (Salesforce, Gong, Outreach)	Payroll, Tax Calculation Engines (ADP, Paychex, Gusto)
	HR and Recruiting (ZipRecruiter, SmartRecruiters, LinkedIn)	Supply Chain and Inventory (Manhattan Associates, SAP, Oracle)
	Finance (FP&A, budgeting) (Anaplan, Workday)	Engineering Design (Autodesk, Dassault, Ansys, Cadence)
	Product, Workflow Management (Asana, Aha!, Monday.com)	Database Management Systems (Oracle, Snowflake, Epic)

Source: Bloomberg Intelligence

Bloomberg IntelligenceBI

5.2 Anthropic Is Less Partner, More Competitor

Anthropic has emerged as a serious threat to some SaaS providers by pushing into work typically handled by specialized software, seeking to increase Claude's stickiness beyond chat and Claude Code. With connectors that link Claude to outside platforms, Cowork can read CRM files, query data warehouses, search internal documents and update work in product-management tools.

This access to external systems of record allows Claude to serve as a CRM assistant, financial analyst, legal ops aide and more. Cowork runs in a desktop app and can operate over permitted local folders, with plug-ins tailoring it for real workflows and tool stacks.

Business intelligence, recruiting, content creation, customer support and financial planning rely on interpretation and narrative output, making them structurally suited to AI. By function, the most disruption-prone segments are document apps (\$52 billion), marketing (\$42 billion), customer service (\$27 billion), sales-force productivity (\$25 billion) and creative (\$23 billion) – all heavily language- and workflow-driven.

More resilient segments include financial apps (\$66 billion), electronic design automation (\$22 billion), production and grid management (\$20 billion), procurement (\$15 billion) and digital commerce (\$14 billion), where rule-based processing and operational precision dominate. Deep data history, compliance, audit trails, change control, design data and write-access support their value.

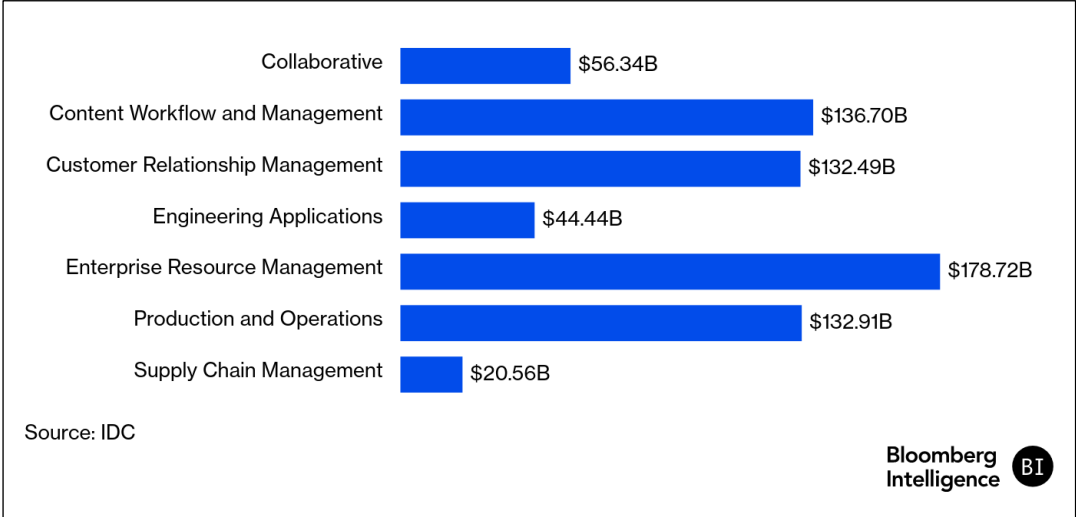
BI

Cowork deepens Claude's integration in workflows

Human-capital management and public sector software sit in between, blending probabilistic and deterministic workflows. AI won't hit HR systems evenly. Functions like resume screening and interview summaries fit AI well, whereas payroll processing and compliance modules don't. Companies with heavy user interfaces and light workflow integrations such as ZoomInfo and Klaviyo are at high risk of replacement by AI, while the likes of SAP and Synopsys should fare better, given their unique data, systems of record, workflow integration, engagement in governance and policy enforcement, and continuous feedback.

To meet the challenge, incumbent providers are offering AI features integrated into existing software and sold as add-ons. In HCM, for example, Dayforce is taking a three-step approach to AI sales. First, it integrates AI functionality, such as AI skills-based learning, in a software module. Its virtual AI Assistant then covers AI ethics, Dayforce's people platform, learning products and other areas. Lastly, the company is expanding its portfolio of specialized AI agents that can be embedded into workflows, targeting areas such as content authoring, pay, time off and job description.

Figure 16: Application Software by Segment



BI

ERM is largest enterprise-app category

5.3 Claude Takes Command Through Plug-Ins

Plug-ins from Anthropic and third parties are key to extending Claude's capabilities while shifting workflow control to AI. Though Cowork can complement systems of record like Jira, Snowflake or SAP at the data layer, it competes at the engagement layer, or user interface. Rather than log into Salesforce or business-intelligence dashboards, users can ask Claude to flag pipeline risk, query warehouse data or surface enterprise insights.

Cowork's plug-in ecosystem enables specialized capabilities without changing the core AI platform. Technically, a plug-in is a file-based bundle with a manifest (what it is and what it can do), an MCP connectors file and workflow files – either commands (explicitly user-triggered) or skills (automatically context-activated, such as legal review).

The 11 Cowork plug-ins launched on Jan. 30 extended the platform into company-specific workflows, tailoring Claude to roles in sales, legal, finance and other areas that are handled by products from the software providers listed in Figure 17.

As plug-ins spread across HR, design, financial analysis and operations, Cowork will increasingly shift from assistant to the workflow layer, pressuring feature-driven software. If AI becomes the primary interface, SaaS vendors risk weaker UI stickiness and feature differentiation, less analytics cross-selling and long-term pricing pressure. Cross-selling likely drives 50% or more of the SaaS industry’s revenue growth, particularly as new customer additions trail historical trends.

Figure 17: Claude Cowork Plugins (Jan. 30 Launch)

Cowork Plugins	MCP connectors included	Competing software solutions
Productivity	Slack, Notion, Asana, Linear, Atlassian (Jira), Microsoft 365, Monday, ClickUp	Asana, Monday.com, ClickUp, Notion, Microsoft 365, Slack workflows
Sales	Slack, HubSpot, Close, Clay, ZoomInfo, Notion, Atlassian (Jira), Fireflies, Microsoft 365	Salesforce, HubSpot, Outreach, Salesloft, ZoomInfo, Gong, Apollo, Clay
Customer support	Slack, Intercom, HubSpot, Guru, Atlassian (Jira), Notion, Microsoft 365	Zendesk, Intercom, Freshdesk, ServiceNow CSM, Guru, Confluence
Product Management	Slack, Linear, Asana, Monday, ClickUp, Atlassian (Jira), Notion, Figma, Amplitude, Pendo, Intercom, Fireflies	Jira, Linear, Aha!, Productboard, Figma, Amplitude, Pendo, Dovetail
Marketing	Slack, Canva, Figma, HubSpot, Amplitude, Notion, Ahrefs, Similarweb, Klaviyo	HubSpot, Marketo, Salesforce Marketing Cloud, Canva, Adobe Express/Creative Cloud, Ahrefs, SEMrush, Klaviyo, Similarweb
Legal	Slack, Box, Egnyte, Atlassian (Jira), Microsoft 365	Ironclad, Icertis, DocuSign CLM, Thomson Reuters Practical Law, LexisNexis, NetDocuments, iManage
Finance	Snowflake, Databricks, BigQuery, Slack, Microsoft 365	NetSuite, Sage Intacct, QuickBooks, BlackLine, Workday Financials, Anaplan, Snowflake, Databricks
Data	Snowflake, Databricks, BigQuery, Hex, Amplitude, Atlassian (Jira)	Mode, Hex, Looker, Tableau, Power BI, dbt Cloud, Databricks, Snowflake
Enterprise search	Slack, Notion, Guru, Atlassian (Jira), Asana, Microsoft 365	Glean, Microsoft Search, Elastic Workplace Search, Atlassian Roov, Coveo, Google Cloud Search
Bio research	PubMed, BioRender, bioRxiv, ClinicalTrials.gov, ChEMBL, Synapse, Wiley, Owkin, Open Targets, Benchling	Benchling, SciFinder, Elsevier tools, Open Targets Platform, LabArchives, Electronics Lab Notebook, Dimensions
Cowork plugin management	does not ship with external connectors	Internal enablement toolchains, prompt/agent management platforms (varies by org)

Source: Bloomberg Intelligence

Bloomberg
Intelligence

BI

BI

Claude plug-ins compete directly with dozens of companies

5.4 Marketing Software: Competition Catalyzed by OpenAI

OpenAI's AgentKit, a set of tools for building, optimizing and deploying AI agents, will likely lower the costs and amount of time needed to develop them. That should spur greater

competition in software markets more primed for faster AI agent adoption, such as marketing, customer service, digital commerce, contact center and sales, threatening marketing-automation peers such as HubSpot and Klaviyo.

The initial launch list for AgentKit in October covered corporations, consultants and application-software partners. The platform's building blocks include Agent Builder, with a visual canvas to design multi-agent workflows via drag and drop; ChatKit, embedding a chat user interface for apps; Evals, providing performance measurements for agents; and Connector Registry, managing external tools and data integration.

IDC projects the adoption of agents as apps in marketing software could outpace other sectors, soaring to 75% by 2031 from 0% today, as expected declines of 90% or more in inference costs allow providers to offer AI agents at lower prices. Foundational model providers like OpenAI could push into front-office application software with agents targeting marketing functions such as market research, content creation, customer engagement and product positioning.

HubSpot appears to be an early user of AgentKit, though it's unclear which building blocks the company added to improve its Breeze agents. Performance gains could take the form of faster development, easier orchestration or external integration and better performance tracking. HubSpot's customer and prospecting agents are at a low-single-digit percentage of total customers (270,000), while content agents exceed 10% adoption.

