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Software Snippets | Europe

More Job Cut and AI Efficiency Pronouncements

Important events in the world of Software & Services in the week ahead, and key MS research / stories from the past week

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TECHNOLOGY - SOFTWARE & SERVICES

Europe

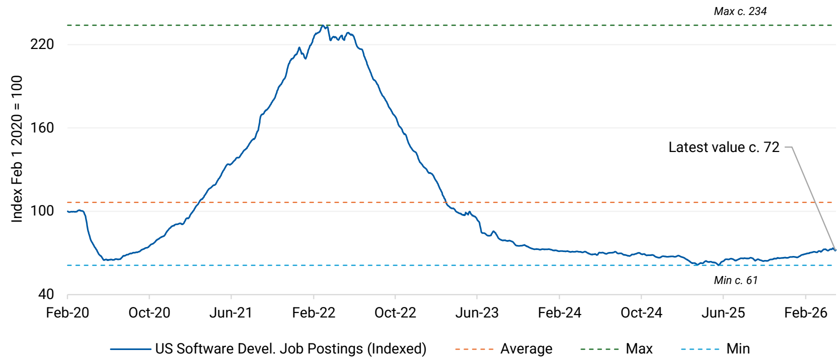
Industry View **In-Line**

Key Takeaways

- Uber, Coinbase, and Cloudflare join the ranks of companies citing labour force strategy changes amidst AI efficiency gains (#Software, #IT Services)
- Amadeus delivers well in 1Q despite a tough travel backdrop (*MS Research*, #Amadeus)
- SAP announced acquisitions of Prior Labs and Dremio ahead of Sapphire next week (#SAP)
- The importance of protecting proprietary data - Meta sued over alleged use of copyrighted works to train AI models (#RELX)

1) Uber, Coinbase, and Cloudflare join the ranks of companies citing labour force strategy changes amidst AI efficiency gains (*#Software, #IT Services*)**:** The debate around AI's impact on software employment remains a polarised one among investors. Optimists argue that generative AI will ultimately expand demand for developers by lowering the cost of software creation, accelerating digital transformation, and creating entirely new categories of applications, infrastructure, and AI governance roles. Skeptics, however, contend that AI coding assistants and autonomous agents are already reducing the need for junior engineers, and developers more broadly. This is a topic our US colleague Sanjit Singh recently addressed, noting that the latest data does not show a broad-based contraction in developer demand, as highlighted in the chart below.

Exhibit 1: Software development job postings in the United States - a recent upward trend, but in the valley of the post-COVID boom



That said, anecdotal company announcements continue to feed the debate, with several more this week. Uber's CEO indicated that c. 10% of Uber's code changes are now produced by autonomous agents, while the CFO stated: "*[On AI] I would say candidly, when we set our budgets for 2026 in November, we underestimated the amount of impact the AI tools could have. [...] We've re-upped our investment here, and as Dara said, we are trading that off against incremental headcount growth*." Separately, various press reports (e.g. Reuters) had indicated an internal memo at Coinbase citing plans to reduce headcount by 14% as it integrates AI "*across every facet of [their] jobs*", though the article also cited weaker crypto markets as a contributing factor. Lastly, Cloudflare announced an 1,100 employee headcount cut, with the CEO & COO in a blog post noting: "*The way we work at Cloudflare has fundamentally changed. We don't just build and sell AI tools and platforms. We are our own most demanding customer. Cloudflare's usage of AI has increased by more than 600% in the last three months alone. Employees across the company from engineering to HR to finance to marketing run thousands of AI agent sessions each day to get their work done. That means we have to be intentional in how we architect our company for the agentic AI era in order to supercharge the value we deliver to our customers and to honor our mission to help build a better Internet for everyone, everywhere.*"

2) Amadeus delivers well in 1Q despite a tough travel backdrop (***MS Research***, *#Amadeus*)**:** Despite the ongoing Middle East conflict weighing on global travel sentiment, Amadeus posted a strong 1Q, including c. 6% beats on both Air IT Solutions revenue and adj. EBITDA. Forecasting the rest of the year remains difficult, but 1Q provided enough confidence for management to reiterate full year guidance, despite expecting incremental impacts on performance in 2Q and lowering their assumption around global air traffic to c. 3% for FY26, down from their initial c. 4.5% assumption at the start of the year. The ongoing nature of the Middle East conflict means a clearing event is still needed to support a broader re-rating, but we continue to see an attractive setup longer-term, supported by structural technology upgrades in Air IT Solutions, and continued market penetration in the earlier stage Hospitality market. **Read our full note here.**

3) SAP announced acquisitions of Prior Labs and Dremio ahead of Sapphire next week (*#SAP*)**:** SAP's intention to acquire Prior Labs, provider of AI models for structured datasets, and Dremio, a data lakehouse platform, reinforces the company's ambition to become a leading AI platform for enterprise workflows. Dremio enhances SAP's ability to unify SAP and non-SAP data across customer environments, while with Prior Labs, SAP will be able to better deliver AI solutions that help organisations understand business data across tables, text, and images. Together, the deals support SAP's broader strategy of embedding AI directly into core business processes. We think these deals are strategic, but ultimately relatively immaterial to SAP's near-term financial metrics (including Current Cloud Backlog). The deal announcements come ahead of SAP's Sapphire conference next week, where we expect to hear more about SAP's overall AI strategy and its product roadmap, including during the Financial Analyst Conference; details and timing of this event, as well as CEO Christian Klein's two sessions are as below.