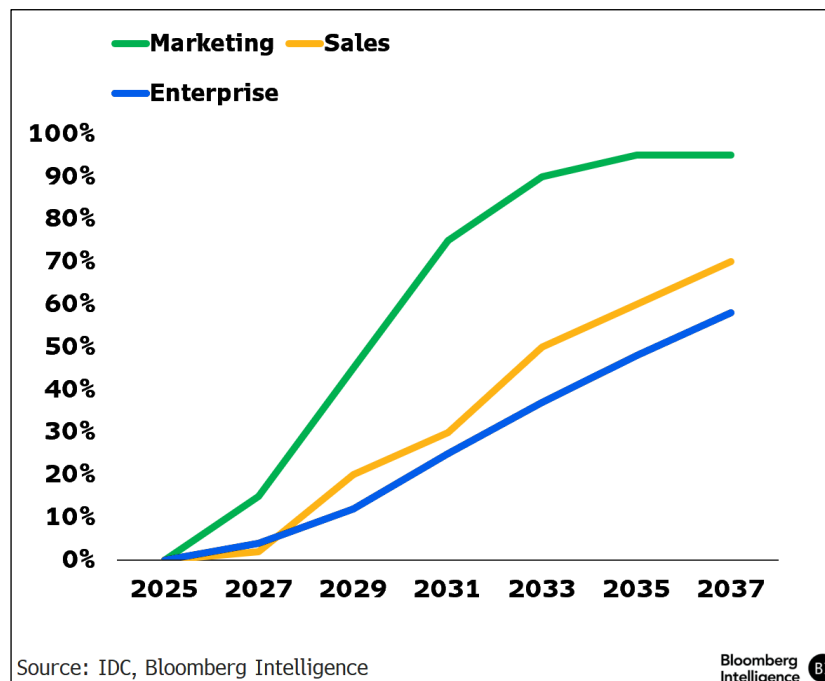
HubSpot's existing hubs embed AI and machine learning to segment audiences or optimize email content (marketing hub), predict deal closings (sales hub), route tickets more efficiently (service hub) or generate landing pages (content hub). Breeze assistants act as copilots, suggesting next actions or content examples, and as connectors to LLMs assisting in brainstorming, pulling CRM data and creating emails.

Klaviyo launched its marketing and customer agents on Sept. 25, with early adopters likely Shopify-centric brands and agencies. A brand's data is ingested into the Klaviyo platform, and the agents are generative, producing content and making decisions such as which campaign to run. Humans remain in the loop, with marketers able to edit and review content before launch or service agents escalating when unsure about what action to take.

Beyond market-research functions, such as synthesizing reports or generating competitor briefs, we see foundational-model providers potentially introducing AI agents for brand messaging, content creation, campaign management, social-media posting, conversion analysis and so on. A key trend to monitor is whether businesses allow LLMs to process their customer data, a critical input for marketing technology.

Figure 18: Agents as Apps - Marketing and Sales Adoption Pace

BI
Marketing adoption of AI agents is expected to approach 100%



5.5 Engineering Software: Resistant to AI; EDA No Worry

BI
Deep integration defends engineering software from AI

Autodesk, Cadence, Dassault and peers are more insulated than other software providers from AI risk by deep workflow integration, entrenched user bases and high liability risks. Though their core systems of record are safe, specific domains – such as CAD, BIM and simulation – face a higher chance of disruption, since AI's pattern-recognition capabilities could bypass traditional, deterministic engines.

In electronic design automation (EDA), machine learning reduces design iterations and speeds convergence but is embedded within existing flows rather than replacing them. Incumbents are using AI to improve optimization in placement, routing, verification, timing/power closure and analog layout. Semiconductor engineers rely on a combination of heuristic algorithms, human-guided flow tuning, iterative runs and expert-driven parameter optimization.

The moat of an oligopoly and foundry tie-in is durable. Synopsys (37% share), Cadence (36%) and Siemens (15%) control 88% of the \$14 billion market, reinforced by deep Process Design Kit integration and multiyear foundry validation at advanced nodes. Foundries certify specific toolchains, creating ecosystem lock-in. Switching tools risks requalification, layout noncompliance, yield loss and silicon failure.

AI risk to building information modeling (BIM) for construction is concentrated in workflow-heavy, document-centric modules like requests for information (RFIs) and submittals. Field issues require manual RFI drafting, routing and tracking; AI could detect inconsistencies, draft RFIs from site photos, suggest responses from past projects and auto-route them.

In submittals, engineers manually compare product data sheets to specs; AI can flag deviations and recommend approval, turning checklist reviews into machine-comparison tasks.

Yet Autodesk Construction Cloud, Procore and Trimble retain strong defensibility as system-of-record collaboration hubs managing drawings, budgets, permissions and audit trails across parties. AI compresses workflow labor, but core governance, financial control and legal traceability remain sticky.

The \$7 billion market is relatively fragmented, with Procore's 16% share followed by Autodesk (13%), Trimble (10%), Oracle (8%), Glodon and Nemetschek (7% each), Schneider (5%) and Bentley and Hexagon (1% apiece).

Incumbent makers of BIM design software, such as Autodesk (35% share), Bentley (9%) and Nemetschek (7%), are protected through ecosystem depth and regulatory integration. Architects, engineers and contractors operate on the same platform, supported by large object libraries and standards tied to government compliance. Deterrents to switching in the \$10.6 billion market include file formats, training investment, design construction facilities lifecycles and the dependency of contractors on coordination.

AI domains for BIM design include constraint solving, layout optimization, repetitive drafting, clash detection and code compliance. Compared with CAD kernels or EDA process design kits – where manufacturing physics and process constraints create deeper technical lock-in – BIM has lower switching friction, making module-level AI disruption possible.

Figure 19: Engineering Software by Segment: AI Disruption

BI

**Disruption risks
vary widely among
engineering
sectors**

Segment	What AI Can Change	Core Moat	Switching Factors	Disruption Risk Why?	Risk Level
PLM	Auto metadata + impact	Product graph + governance	Product history migration risk	System-of-record gravity	2
CAD	Intent-driven geometry modeling	Proprietary formats + installed base	Kernel + workflow lock-in	Data + workflow gravity	4
CAE	Faster setup, surrogate models	Physics validation credibility	Model revalidation + regulation	Surrogates weaken solver moat	3
CAM	Toolpath + feed optimization	Machine validation + liability	Workflow + machine templates	Constrained optimization problem	5
EDA	Placement + routing optimization	Oligopoly + PDK dependence	Verification + foundry lock	PDK certification barrier	1
BIM - Construct	Auto RFIs, document review	Collaboration hub lock-in	Audit trails + legal risk	Document-heavy automation ripe	8
BIM - Design	Generative layouts + compliance	Ecosystem + standards control	Format lock-in + training	Repetitive layout automation	4
BIM - Operate	Predictive maintenance insights	Asset registry backbone	Asset data migration risk	Operational system complexity	2

Note: *Scale of Structural Disruption Risk: 10 = high, 5 = medium, 1 = low
Source: Bloomberg Intelligence

Bloomberg Intelligence **BI**

5.6 Manufacturing Software: Mixed Risks, Strong Moats

In manufacturing, near-term AI structural disruption risk is limited for product lifecycle management (PLM) software, which guides products through structures, revisions, configurations, change orders and compliance history. Siemens and Dassault combine for half of the \$4 billion market, at 27% and 23%, followed by PTC (18%), Oracle (7%) and Autodesk (5%).

Displacement would require that an AI-native product graph become the new source of truth, with engineers creating a bill of materials (BOM) outside of legacy PLM systems and others downstream. That would mark a major ecosystem shift.

A more likely scenario is that AI augments PLM via change-order copilots, automated impact analysis, semantic search and BOM validation. Workflow-heavy modules such as change administration, requirements, quality documentation and supplier portals face greater erosion risk.

Traditional computer-aided design (CAD) will be pressured by AI as the modeling skill barrier shrinks, design cycles compress and value shifts to intelligence and optimization from geometry creation. Dassault Systemes dominates the \$5.9 billion market with 40%, followed by Autodesk (21%), Siemens (14%) and PTC (13%).

AI can assist in sketching, feature generation and continuous iteration, even as engineers specify functional intent and manufacturing constraints. But CAD's moat remains deep due to proprietary file formats (.CATPart), massive installed bases, deep PLM integration and supply-chain standardization, with OEMs mandating the use of Dassault's CATIA suite. The geometric kernel underpinning Boolean and topology operations further raises switching costs, limiting AI risk to modules rather than full structural replacement.

Leading computer-aided engineering (CAE) platforms such as Synopsys-owned Ansys and Siemens are relatively insulated from near-term AI disruption in certification-grade, high-fidelity workflows because trust, validation and solver robustness matter. However, AI surrogate models – machine-learning approximations trained on large libraries of results from prior CFD/FEA simulations – can increase disruption risk in early-stage design exploration and optimization, where speed matters more than exact solver fidelity.

Because incumbents own the solver IP, have deep physics expertise and control workflow integration, they're well-positioned to embed surrogates into their products rather than be displaced. Ansys has 26% of the \$7.8 billion CAE market, ahead of Siemens (25%), Dassault (14%), Autodesk (4%), Hexagon (3%) and PTC (1%).

Closer to the shop floor, the \$2.1 billion computer-aided manufacturing (CAM) market presents a mixed profile for AI disruption. Dassault leads with a 16% share, followed by Sandvik and Hexagon (11% each), Siemens (10%), Autodesk (9%) and PTC (5%).

Today's workflow is manual and expert-driven: Programmers select tools, define toolpath (contouring, drilling) speeds and feeds, and post-process G-code that directly controls machines. AI can augment or disrupt the optimization layer by auto-generating toolpaths and tuning parameters. But incumbents retain a strong moat in machine validation, collision detection,

controller-specific post-processors and production trust, creating meaningful barriers to switching.

5.7 Education Software: Coursera and Edemy Pressured

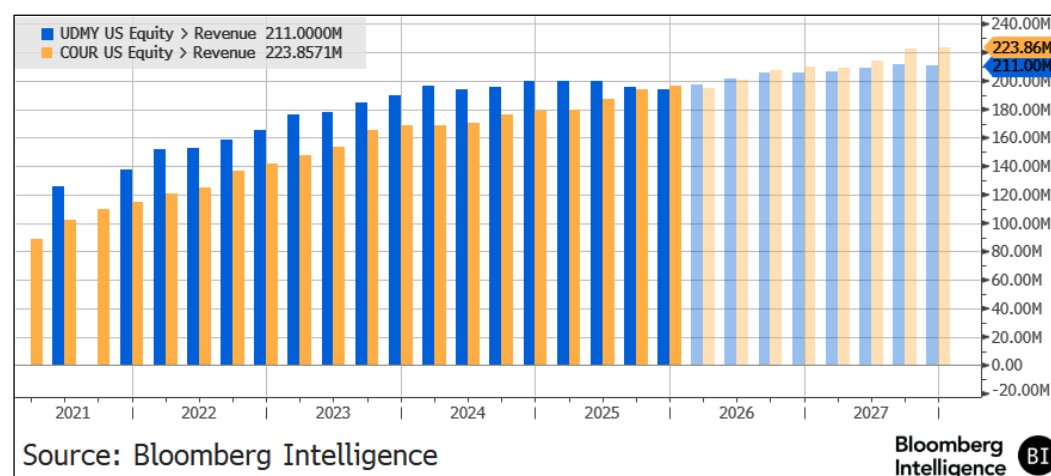
Increased AI adoption by businesses could pressure revenue for the enterprise segments of education-software providers Coursera and Udemy, which expect to complete their combination this year. Potential head-count reductions or cost cutting could lead to fewer contract renewals or licenses. Conversely, their consumer businesses may gain as individuals pursue AI-related skills amid a challenging job market.