Exhibit 2: Key events at SAP Sapphire

"The Beginning of Better" *(Opening Keynote)*	**Financial Analyst Conference**	"Finding Your Winning Edge" *(Keynote)*
Tuesday, May 12 **8:30AM - 10:00AM EDT** Discover how SAP provides the powerful foundation of applications and data that AI needs to truly deliver business outcomes. With - **Christian Klein**, CEO SAP - **Muhammad Alam**, SAP Product Engineering, SAP Executive Board - **Philipp Herzig**, CTO SAP - **Sebastian Steinhaeuser**, COO SAP, SAP Executive Board - **Jeremy Barnum**, CFO, JPMorgan Chase & Co. - **Ellen Svanström**, CDIO, H&M	**Wednesday, May 13** **11:00AM - 2:30PM EDT** Investor Relations will host a Financial Analyst Conference as part of SAP Sapphire in Orlando, Florida. The program will include Executive Board presentations, senior management breakout sessions as well as an Executive Q&A session.	**Wednesday, May 13** **3:30PM - 4:30PM EDT** Join legendary tennis champion and philanthropist Roger Federer for insights into excelling under pressure. The star shares how his career-long lessons in versatility, resilience, and strategic thinking can help leaders deliver results in any business arena. With - **Christian Klein**, CEO, SAP - **Roger Federer**, Tennis Champion and Philanthropist

4) The importance of protecting proprietary data - Meta sued over alleged use of copyrighted works to train AI models (*#RELX*)**:** The Financial Times reported that five publishers, including RELX-owned Elsevier, alongside a bestselling author, are suing Meta and its founder Mark Zuckerberg over the alleged use of copyrighted books and journal articles sourced from pirated websites and unauthorized internet scrapes to train large language models. The case is the latest in a growing wave of copyright disputes brought by authors, artists and media companies against AI developers over the use of protected content. It highlights the desire of content owners to protect what is a key part of their business moats and also draws attention to the value of such content for both AI training and AI inference workflows. The FT also noted that Meta said: *"AI is powering transformative innovations, productivity and creativity for individuals and companies, and courts have rightly found that training AI on copyrighted material can qualify as fair use. We will fight this lawsuit aggressively."*

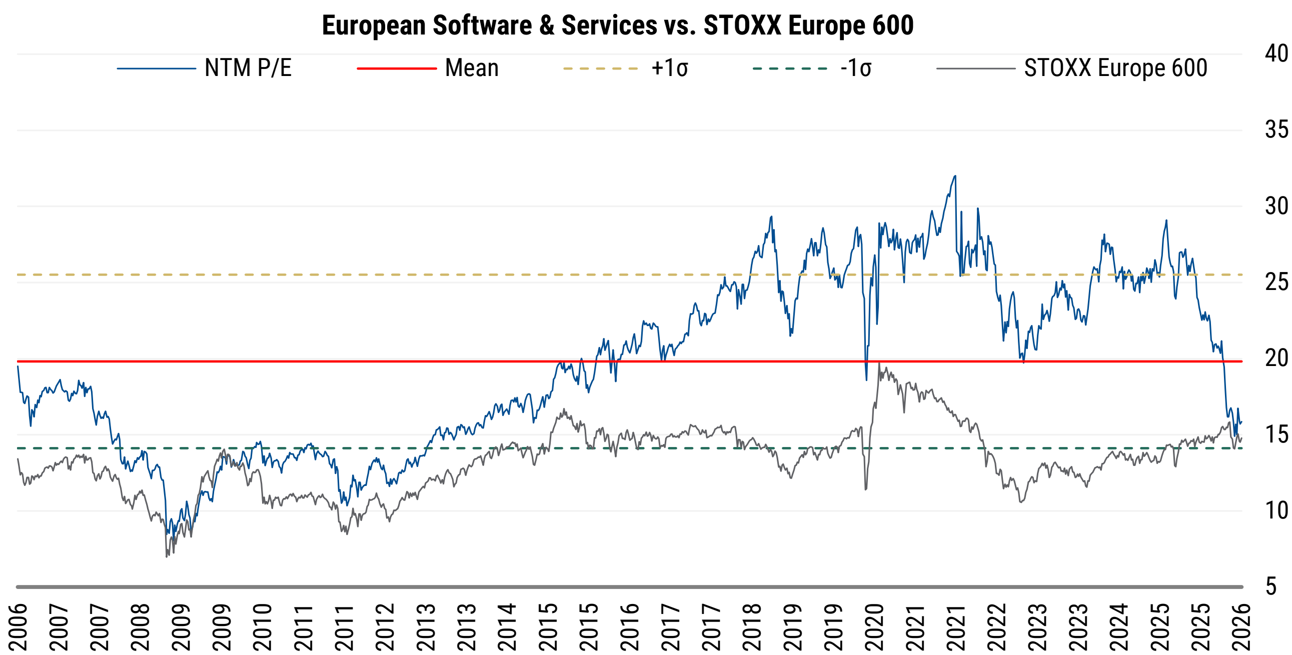
Exhibit 3: Key week ahead events

Next week calendar

Monday 11/05/2026	Tuesday 12/05/2026	Wednesday 13/05/2026	Thursday 14/05/2026	Friday 15/05/2026
SAP Sapphire	SAP Sapphire	SAP Sapphire - Analyst Conference	Xero 4Q26 Results	
	IONOS 1Q26 Results	HBX Group 1H26 Results		
		Siemens 2Q26 Results		
		Wix.com 1Q26 Results		
Key	MS Europe Coverage	Other Global Stocks	Industry Event	Other

Coverage Valuation vs. European Market

Exhibit 4: Software & Services NTM P/E



Europe – Software & Services Long-Term Valuation

Exhibit 5: Amadeus P/NTM Earnings

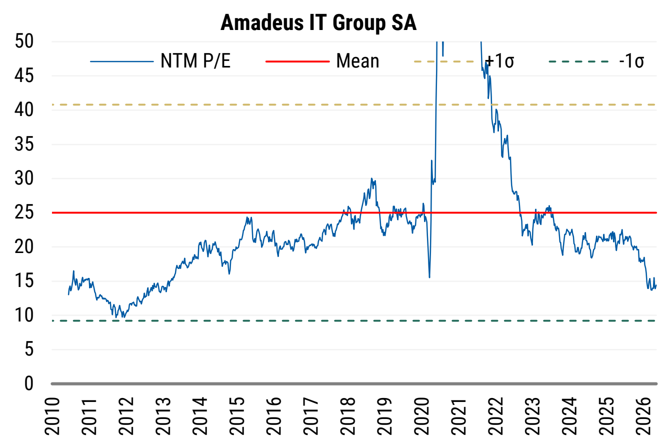


Exhibit 6: Amadeus EV/NTM Sales

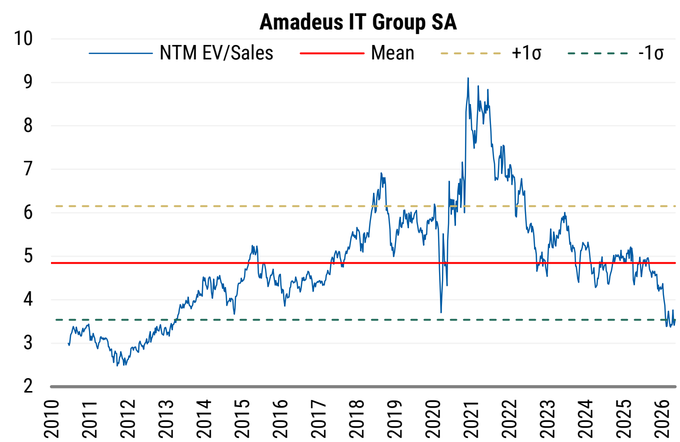


Exhibit 7: Capgemini P/NTM Earnings

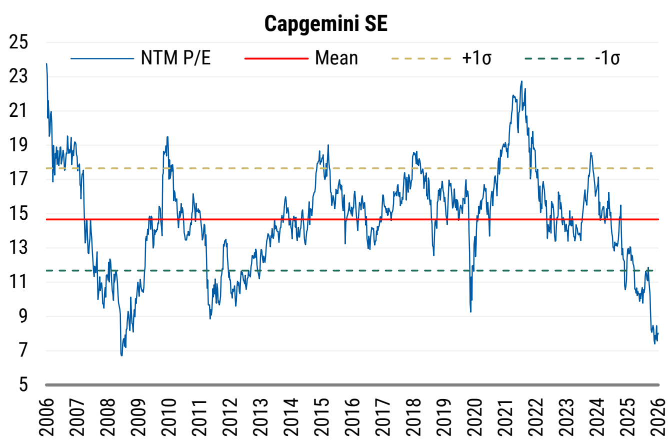


Exhibit 8: Capgemini EV/NTM Sales

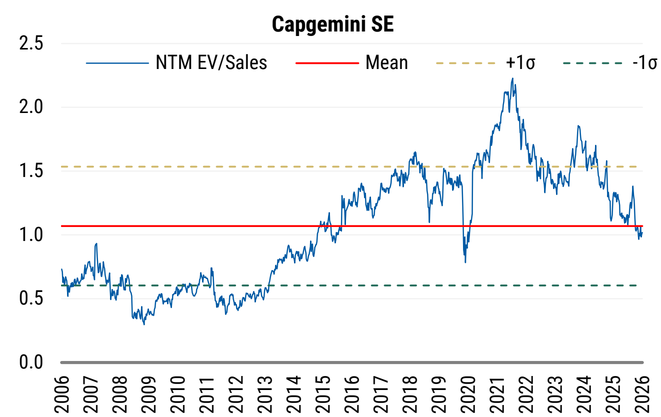


Exhibit 9: Dassault Systemes P/NTM Earnings

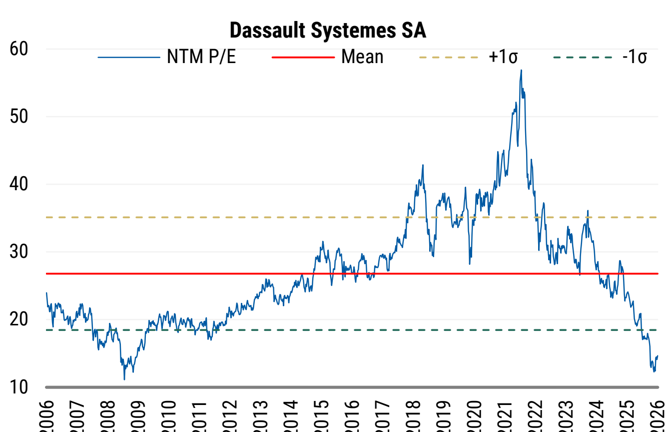


Exhibit 10: Dassault Systemes EV/NTM Sales

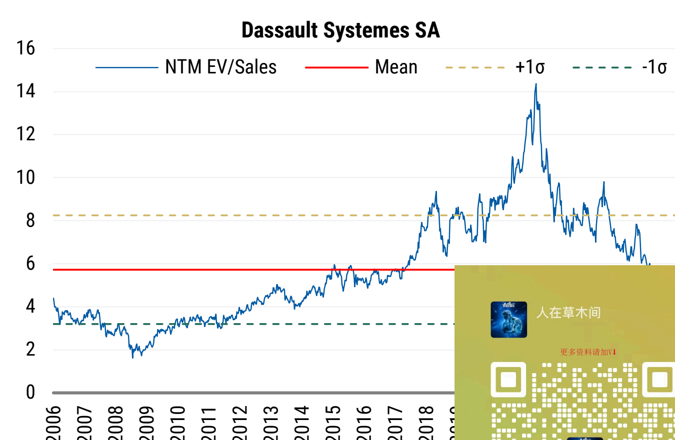


Exhibit 11: HBX P/NTM Earnings

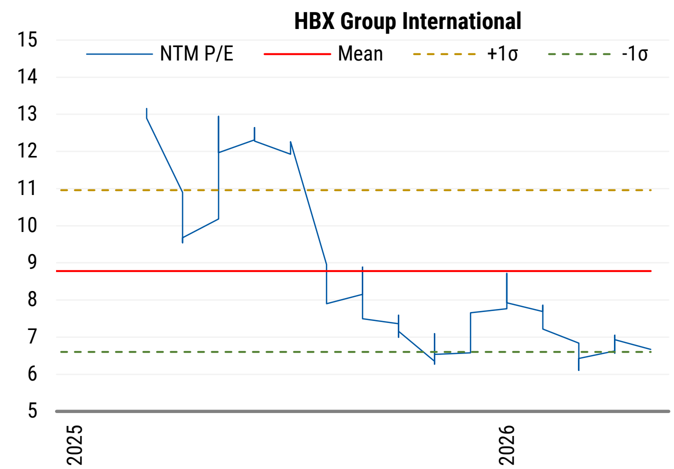


Exhibit 12: HBX EV/NTM Sales

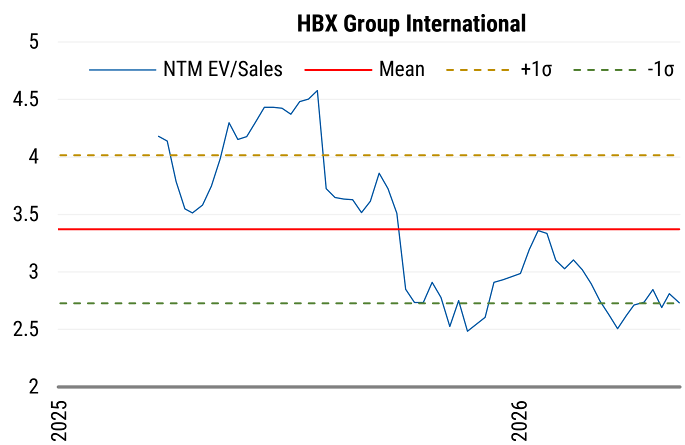


Exhibit 13: Indra P/NTM Earnings

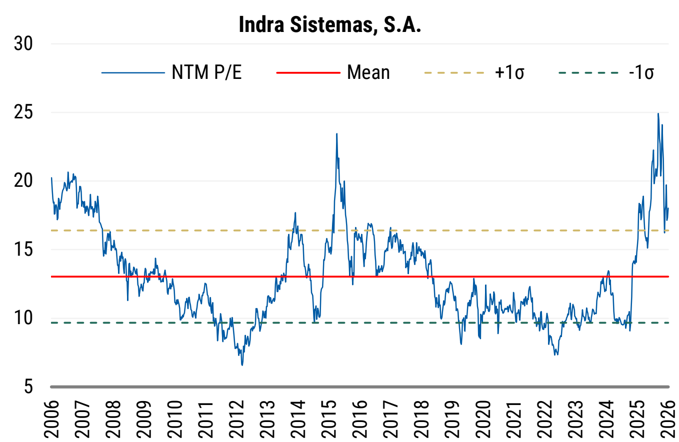


Exhibit 14: Indra EV/NTM Sales

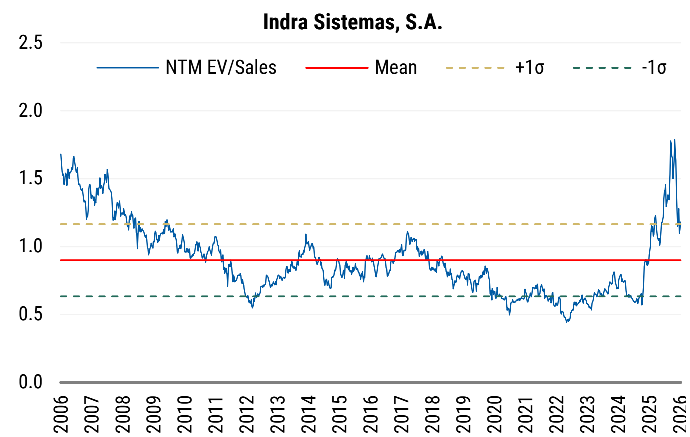


Exhibit 15: Informa P/NTM Earnings

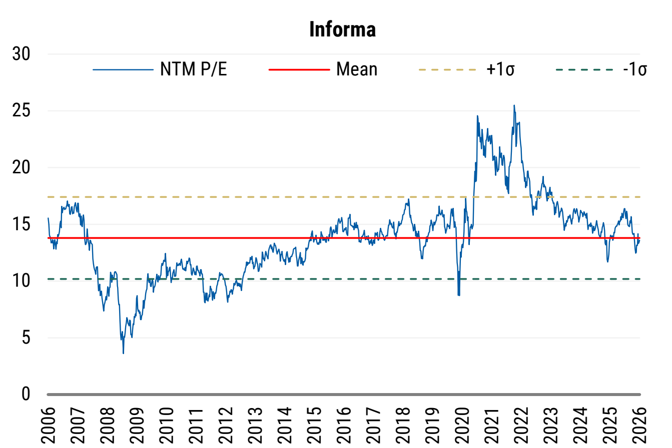


Exhibit 16: Informa EV/NTM Sales

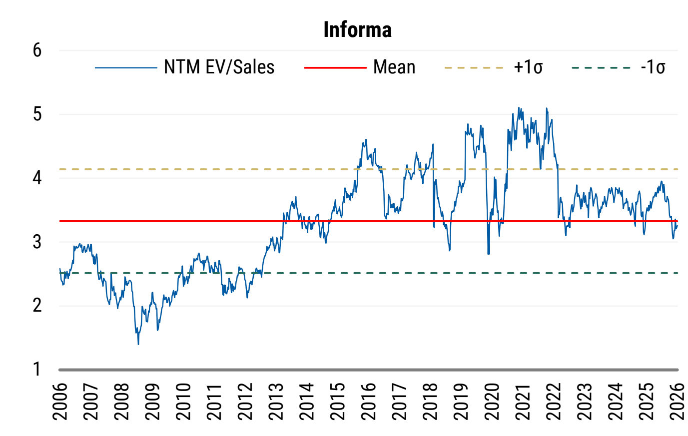


Exhibit 17: IONOS P/NTM Earnings

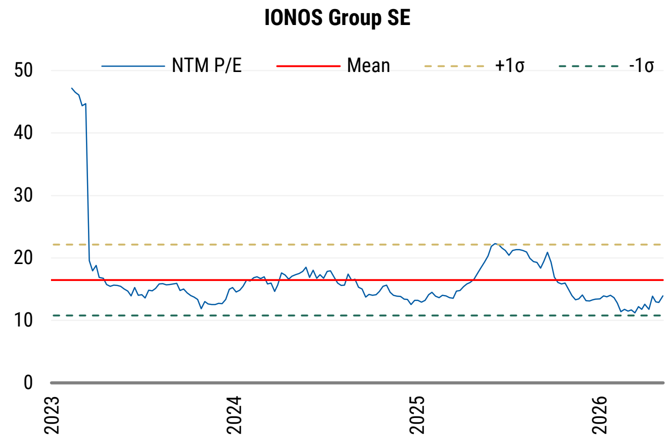