Coursera offers courses from Google, Anthropic and several universities. Though users may look to AI chatbots for initial learning and understanding a new topic, those aiming to provide employers with evidence of their skill sets can use Coursera's micro-credentials or college credits. AI features like Coursera Coach and AI translation of content into multiple languages can attract a broader range of users.

Udemy's larger enterprise business could help stabilize the Coursera for Business segment, which has been challenged amid an uncertain corporate-spending backdrop. Coursera's enterprise contracts typically last 1-3 years and consist of a fixed quantity of licenses. As enterprises integrate more AI tools and potentially reduce head count, the need for Coursera may decrease. We expect Enterprise revenue to be less than a third of Coursera's total in 2026, at \$255 million, flat year over year.

Udemy's Enterprise segment accounted for 66% of total revenue in 2025. Its platform quickly creates course content from experts on new topics – an advantage for workers who need to upskill in a timely manner. Yet it's unclear whether its content will prove useful as enterprises deploy AI tools capable of teaching users and look to cut costs. We expect \$550 million in enterprise revenue for 2026, up 5% year over year, as AI combined with an uncertain economy potentially curbs renewals and the number of seats per contract.

Figure 20: Coursera, Udemy Total Revenue



BI

Education software growth could slow on job cuts and turn to AI

Section 6. Pricing Models

AI Adoption Likely to Disrupt Enterprise-Software Pricing

The adoption of AI agents in enterprise software is poised to upend subscription-based pricing models, fueling risk for application-software providers including Bill, HubSpot and Paycom, but opportunities for incumbent SaaS and AI companies such as Anthropic, OpenAI, Salesforce and HubSpot. Automation will reduce the need for knowledge workers and help speed the revenue shift toward outcome-based pricing, though there are limited signs of AI monetization for the next several quarters.

6.1 Replacing Knowledge Worker Wages

With AI taking over more business tasks, application-software providers' pricing will shift structurally to outcome- or task-based models, with such revenue projected to expand at a 30% CAGR from 2025-2035, compared with 2% for per-user subscriptions. This scenario may understate the total market opportunity, given that outcome-based pricing lowers adoption barriers and could speed automation.

As software applications become part of agentic workflows, combining LLMs, software tools and data sources, human interaction with software will likely ebb. The application-software market should still grow, but its mix will shift, and new entrants will pressure incumbents. App counts may fall even as the total software market expands with increasing net new automation.

Subscriptions are set to decline as AI replaces knowledge workers, who make up roughly half of the 167 million US employees, according to the US Bureau of Labor Statistics. The US accounts for about 8% of global knowledge workers, double its 4% share of total employment, reflecting its services- and intellectual property-intensive economy.

The AI serviceable total addressable market (TAM) for US knowledge work is about \$452 billion, based on 5% penetration of the \$9 trillion annual labor outlays across 83.7 million information workers – a level that appears achievable by 2030. Outside the US, where average wages are 40% lower, the AI serviceable TAM approaches \$1.83 trillion, based on 5% penetration of the \$36.5 trillion in annual labor spending for roughly 915 million workers.

At 40% agent penetration of application software and 20% of IT services and consulting, an additional \$281 billion and \$275 billion could be added to AI agents' TAM, pushing the total to \$2.8 trillion.

AI economics may be more attractive in lower-wage regions, given deployment is digital and globally scalable, marginal inference costs can decline and productivity gains compound in labor-intensive administrative sectors. The largest employee pools – clerical (\$390 billion), government (\$254 billion) and health care (\$224 billion) – are workflow heavy, rules-based and documentation-intensive – prime areas for agent automation.

BI

Global wage-related TAM estimated at \$2.8 trillion

BI

Outcome pricing to overtake subscriptions in next decade

Figure 21: Application-Software Market - Subscription vs. Outcome-Task

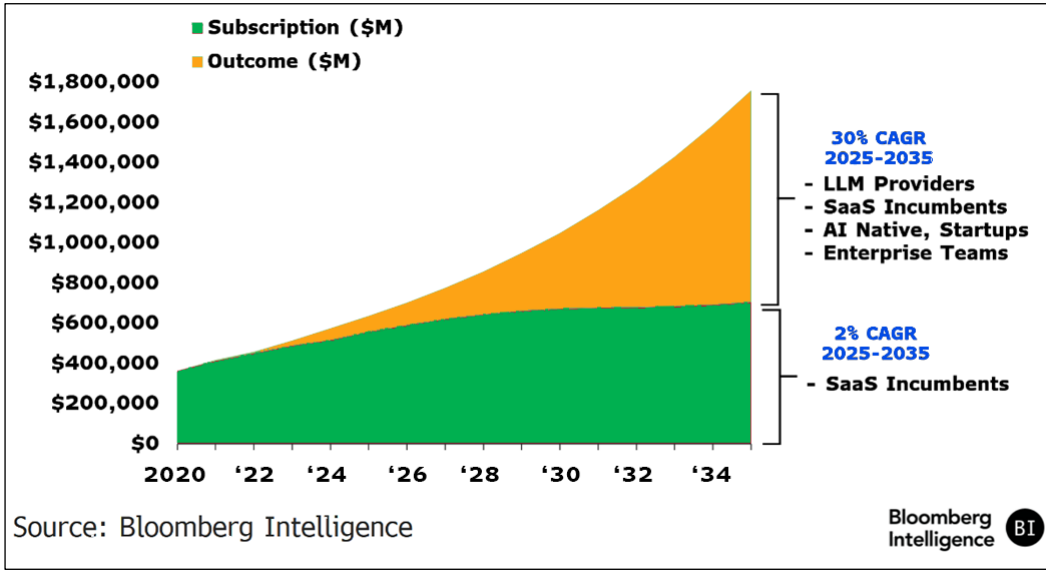


Figure 22: Information Worker TAM for Agents - US Market

Segment	Est. Workers (Million)	Avg Base Salary (\$US)	Avg Fully Loaded	Total Labor Spend	AI Serviceable TAM (5%)
Software / IT / Data	6.5	115K	149.5K	1.0T	48.6B
Engineering (non software)	2.7	110K	143K	0.4T	19.3B
Finance & Accounting	7.8	90K	117K	0.9T	45.6B
Legal	1.4	135K	175.5K	0.2T	12.3B
Sales & Customer Success	9.5	85K	110.5K	1.0T	52.5B
Marketing & Creative	3.2	88K	114.4K	0.4T	18.3B
HR & Recruiting	1.9	85K	110.5K	0.2T	10.5B
Operations & Project Mgmt	5.8	105K	136.5K	0.8T	39.6B
Healthcare Knowledge Workers	9.8	105K	136.5K	1.3T	66.9B
Education / Research	9.1	70K	91K	0.8T	41.4B
Government / Policy / Admin	7.5	75K	97.5K	0.7T	36.6B
Clerical, Administrative roles	18.5	50K	65K	1.2T	60.1B
Total	83.7	—	—	9.0T	451.7B

Note: 1,"Load factor (benefits, payroll taxes, overhead), 1.3x base salary" 2,"Healthcare includes physicians, nurses, advanced practitioners, medical admin, coders, and analysts not aides or technicians" 3,"AI Serviceable TAM assumes 5% of Total Labor Spend, Digital Labor"

Source: Bloomberg Intelligence

Bloomberg Intelligence **BI**

6.2 Outcome-Based Software Takes Off

Application-software stock prices on average have fallen the most among software segments this year, reflecting the risks posed by AI agents to their business models and pricing strategies. The subscriptions charged by most of these companies may not match well with AI agent deployments, as buyers look for pricing that reflects tasks, processes and utilization rather than paying for each user.

Consumption pricing models are based on usage, which can be computed (minutes of GPU use), API calls, code commits, data volume (ingested logs), storage (gigabytes per month) or transaction-based fees (take-rate percentage).

The ramp-up of AI agents presents a mixed case for software-application providers. On the positive side, AI agents could translate into a higher-volume opportunity by pricing on volume metrics (tasks) or an additional revenue stream, such as subscription plus consumption. On the negative side, there's a possibility foundational-model providers like OpenAI or Google will capture more enterprise-software spending.

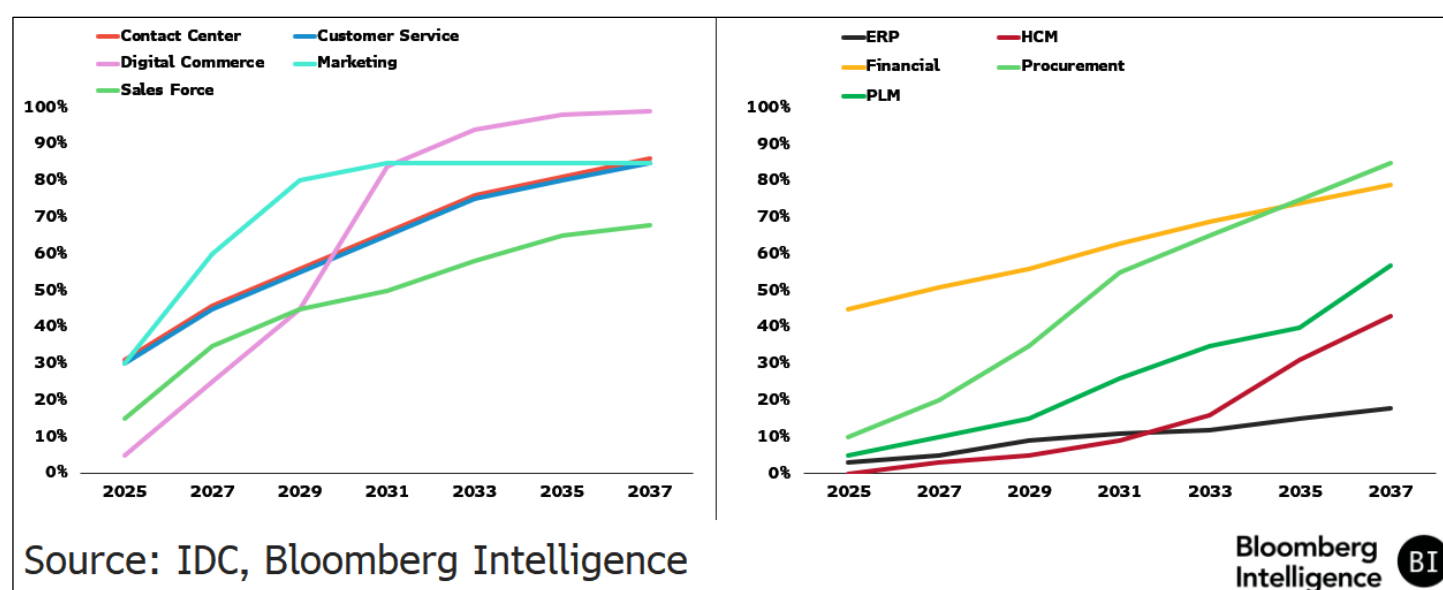
BI

E-commerce and marketing lead pricing shift as ERP lags

AI agents rather than humans might end up buying application software or services, encouraging a dynamic hybrid-pricing mix. Infrastructure-software peers like Datadog already price on both a subscription and consumption basis, while Snowflake charges by consumption. HCM companies such as Paycom charge a price per employee per month (PEPM), with ADP adding a base fee for implementation. Chip-design software companies Cadence and Synopsys charge on a per-seat basis but have custom terms and tool bundles.