Exhibit 18: IONOS EV/NTM Sales

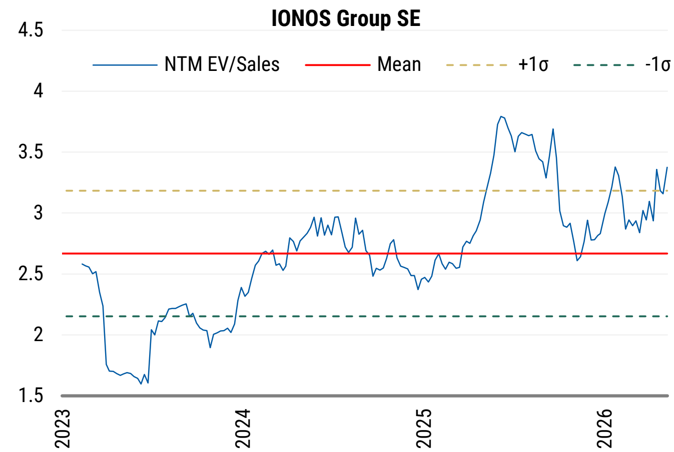


Exhibit 19: Nemetschek P/NTM Earnings

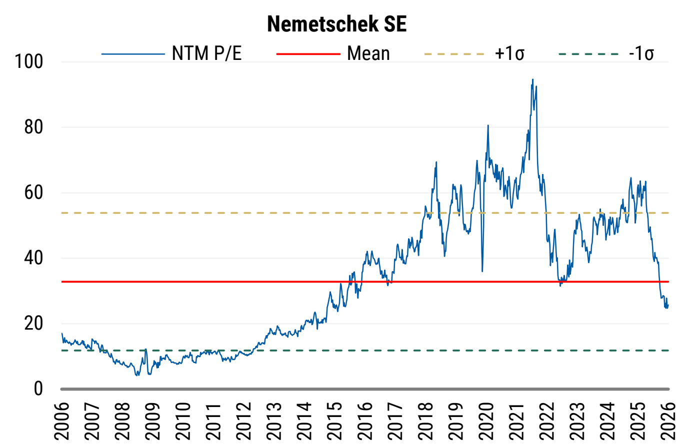


Exhibit 20: Nemetschek EV/NTM Sales

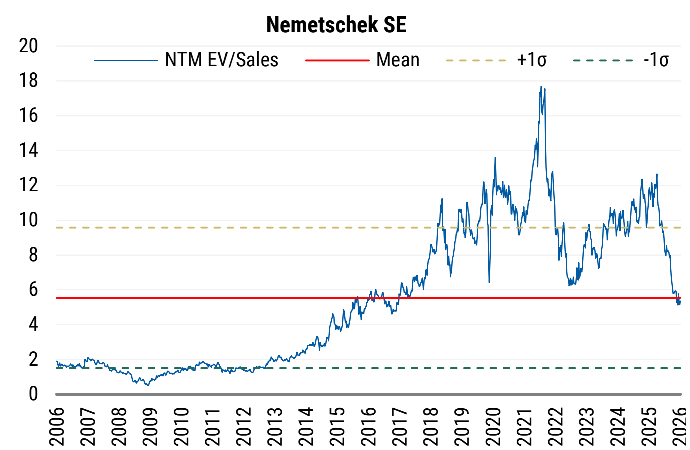


Exhibit 21: Netcompany P/NTM Earnings

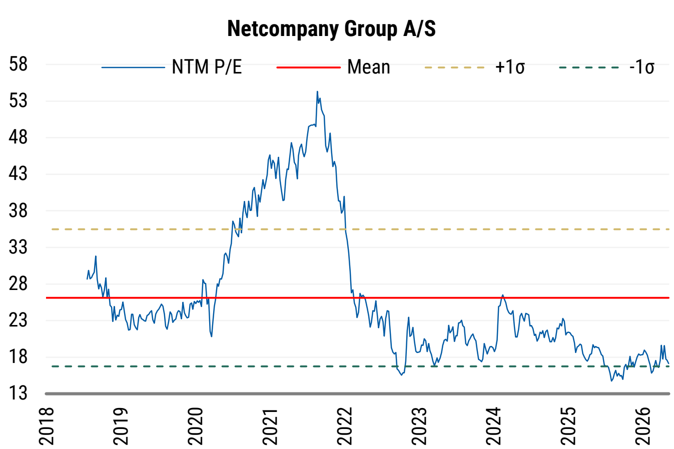


Exhibit 22: Netcompany EV/NTM Sales

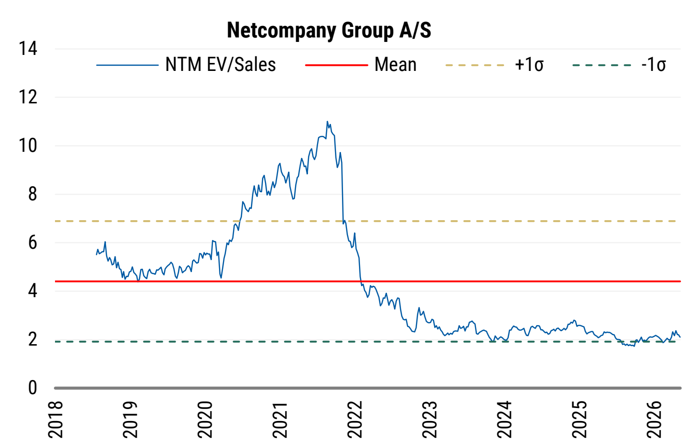


Exhibit 23: RELX P/NTM Earnings

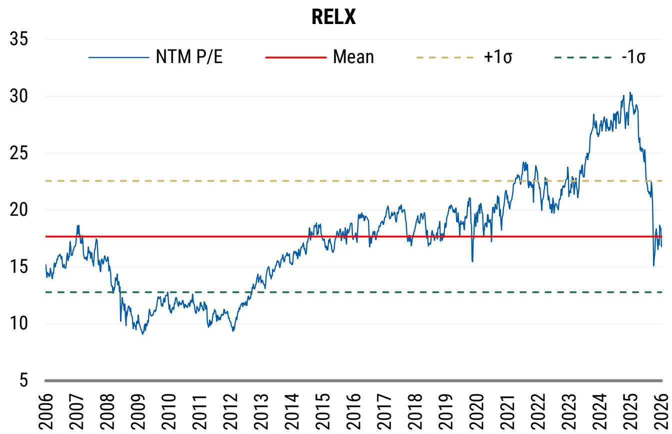


Exhibit 24: RELX EV/NTM Sales

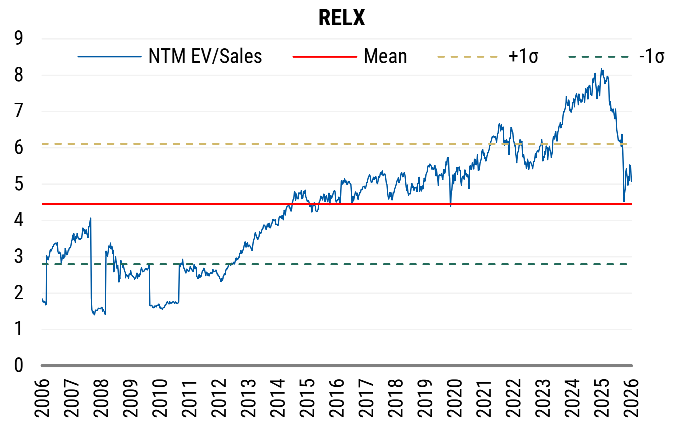


Exhibit 25: Sage P/NTM Earnings

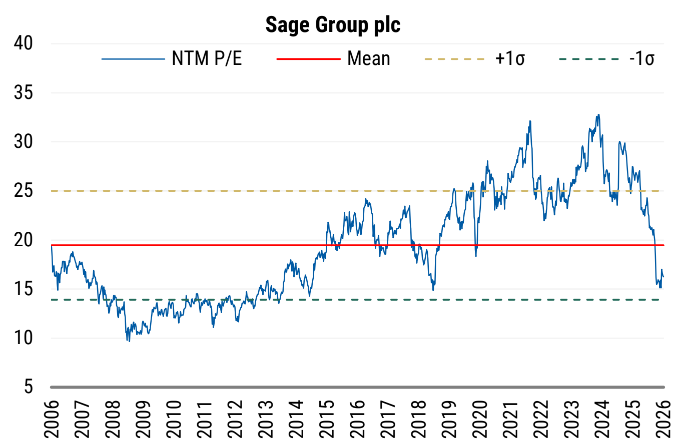


Exhibit 26: Sage EV/NTM Sales

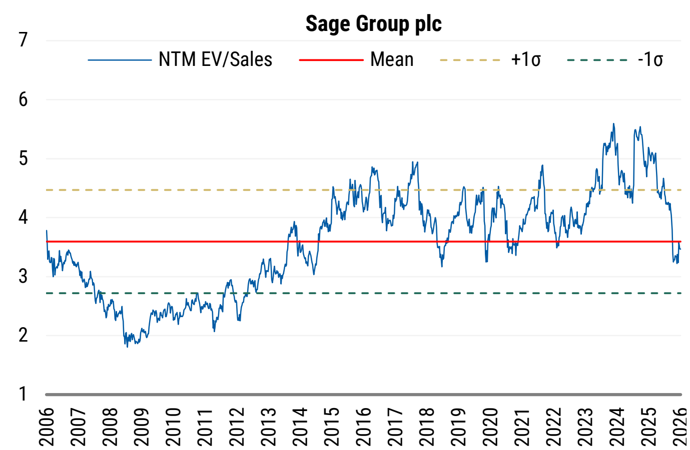


Exhibit 27: SAP P/NTM Earnings

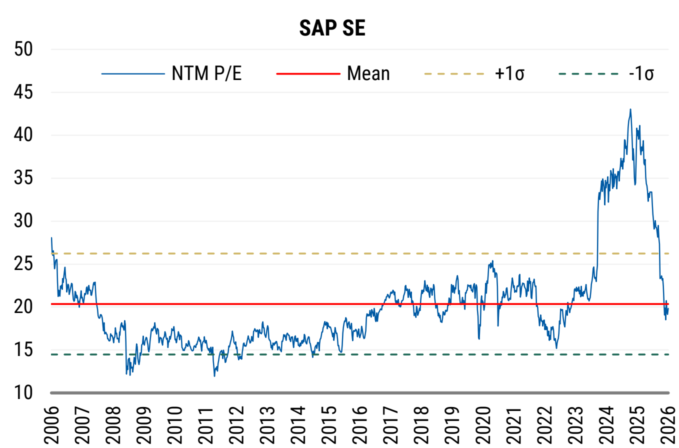


Exhibit 28: SAP EV/NTM Sales

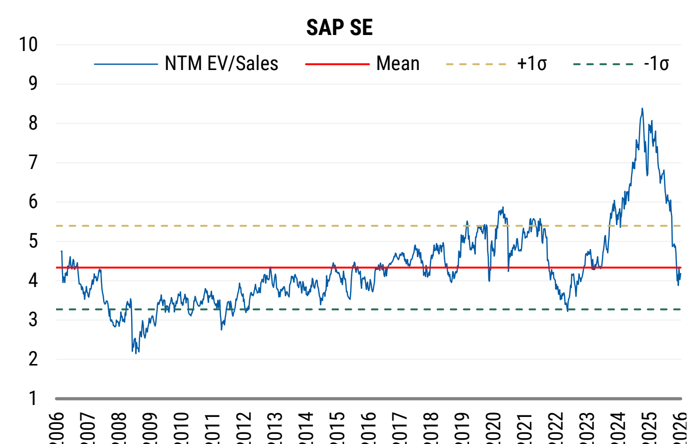


Exhibit 29: Springer Nature P/NTM Earnings

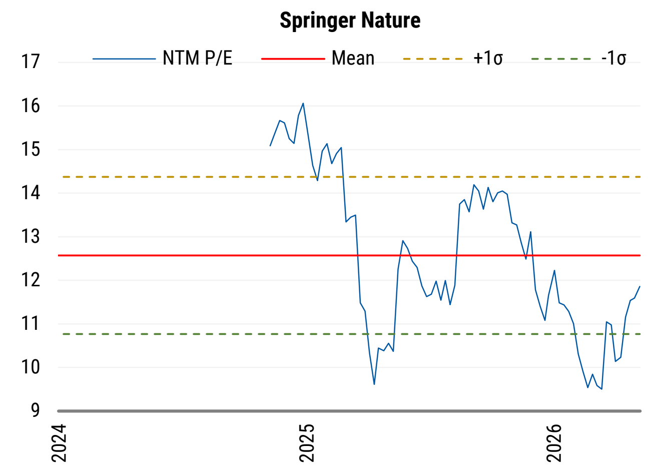


Exhibit 30: Springer Nature EV/NTM Sales

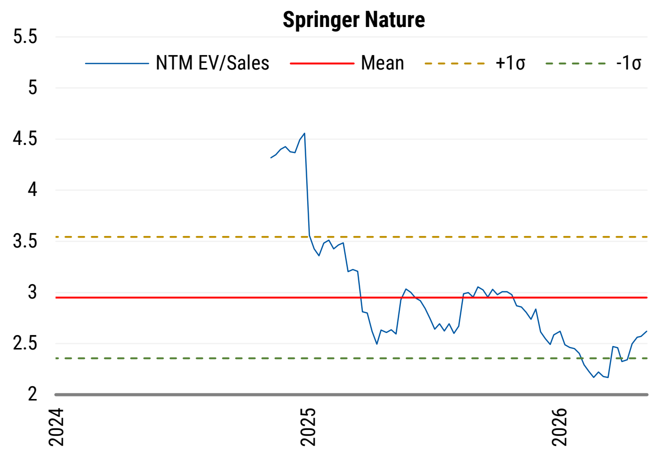


Exhibit 31: Temenos P/NTM Earnings

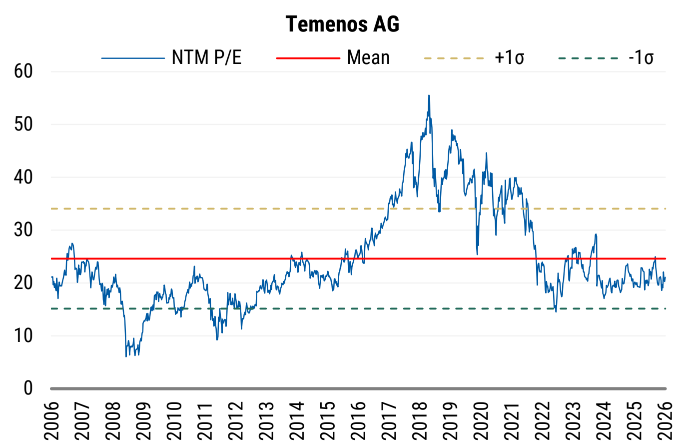


Exhibit 32: Temenos EV/NTM Sales

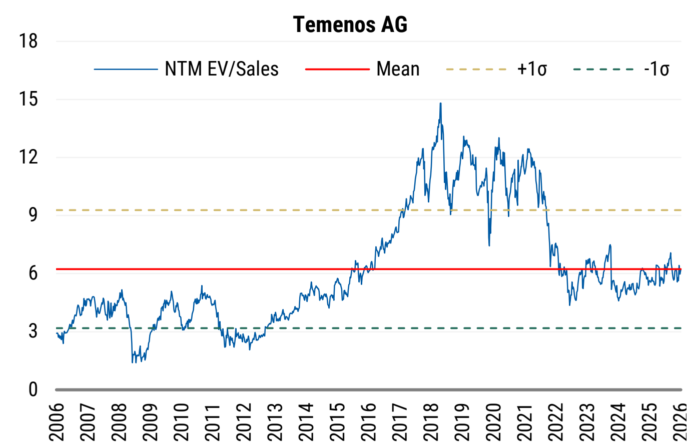