Though there's meaningful inertia behind subscriptions from both a supplier (recurring revenue) and customer (budgeting) perspective, the shift to consumption- or outcome-based pricing is inevitable, and we expect the transition to take 10 years. Early adoption will likely challenge customer-engagement platforms like Genesys, HubSpot, Klaviyo, Salesforce and ServiceNow.

Figure 23: Consumption or Outcome/Job-Based Pricing Percentage



6.3 Halving Subscription-Based Pricing's Share in a Decade

Due to migration to AI agents, subscription-based pricing could decline from 60% of software pricing models toward 30% over the next decade. AI agent adoption comes in several flavors, according to IDC: Agent as apps, agent-led and agent-enhanced are expected to capture a combined 75% share of enterprise software by 2031.

So far, AI hasn't done much to boost profitability for application-software peers like Dayforce, HubSpot and ZoomInfo. They'll likely generate limited AI monetization for the next several quarters, after gains in average revenue per customer were invisible in 2025. Benefits are expected to emerge as customers pay the base software subscription fee plus add-ons for AI features.

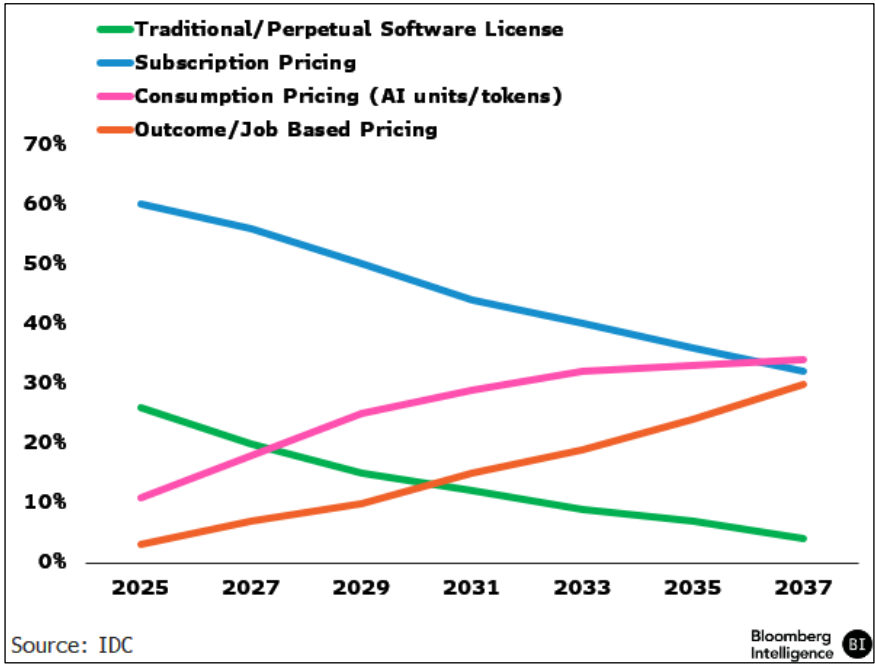
Producers of front-office apps, such as Freshworks, HubSpot and Klaviyo, face the greatest pressure as organizations pursue agent deployments most aggressively in these areas. As AI agents manage more business processes and functions, a new supply-and-demand balance could emerge among enterprise-software vendors, sparking a wave of industry consolidation and exits.

AI is already starting to affect pricing in the \$21 billion manufacturing software market. Dassault, with a 22% share, is shifting to usage- and outcome-based from seat-based pricing. Revenue has been tied to per-seat subscriptions for CAD, CAE and PLM, limiting growth to engineering head count and expanding linearly. Dassault's Virtual Twin as a Service model instead ties revenue to performance, uptime, efficiency and optimizations.

The potential shift is shown across four pricing models in Figure 24. Traditional/perpetual licenses may fall to a 4% share by 2037 from 26% in 2025, based on IDC estimates. Subscriptions might drop to 32% from 60%. Consumption-based may rise to 34% from 11%, as outcome- or job-based approaches climb to 34% from 3%.

Marketing and digital commerce are projected to be first movers, with 85% and 84% of their pricing models tied to consumption or outcomes in 2031, followed by contact center and customer service at 65%. The former are already experimenting with consumption-driven pricing. Laggards include finance (9%), HCM (11%) and product-lifecycle management (26%), likely due to legacy processes, compliance issues and regulatory overhead.

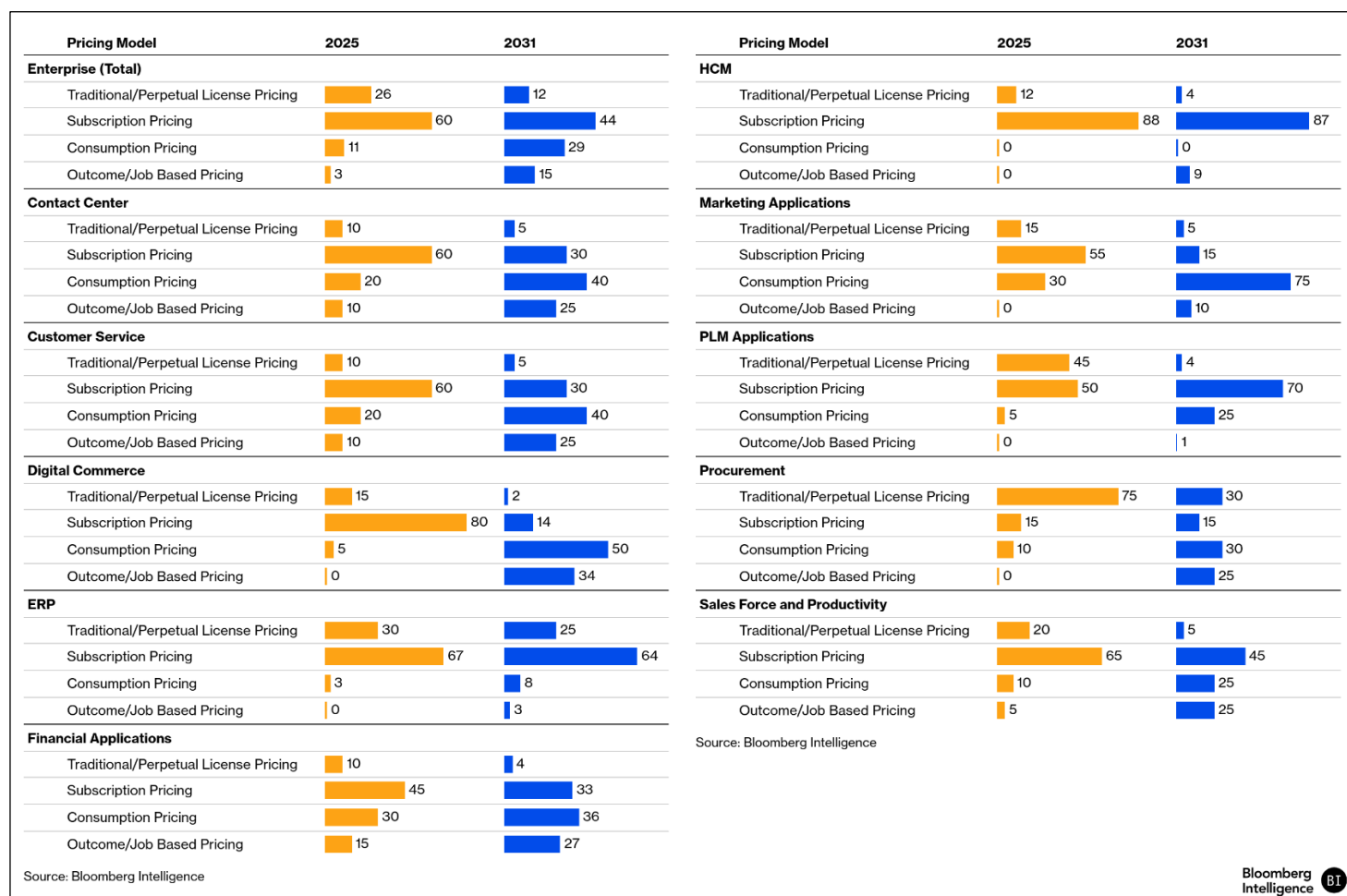
Figure 24: Software-Pricing Model Evolution



BI

The speed of the shift from subscriptions will vary by segment

Figure 25: Application-Software Segments' Pricing-Model Share



Section 7. Margins

AI Agents' Structural Shift in Software to Pressure Margins

Software providers face a margin squeeze as they try to balance restrained pricing for nascent AI offerings with higher variable costs from LLM inference and tools. Gross margins stand to narrow 100-900 basis points on a 10% AI workflow mix, we calculate, assuming no pricing changes or token-efficiency gains. Heavy agent use could pressure margins for front- and back-office providers, including HubSpot, Salesforce, Intuit and SAP.

7.1 LLM Inference Ramps Up Variable Costs

AI makes enterprise-software cost structures more variable, as inference costs from LLMs depend on the number of agents, actions per agent, tokens – or units of data processed – per action, and input and output token pricing. This marks a structural shift, with marginal costs scaling up alongside use intensity rather than the number of users. Graphics processing unit (GPU) demand flows directly from token throughput, itself a function of agent activity.

Beyond inference, or a trained AI model's application to real-world tasks, AI-native SaaS adds variable costs from tool and API execution and orchestration runtime. As a result, cost of revenue becomes more usage-driven and complex than in traditional SaaS, which relied on inexpensive CPU-based logic and storage that yielded minimal compute costs for each additional action.

Figure 26 shows gross margin sensitivity under a heavy agent-use scenario (20,000 tokens per workflow), reflecting multi-step tool calls, retrieval-augmented generation and iterative reasoning. It assumes no repricing, no routing optimization and no token efficiency gains. SaaS providers could offset this by charging per AI workflow, using smaller models and paring token use.

As AI-native workflows expand, profitability depends on three factors: the ability to reprice AI features, the percentage of workflows driven by LLMs and model pricing trajectories. The table in Figure 27 illustrates a simple agent loop; more complex multi-step or autonomous agents (20,000-plus tokens) would significantly increase the inference cost of revenue.

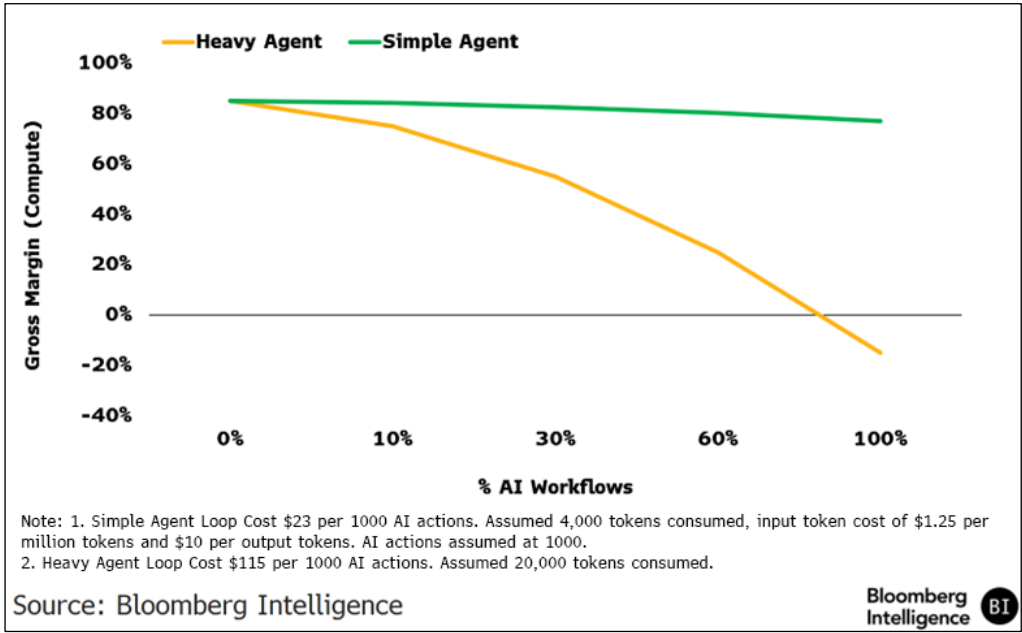
BI

Increased agent use drives up cost of revenue

BI

Heavy use of tokens by AI agents erodes margins

Figure 26: Cost of Revenue Comparison - Heavy, Simple Agent



BI

Costs per action
have surged with
use of AI

Figure 27: Incremental Costs - AI vs. Pre-AI (Simple Loop)

Use Case	AI Agent Task	Tokens Per Action (Input)	Tokens Per Action (Output)	Cost Per Action (Input)	Cost Per Action (Output)	Total LLM Cost (peer 1k actions)	Pre-AI Cost (peer 1k actions)	Incremental Higher Cost
HR, Payroll	agent answers payroll compliance questions, generates policy summary	800	1,200	\$0.001	\$0.012	\$13	-1-2	7-13x
CRM	agent summarizes pipeline, drafts follow-up emails	1,500	1,500	\$0.002	\$0.015	\$17	-2-3	6-8x
ERP	agent analyzes procurement variance, suggests actions	2,000	2,000	\$0.003	\$0.02	\$23	-3-4	6-8x
Marketing Automation	agent generates campaign copy + segmentation analysis	1,200	1,500	\$0.002	\$0.015	\$17	-2	8-9x

Note: 1. Cost comparison, per 1000 user actions. Input token costs at \$1.25 per million tokens, and \$10 per million tokens, GPT5.1 model. 2. Cloud compute, pre-AI calls costs consist of storage, database and light compute.
Source: Bloomberg Intelligence

Bloomberg IntelligenceBI

BI

Token pricing
indicates AI capacity
costs may be
stabilizing

7.2 OpenAI's API Pricing Enables Agents at Scale

Falling LLM API pricing is a key enabler for SaaS providers deploying agents at scale. The model layer increasingly resembles infrastructure economics: usage-based pricing (per token), rapid cost deflation as efficiency improves and volume-driven monetization.

Pricing was elevated in 2023 during a period of scarce frontier intelligence, followed by efficiency-driven compression in 2024. Input token prices plunged about 97% from early GPT-4 in March 2023 to GPT-4.1 in April 2025. As shown in Figure 28, output token prices slid roughly 88% but remain four to five times higher, reflecting the greater compute intensity of autoregressive generation.

By late 2025, early GPT-5 pricing trends suggested an equilibrium might be forming, with small rather than step-change declines. If sustained, this implies the model layer’s economics are maturing, possibly shifting durable value toward workflow integration and distribution rather than access to raw intelligence.

For developers, total API cost reflects both input tokens (prompts, system instructions, history, retrieved data tool outputs) and output tokens (the model's generated response). The broader implication is that AI capability is becoming cheaper and more utility-like. If SaaS providers can

reprice their software offerings for AI agents, whether per action or through higher revenue per user or task, margins might hold near pre-AI levels. However, during the early deployment and customer-trial phase in 2026, we expect gross margin compression as software companies absorb higher inference costs.

AI-native workflows will likely increase in small increments through 2027, making a case for upward pressure on the cost of revenue. The orchestration layer will be critical in managing agentic loops and optimizing token use, since a 10-fold increase in tokens consumed translates into a 10-fold jump in the inference cost of revenue.

Figure 28: OpenAI Model Token Prices (\$/M Tokens) - Output

BI

Output token costs have plunged from 2023 peak

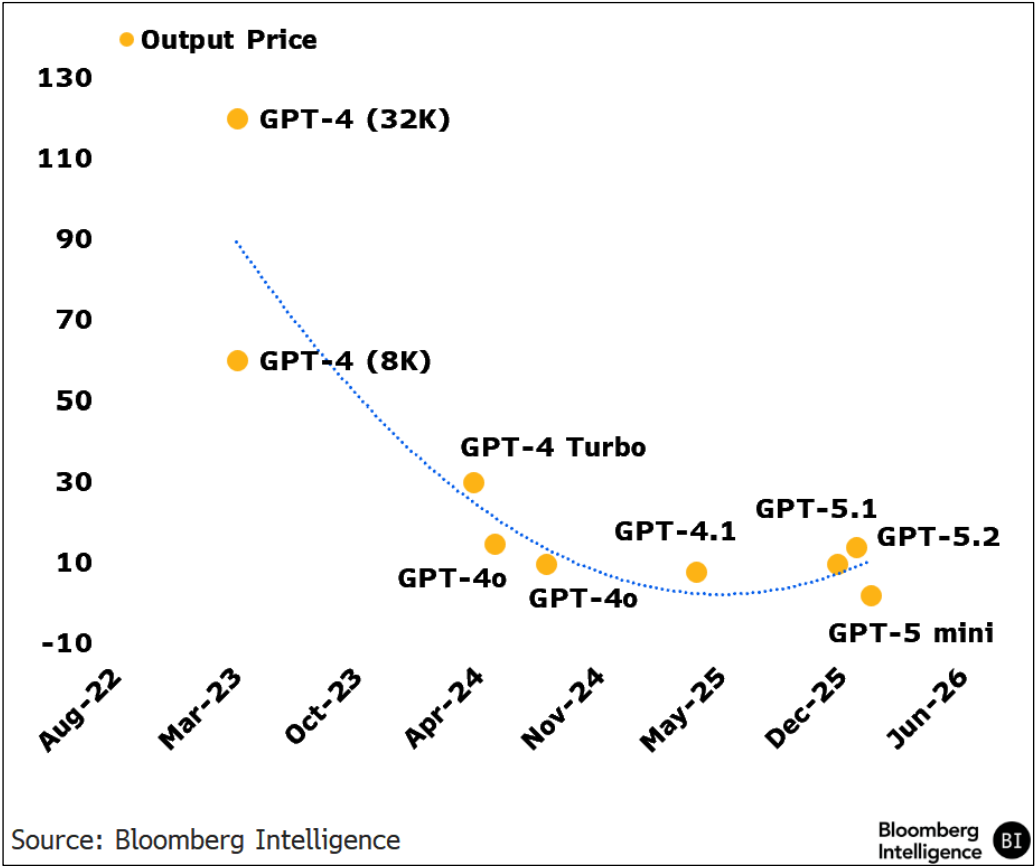
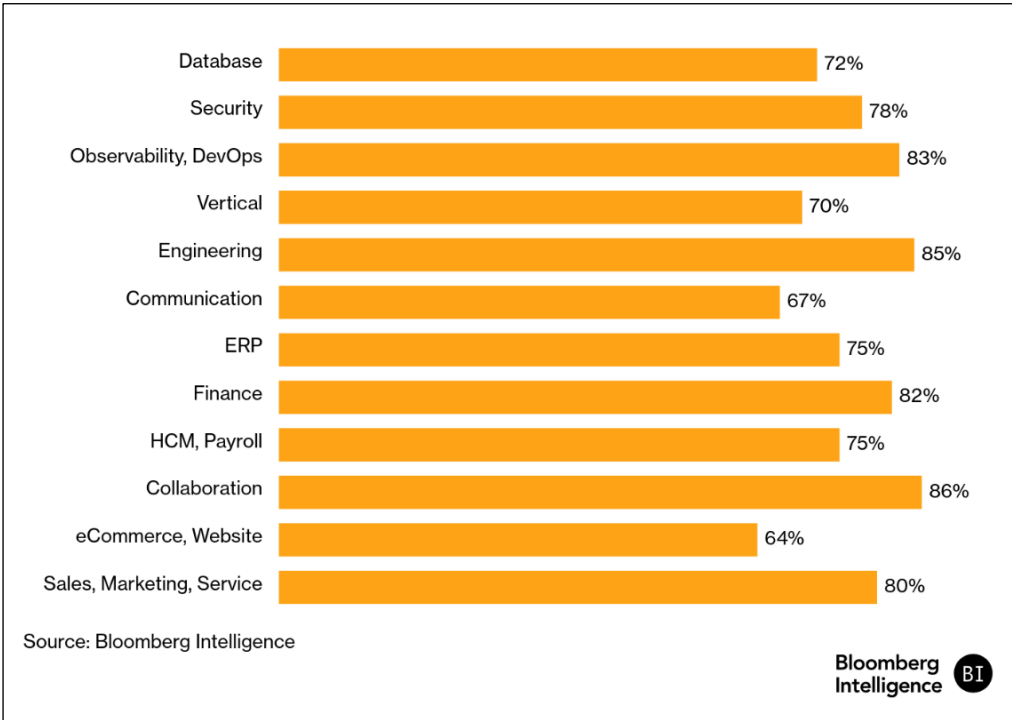


Figure 29: Adjusted Gross Margin by Software Segment



Section 8. AI Risks & Opportunities Matrix

8.1 AI Disruption Presents Opportunities as Well as Risks

Markets have been shaken by the risks posed by AI, yet the [Bloomberg Intelligence AI Risk & Opportunities Matrix](#) identifies sectors and companies that can both manage the disruption and stand to gain from it. Our matrix looks at factors including the critical nature of the software, the vendor's market share, network effects, whether the company is a platform or a point-product provider, and whether the end customers are consumers and small businesses or large corporations.