Exhibit 33: Tieto P/NTM Earnings

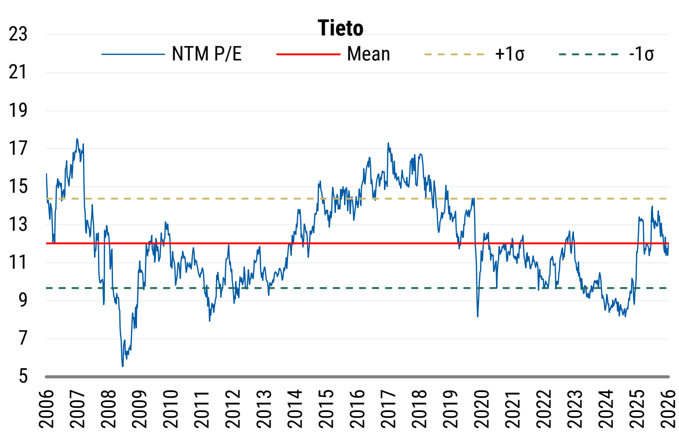


Exhibit 34: Tieto EV/NTM Sales

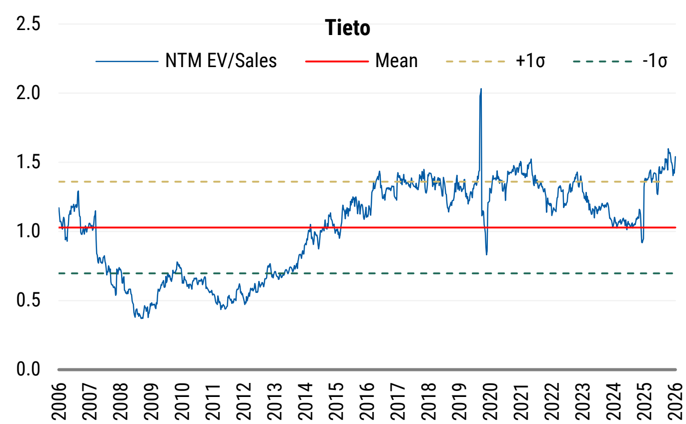


Exhibit 35: Trustpilot EV/NTM Sales

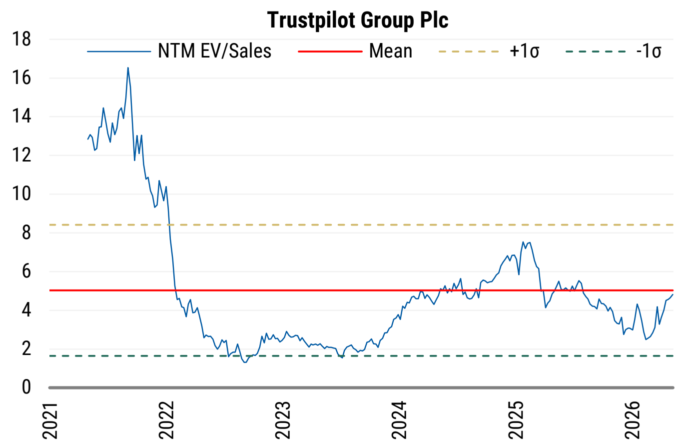


Exhibit 36: Wolters Kluwer P/NTM Earnings

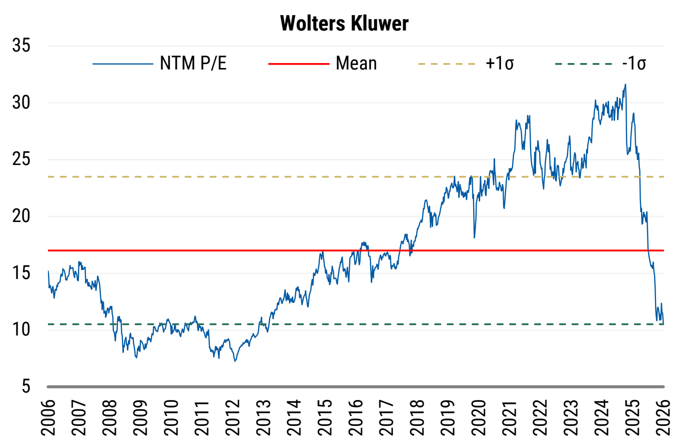
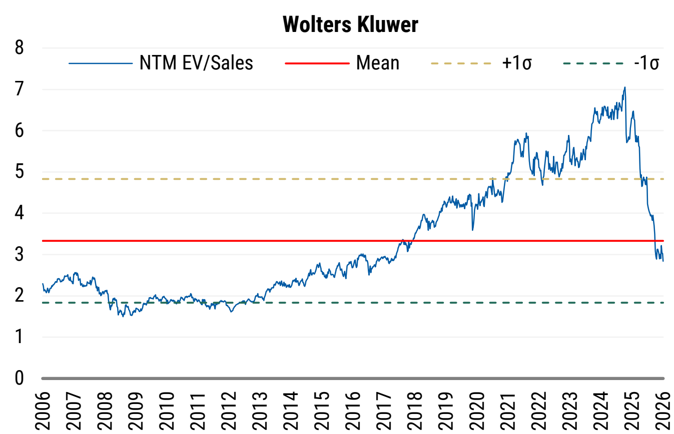


Exhibit 37: Wolters Kluwer EV/NTM Sales



European Coverage Company Guidance

Exhibit 38: Company Forward Guidance (1/2)

	Published Company Guidance / Targets	
	FY26	**Mid-term / Long-term**
Amadeus	High single digit revenue growth (in cc) Adj. EBIT margin stable at cc (FY25: 29.1%) Adj. diluted EPS growth at low double-digit FCF between €1.35-1.45 billion	**Over 2026-2028:** High single digit annual revenue growth (in cc) Adj. EBIT margin expansion over the period Adj. diluted EPS growth CAGR at low double-digit FCF growth CAGR at high single digit
Capgemini	Revenue growth of +6.5 to 8.5% cc (organic c. 1.5 to 4%, MSe) Operating margin of 13.6% to 13.8% Organic FCF of €1.8 to 1.9bn	*None*
Dassault Systemes	Total revenue growth between 3 to 5% (cc) Software revenue growth 3 to 5% (cc) Services revenue growth of 2 to 6% (cc) Adj. EBIT margin guidance is 32.2 to 32.6% EPS €1.30 to 1.34	Basic 2029 EPS of €2.4
HBX Group	12-18% YoY growth in TTV 2-7% YoY revenue growth 2-7% adj. EBITDA growth c. 100% operating FCF conversion	Low-double digit TTV annual growth High-single digit revenue growth Low sixties adj. EBITDA margin % c. 100% cash conversion
Indra Sistemas	Revenue >€7,000m in local currency Stated EBIT of > €700m Free cash flow of >€375m	**Long-term (FY24-FY30):** Revenues to reach €6bn in FY26 and €10bn in FY30 EBITDA margins >12% by FY26 and >14% by FY30 EBIT margin at 10% in FY26 and 12% in FY30 Cumulative FCF of >€3bn from FY24-FY30
Informa	6%± underlying revenue growth 7%+ B2B Events underlying revenue growth 4%± Taylor & Francis underlying revenue growth Return to revenue growth for TechTarget	5%+ underlying revenue growth p.a. out to FY28
IONOS Group	Group: c. 7% revenue growth with c. 37-38% adj. EBITDA margin (CC) Web Presence & Productivity: 7-8% revenue growth (CC) Cloud Solutions: c. 10% revenue growth (CC)	Total revenue growth (CAGR) ~10% Adj. EBITDA margin ~35% CAPEX 5-6% of revenue (Maintenance ~8% CAGR & Growth ~4% of total revenue) Web Presence & Productivity revenue growth ~9% Cloud Solutions revenue growth ~20%