Among large-cap software vendors, we see Microsoft, SAP, Workday, Shopify, Salesforce and ServiceNow as better-positioned. In cybersecurity, CrowdStrike, Zscaler and Okta stand out. Engineering software is another area that appears less prone to AI disruption, with Cadence and Synopsys as good examples. Online travel portals such as TripAdvisor, midsize IT services firms like Wipro and Endava, and smaller software-as-a-service providers including UiPath and C3.ai appear to be at most risk of disruption.

Figure 30: AI Risk & Opportunities Matrix

Company Name	AI Disruption Risk	AI Opportunity	Critical System of Record?	High Market Share	Network Effects	Platform/Point Solution?	Main Customer Segment
Application Software							
SAP SE	Low	Medium	y	y	n	Platform	Enterprise
Salesforce Inc	Low	High	y	y	n	Platform	Enterprise
Shopify Inc	Low	High	y	y	y	Platform	SMB/Mid
ServiceNow Inc	Low	High	y	y	n	Platform	Enterprise
Intuit Inc	Medium	Medium	y	n	n	Platform	Consumer/SMB
Workday Inc	Low	Medium	y	y	n	Platform	Enterprise
Roper Technologies Inc	Low	Low	y	y	n	Platform	Enterprise
Veeva Systems Inc	Low	Low	y	y	n	Platform	Enterprise
Samsara Inc	Low	Medium	y	n	n	Platform	Enterprise
HubSpot Inc	High	Medium	y	n	n	Platform	Mid
Docusign Inc	High	Low	n	y	y	Point	All
Unity Software Inc	Medium	Medium	n	n	n	Platform	All
Pegasystems Inc	Medium	Low	y	n	n	Platform	Enterprise
Paycom Software Inc	Medium	Low	y	n	n	Platform	SMB
Appfolio Inc	Medium	Medium	y	n	n	Platform	SMB/Mid
Open Text Corp	Medium	Low	y	n	n	Platform	Enterprise
Nice Ltd	High	Medium		n	n	Platform	Enterprise
UiPath Inc	High	Medium	n	n	n	Platform	Enterprise
Paylocity Holding Corp	Medium	Medium	y	n	n	Platform	SMB
Doximity Inc	Low	Medium	n	n	n	Platform	Enterprise
BILL Holdings Inc	Medium	Medium	y	n	n	Platform	SMB
Monday.com Ltd	High	Low	n	n	n	Platform	SMB/Mid
Wix.com Ltd	High	Medium	n	n	n	Platform	SMB
Zeta Global Holdings Corp	High	Medium	n	n	n	Platform	Enterprise
Workiva Inc	Medium	Medium	y	n	n	Platform	Enterprise

Source: Bloomberg Intelligence

Section 9. Performance & Valuation

Software Stocks Reflect Reality of AI's Influence

Potential AI disruption risk is weighing on software stocks, with the sector falling 21% this year through April 27. Application-software companies were down 24%, the most in the software group, reflecting risk from AI agents to their business models. Producers of front-office apps, including those for marketing, sales and customer service, were among the leaders in share declines, sliding 30%.

9.1 Performance: AI Disruption Fear Escalates

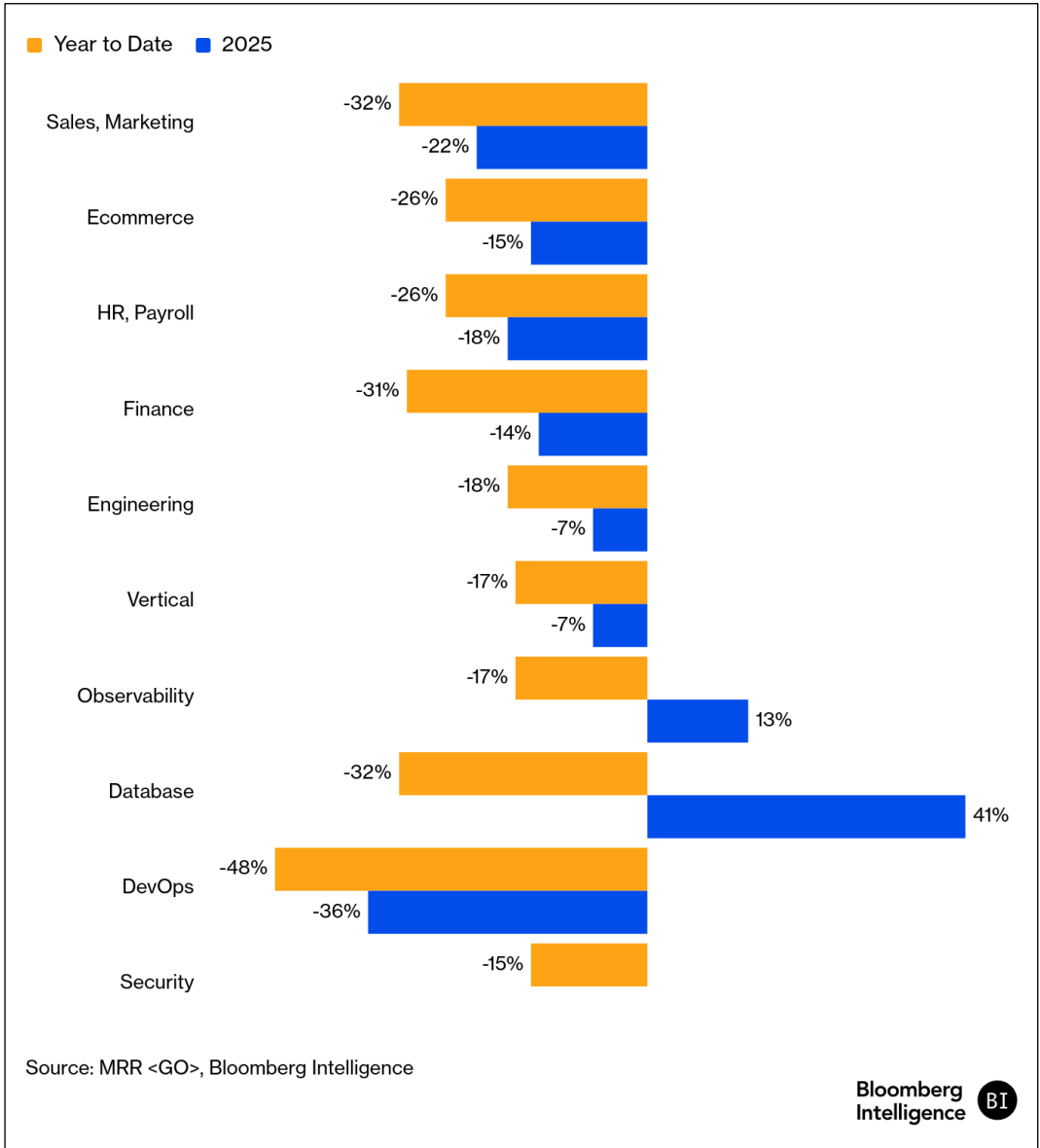
Enterprise-application software, from sales and marketing to human resources and finance, faces disruption from AI, with traditional software modules eroding over the next decade. We believe the threat of AI agents to application-software business models will remain an overhang through 2026, with limited AI monetization pressuring the sector.

Traditional providers and AI assistants and advisers should dominate software distribution through 2027, with a 61% share, according to IDC. Agent-enhanced applications, or traditional apps with embedded agentic capabilities, may take up to 27%. Most software providers are developing products at this level, where AI features are integrated into HCM and other systems.

The risk posed by AI agents to application-software vendors' recurring-revenue business models pushed the shares down more than infrastructure-software peers (down 11%). Producers of front-office apps such as Braze, HubSpot, Klaviyo and others in marketing, sales and customer service face the most severe pressure.

Software companies have highlighted customer upselling opportunities for AI technology, but the revenue impact isn't yet apparent. Companies in the communication and collaboration fields are at highest risk, as we see AI becoming their primary user interface, and it can operate across tools. Apps standing to benefit from AI have proprietary data, regulatory moats, deep domain logic and real-world integration.

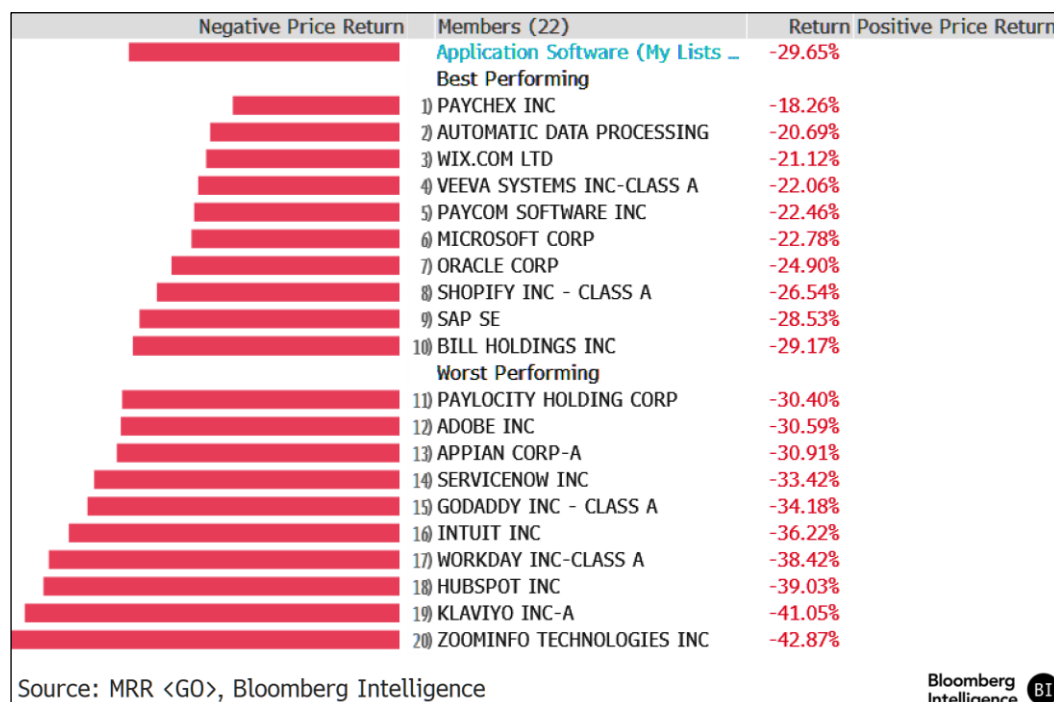
Figure 31: Stock Price Return Across Software Segments



BI

The top 55
software
companies have
lost over \$1.5

Figure 32: Application Software Year-to-Date Stock Returns



9.2 Valuation: Software Multiple Drivers Are Shrinking

Valuation multiples for software leaders like ADP, HubSpot and Intuit are adjusting to a harsher reality as long-standing value drivers erode, and business models are challenged. Enterprise SaaS will survive, but AI should reshape the industry, forcing consolidation, exits and overall lower sector valuations.

The industry faces numerous pressure points from AI as software becomes a replaceable solution. AI has already captured value from software in terms of UI, feature differentiation and switching costs. In the past, durable value for application features was based on the difficulty of building and maintaining them. A UI's moat was supported by the costs to retrain users on a new interface. In workflows, applications dictated the sequence of actions and approvals.

With AI, LLM users interact with a chat interface through natural-language prompts, and the LLM plans the next step. Orchestrators manage the workflow engine, accessing tools such as apps and data, potentially relegating the software app to a middleman role. In the new model, where AI does the work, the value shifts to intelligence and data.

That should pressure two main pillars of software valuation: recurring revenue and seat-based pricing. An increasing share of interactions for AI will mean less time devoted to software UIs, pressuring seat counts and spurring a move toward outcome-based pricing.

Though sales fundamentals are stable for application software, with consensus for 12% growth in 2026 following a 13% gain in 2025, multiples for the group have contracted to 3.8x projected 2026 sales from a 10-year average of 8.5x. Price-to-earnings ratios similarly have declined.

AI infrastructure peers such as semiconductors command higher valuations than software. The Philadelphia Semiconductor Index (SOX), cited in Figure 34, covers device, equipment and foundry companies. Software is represented by the iShares Expanded Tech-Software Sector ETF (IGV), which has more than 100 holdings from infrastructure to applications.

Figure 33: Software Price-to-Forward Earnings

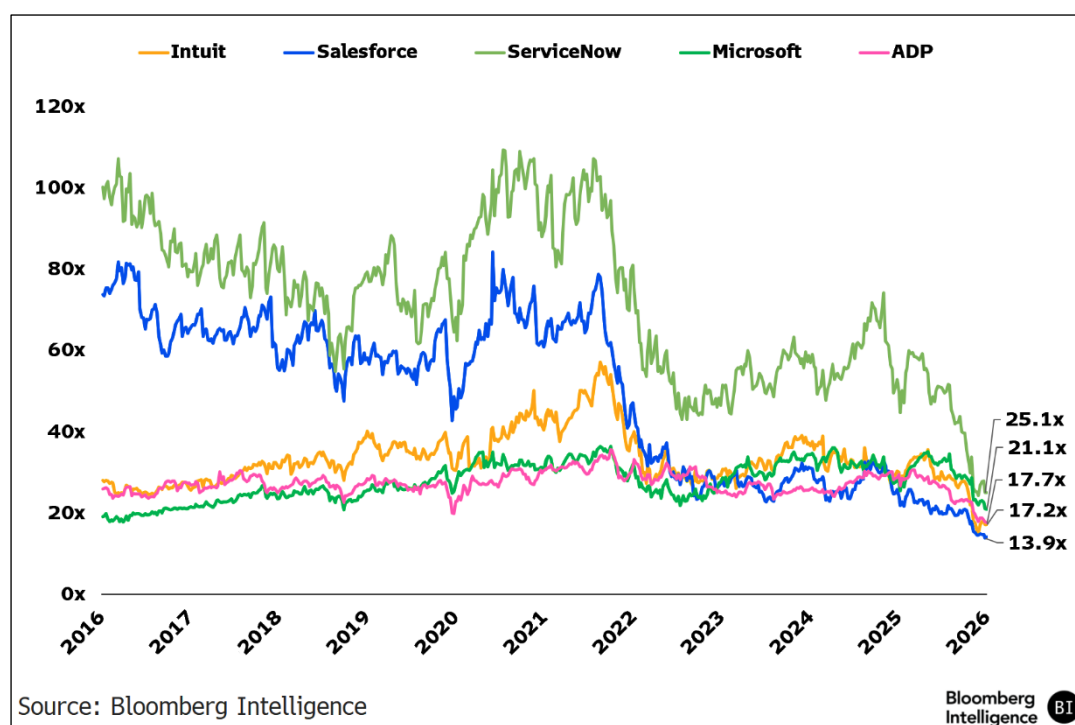
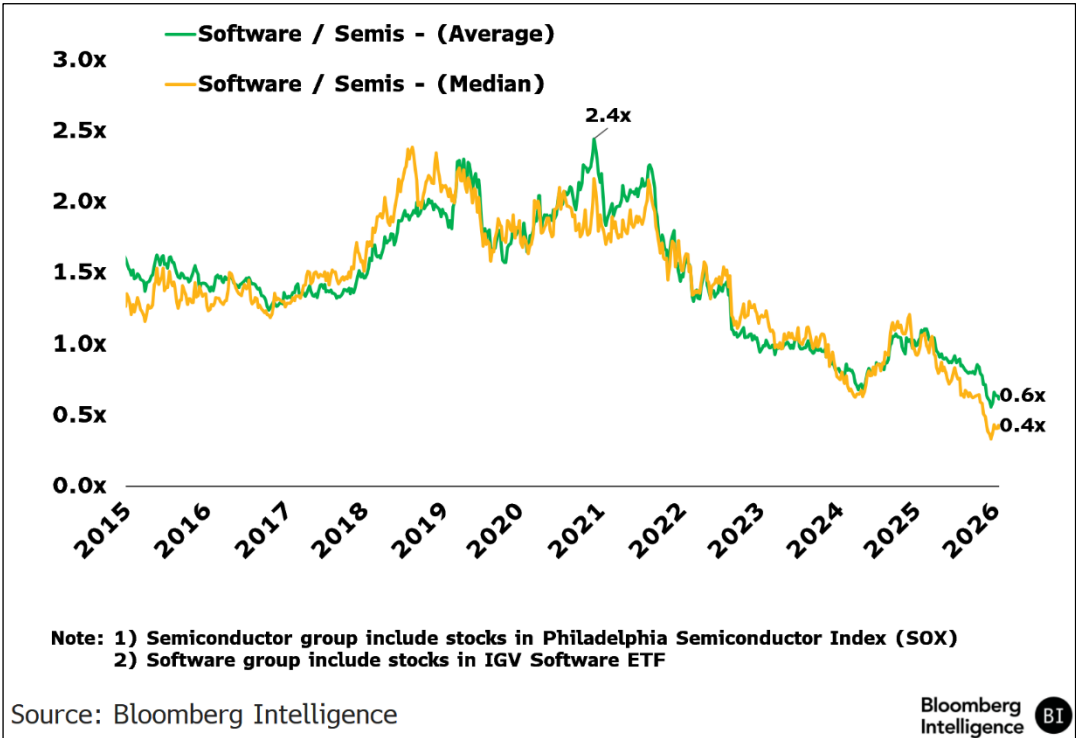


Figure 34: Price-to-Forward Sales (NTM) Ratio



Section 10. Companies to Watch

AI Disruption Risks Vary Across Application Software

Application-software providers face differing levels of potential disruption from AI agents fostered by the likes of LLM providers OpenAI, Anthropic and Alphabet. Cadence and Veeva are at less risk, HubSpot is embracing AI amid stiff competition and GoDaddy appears more vulnerable. Microsoft benefits from its scale and enterprise focus, while Salesforce, ServiceNow and Workday have entrenched advantages and are incorporating AI into their products.

10.1 Cadence’s AI Solutions Getting More Client Use



\$6 Billion

Consensus 2026 sales

47.2%

Projected 2026 Ebitda margin

Outlook: Cadence Design Systems’ AI-enabled electronic-design automation offerings are ramping up across its customer base. Cerebrus AI has accumulated more than 1,000 tape-outs (the final handover to the foundry), with more than 50% adoption across its implementation customers. Low-teens sales growth could be supported for the next few years by demand for Cadence’s traditional and AI-enabled chip-design tools. Companies like Apple, Google and Tesla are increasingly designing their own chips, expanding Cadence's customer base.

AI Agent Impact: Cadence sits at the very low end of AI disruption risk from agents. LLMs are increasingly being integrated into the company’s workflows to assist and automate specific sub-tasks, but agents are augmenting rather than displacing. Place-and-route engines, formal verification, timing closure and physical design logic are rooted in well-defined mathematical and algorithmic systems. LLMs can assist with scripts, proposals or constraint optimization, but they don’t currently replace the underlying solver engines or physics models.

10.2 Veeva's Vault CRM Adoption Maintains Momentum



\$3.6 Billion

Consensus fiscal 2026
sales

45.1%

Projected fiscal 2026
Ebitda margin

Outlook: The secular growth opportunity to digitalize the life-sciences industry should support Veeva's revenue for several years, with steady adoption of its Vault CRM software by top biopharma companies. The company's high retention rate on subscriptions, expanding product line and cloud-based software-share gains are the drivers. Veeva's products enable online and in-person sales interactions and greater efficiency in operations and clinical trials. Though we expect limited share losses from higher competition, with over 100 customers now live on Vault CRM, Salesforce will likely remain a formidable rival.

AI Agent Impact: Veeva's regulated system of record for health-care companies, clinical trial systems, regulatory submissions, quality management and safety software modules built on a life-sciences data model make LLM-powered agent substitution challenging. Feature-level disruption from agents in areas like medical writing, regulatory document drafting, adverse-event summarization or sales-rep content generation could chip at the edges of some of Veeva's modules. Workflow automation remains limited, with audit trails, compliance and traceable change-management requirements supporting Veeva's system-of-record ownership of the regulated data.

10.3 HubSpot's Portfolio Awaits Revenue Boost From AI



\$3.7 Billion

Consensus 2026 sales

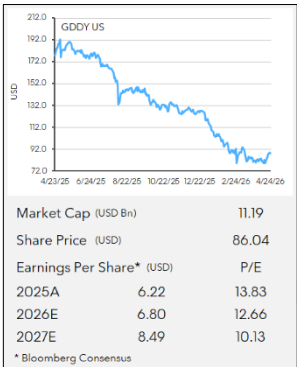
23.9%

Projected 2026 Ebitda
margin

Outlook: HubSpot's sales, marketing and service platform stands out, with positive cross-selling, double-digit customer net additions and AI features throughout the portfolio. The company's position in the small and midsize business segment could strengthen due to AI innovation (through Breeze copilot and agents), a new pricing model and upmarket gains. HubSpot continues to generate double-digit revenue growth as net revenue retention stabilizes and customer uncertainty eases. Though the ramp-up of AI uses, like sales prospecting, should support higher-priced subscriptions, it has yet to affect average revenue per customer.