Nemetschek Group	14-15% constant currency revenue growth 32-33% adj. EBITDA margin	*None*
Netcompany Group	Group revenue growth of 15-20% y/y (in CC), 5-10% excluding NBS Adj. EBITDA margin of 16-19%, 17-20% excluding NBS	**Long-term:** Annual organic revenue growth of 5-10% *"through any business cycle"* Adj. EBITDA margins >20% by (in) FY29
RELX	*"We continue to see positive momentum across the group, and we expect another year of strong underlying growth in revenue and adjusted operating profit, as well as strong growth in adjusted earnings per share on a constant currency basis".* Buybacks of £2,250m	*None*

Exhibit 39: Company Forward Guidance (2/2)

	Published Company Guidance / Targets	
	FY26	**Mid-term / Long-term**
Sage Group	Organic total revenue growth in FY26 to be 9% or above Operating margins are expected to trend upwards in FY26 and beyond	*None*
SAP	Cloud revenue of €25.8-26.2bn at cc (23% to 25% cc growth). Cloud and software revenue of €36.3-36.8bn at cc (12%-13% cc growth). Non-IFRS EBIT of €11.9-12.3bn (14-18% cc growth). Free cash flow c. €10bn	*None*
Springer Nature	c. 5-6% underlying revenue growth c. 30bps underlying adj. EBIT margin expansion	Research: Market outperformance at around +1% p.a. assuming a market growth of +3.0% to +3.5% p.a. Adj. Operating Profit margin expected to increase by c. 100 bps in the mid-term (implied by end of FY27)
Temenos	ARR growth of c. 12% Subscription and SaaS growth of c. 9% EBIT growth c. 9% FCF growth c. 16% (reported)	**Mid-term (FY28):** ARR to reach more than >$1.23bn Non-IFRS EBIT of at least c.$480m FCF of at least $410m
Tieto	Organic growth of -2% to 0% and adj. EBITA margins of 14.8 to 15.8%	Annual revenue growth of over 5% CAGR in 2027-2028 Expect 2026 to be broadly flat to slightly negative on topline EBITA margins of over 16% by 2028
Trustpilot	High-teens constant currency revenue growth Adj. EBITDA margin expansion of 2-3ppts	**Long-run:** long term growth and sustainable margin improvement
Wolters Kluwer	Good organic revenue growth Adj. EBIT margin: c. 28% Diluted adj. EPS growth (%, cc): High single digit growth Adj. FCF (EURm, cc): €1,300m to €1,350m	*None*