AI Agent Impact: HubSpot is in the eye of the AI storm with its marketing-automation, sales-enablement, customer-service and content-management systems. AI agents can automate some CRM features, like lead qualification, pipeline management and churn prediction, compressing cross-sales. HubSpot is leveraging its partner ecosystem, SMB, marketing scale and AI-enabled tools to defend against Anthropic's Claude Cowork and other LLM solutions.

10.4 GoDaddy's Airo Lifts ARPU, Yet Impact Is Slowing



35%
Application and Commerce
share of total sales

\$5.2 Billion
Consensus 2026 sales

Outlook: GoDaddy's core sales growth appears to be nearing its limits, with more improvement to rely on cross-selling its Airo AI platform. The company's key revenue driver remains average revenue per user, which tracks in mid-single digits, supported by the payments and commerce business. Customer additions are challenging due to stiff competition, slower formation of small businesses and maturing domain and website-hosting services. Size, brand and customer-service penetration resonate with entrepreneurs and small companies, while upmarket traction may take more time.

AI Agent Impact: GoDaddy faces a range of AI disruption threats, with its core applications segment (65% of sales) at the low end of risk. This includes its domain registration business and web-hosting services for small businesses. Application and Commerce, at 35% of sales, face a high disruption risk, with Anthropic, OpenAI and Google setting up websites from prompts, generating images and designing layouts. Its marketing and SEO tools are also under heavy LLM pressure, and AI-native platforms can bypass traditional SMB SaaS tools.

10.5 Microsoft's Early AI Push Broadens Cloud Lead



\$135.7 Billion
Consensus fiscal 2026 sales
for Intelligent Cloud
segment

67%
Projected fiscal 2026
Commercial Cloud gross
margin

Outlook: Microsoft was one of the first software companies to offer AI-enhanced products, from GitHub Copilot to M365 Copilot to Azure AI services. Its initial investment in OpenAI gave it access to GPT models, which have been critical in infusing AI across most Microsoft products, providing an early lead over peers. In recent months, Microsoft has added Anthropic models, which we believe could further drive adoption of its premium Microsoft 365 E7 suite, and more third-party model integration is likely across its ecosystem.

AI Agent Impact: Microsoft is near the low end of disruption risk from AI agents. Though its Office suite appears to be one product category that may be at some risk, we don't see many enterprises removing it for an AI-native product. Meanwhile, adoption of its cloud-infrastructure product Azure will likely pick up in the coming years because of the proliferation of agents. Azure AI services is one of the broadest AI infrastructure offerings. Though OpenAI remains the main partner, we expect Microsoft to maintain its neutrality and offer multiple models and associated services.

10.6 Salesforce's No. 1 Market Share Aids AI Ambitions



\$46.2 Billion

Consensus fiscal 2027 sales

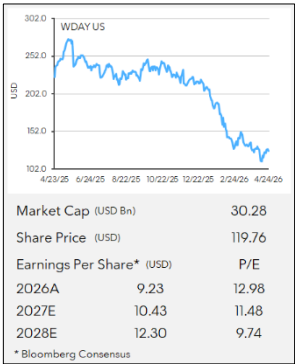
\$15.7 Billion

Projected 2027 free cash flow

Outlook: Salesforce’s leading market share in CRM and customer-service software puts it at the center of the “AI disrupting software” narrative. As a company dealing with a heavy mix of both probabilistic and deterministic outcomes through its various software products, there’s a high chance that the contribution of sales from its seat-based model will change noticeably during the next five years. A strong balance sheet and annual cash flow of over \$17 billion enables it to aggressively invest in new AI products, which will be critical to expand market share.

AI Agent Impact: Salesforce was one of the earliest application-software companies to launch an agentic framework, Agentforce, in September 2024. Since then, it has aggressively marketed this capability to clients, and more than 23,000 now use it, with over half paying for the service. The company is also at the forefront of defining and measuring the impact of agentic use among customers with the launch of Agentic Work Units to track the ratio of tokens used to a definitive outcome. Salesforce’s focus on selling software products to large enterprises places it at the lower end of AI disruption risk.

10.7 Workday's Focus Shifts to AI as Sales Gains Slow



65%

HCM market share in Fortune 500

\$10.6 Billion

Consensus fiscal 2027 sales

Outlook: Workday has over 65% share in HCM software among Fortune 500 companies, making it one of the stickier system-of-record enterprise-software products. We see a low disruption risk to its business model given the critical nature of the function it serves. Yet growth is challenged, since hiring by its customer base has slowed, affecting Workday’s seat-based pricing model. The return of co-founder Aneel Bhusri as chief executive officer could accelerate product development and add more AI capabilities across the suite.

AI Agent Impact: The acquisitions of Sana, Paradox, FlowiseAI and Pipedream could accelerate the infusion of AI and agentic capabilities across various Workday products. The Workday platform will likely be more open to collaborating with other members of the ecosystem and their agents. Allowing external agents to access its valuable system of record via an API call, overlaid with strict governance controls for sensitive data, would probably discourage complete disruption of the platform.

10.8 ServiceNow Workflow-Automation Lead Fuels Growth



97%
Share of 2025 revenue
from subscriptions

\$15.9 Billion
Consensus 2026 sales

Outlook: ServiceNow has around 40% share in the cloud IT service management market (ITSM), allowing it to expand its workflow automation expertise to areas such as HR and CRM. Its product-led growth has been near the top end among large-cap software vendors, with most of annual contract value still coming from its customer base. We see low disruption risk in ITSM for ServiceNow, but it may face increased competition in areas such as low-code tools.

AI Agent Impact: ServiceNow was quick to add agentic capabilities to its product suite in premium tiers, which surpassed \$600 million in annual contract value at the end of 2025. Management targets more than \$1 billion in 2026. We expect ServiceNow to be one of the more aggressive software firms in expanding both AI agentic capabilities and the use of its partner network to sell such products across its client base. Recent acquisitions of Armis and Moveworks could accelerate ServiceNow’s push.

10.9 OpenAI’s Amazon Ties Fuel Higher Revenue Outlook

\$280 Billion
Revenue targeted by 2030

\$50 Billion
Invested in OpenAI by
Amazon

(PRIVATE)

Outlook: OpenAI's increased revenue view of \$280 billion by 2030, about \$80 billion higher than its prior forecast, is likely driven by increased expectations around the company's enterprise applications, which leverage AI agents’ ability to execute stand-alone tasks with reasoning. Though consumer subscription growth will likely taper, given OpenAI lacks Alphabet’s breadth of consumer offerings, traction with Codex should underpin higher revenue from applications, where competition is increasing as most frontier labs offer similar coding-agent capabilities.

AI Agent Impact: OpenAI could focus on a tighter integration with Amazon on both the cloud data-center and e-commerce sides given the latter’s recent \$50 billion investment. The delay of OpenAI’s checkout feature suggests the company will likely focus on ramping up ads rather than a take-rate model.

10.10 Claude Cowork Gives Anthropic Agent Momentum

\$19 Billion
Annual recurring revenue

\$380 Billion
Valuation in February
funding round

(PRIVATE)

Outlook: Anthropic remains well positioned to benefit from the rollout of AI agents across enterprises, where the company has less exposure than rivals such as OpenAI and Google. The release of Claude Cowork could further boost Anthropic’s lead over other frontier labs in deployment of AI agents. The company has reached annual recurring revenue of \$19 billion, almost doubling in three months.

AI Agent Impact: Anthropic will significantly benefit from the spread of AI agents given its lead in enterprise API adoption and recent traction with Claude Cowork. Microsoft's addition of Anthropic models for its Office suite could be a sign of superior performance for agentic tasks given the former’s investment and long-term agreement with OpenAI.

10.11 Alphabet Poised to Gain Share in AI Inference



1.5 Billion
Projected Gemini monthly
users by end of 2027

\$408 Billion
Consensus adjusted 2026
revenue

Outlook: The Gemini 3 model release has bolstered Alphabet’s lead in visual reasoning and long-horizon agent tasks, where we believe the company's search index and YouTube video repository will likely aid its model differentiation vs. OpenAI and Anthropic. Gemini has a stand-alone monthly average user base of 750 million, narrowing the gap with OpenAI. Alphabet’s scale in training and inferencing could further boost its AI workloads share given its Gemini LLM is optimized to run on the company’s TPU chips.

AI Agent Impact: Alphabet’s accord with Apple provides a distribution advantage for AI agents on mobile devices given the incumbent share of iOS and Android ecosystems. Lower token costs and a latency advantage over rivals including OpenAI, Anthropic and XAI could help Gemini’s performance of on-device inferencing tasks.

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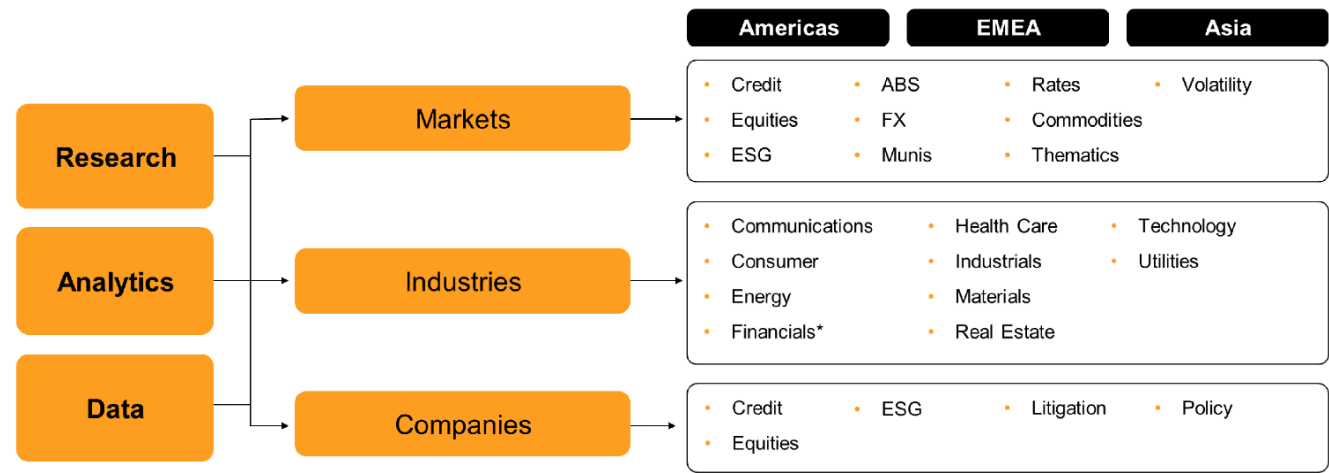
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