

Global software - European Technology/Software

Global software: Mid-market ERP at the AI inflection point



Richard Nguyen
+33 1 42 13 54 22
richard.nguyen@bernsteinsg.com



Mark L. Moerdler, Ph.D.
+1 917 344 8506
mark.moerdler@bernsteinsg.com



Derric Marcon
+33 1 58 98 06 30
derric.marcon@bernsteinsg.com



Firoz Valliji, CFA
+1 917 344 8316
firoz.valliji@bernsteinsg.com



Shelly Tang, CFA
+1 917 344 8342
shelly.tang@bernsteinsg.com

Specialist Sales



Kiran Shah, CFA
+44 20 3547 1533
kiran.shah@bernsteinsg.com



Keith Murray
+1 917 344 8435
keith.murray@bernsteinsg.com

Mid-market ERP is entering a defining phase, in our view. The convergence of **cloud migration, subscription economics, and - most critically - AI** is reshaping growth durability, margin structure, and competitive positioning across the sector. While the underlying market remains attractive - SMB and mid-market ERP spending is expected to grow annually at c.13% through 2030, representing a cumulative c.\$233bn in revenue opportunity over 2026-30 - **AI, not cloud adoption, is starting to become the principal driver of value creation and valuation dispersion.**

AI-enabled ERP is scaling rapidly, with market penetration expected to approach c.90% by the end of the decade. Early deployments focused on copilots and assistants, which have quickly become table stakes. The value frontier is now shifting toward agentic and autonomous workflows that automate finance, supply chain, HR, and vertical-specific processes end-to-end. Executed well, these capabilities expand total addressable market, lift average revenue per user (ARPU) through bundling and premium tiers, shorten implementation cycles, and lower cost-to-serve. Executed poorly, they introduce rising R&D and compute costs without commensurate pricing upside.

Cloud migration provides stability rather than upside at this stage of the cycle. SaaS ERP continues to grow steadily, but the remaining migrations are increasingly complex and services-heavy. As a result, the next leg of growth and margin expansion must come from AI-driven productivity and monetization, not migration volume alone.

Competitive dynamics are bifurcating. Scaled platforms (Microsoft, Oracle, SAP, Workday) benefit from unified data models, deep AI investment, and hyperscaler economics, strengthening lock-in and cross-sell. At the same time, focused specialists - finance-led, vertical, or regional vendors - retain defensible positions where domain-specific AI delivers faster and more tangible ROI. The market is likely to reward both ends of the spectrum, while undifferentiated generalists face pressure.

Bull case. In the upside scenario, AI becomes a structural growth and margin tailwind. Vendors successfully embed autonomous workflows, monetize via bundles and usage-based tiers, and use automation to offset higher R&D intensity. ERP evolves into high-margin, recurring platforms with expanding ARPU, strong retention, and improving FCF conversion. Scale players compound share, while focused specialists sustain premium niches.

Bear case. In the downside scenario, AI commoditizes faster than pricing adjusts. Vendors absorb higher development and compute costs simply to stay competitive, while implementation bottlenecks and cautious customers delay monetization. Cloud infrastructure and services intensity cap margin recovery, and ERP drifts toward mission-critical but low-return infrastructure.

Investment conclusion. This is no longer a sector-beta trade. Valuation outcomes will be driven by AI execution. Our analysis shows that **Microsoft** and **Oracle** emerge as "sooner" AI compounders; **SAP** and **Workday** remain execution-dependent; and **Sage** represents a defensive quality story. For investors, selectivity is essential.

BERNSTEIN TICKER TABLE

Ticker	Rating	5 May 2026		Price Target	TTM Rel. Perf.	Cur	Adjusted EPS			Adjusted P/E (x)		
		Cur	Closing Price				2025A	2026E	2027E	2025A	2026E	2027E
SGE.LN (Sage)	M	GBP	908.60	1,340.00	(42.3)%	GBP	0.44	0.49	0.54	20.6	18.4	16.7
SAP.GR (SAP)	O	EUR	147.46	276.00	(57.5)%	EUR	6.10	7.54	9.02	24.2	19.6	16.3
SAP (SAP)	O	USD	172.39	323.00	(71.5)%	EUR	6.10	7.54	9.02	24.1	19.5	16.3
MSFT (Microsoft)	O	USD	411.38	646.00	(34.2)%	USD	13.64	16.85	19.16	30.2	24.4	21.5
ORCL (Oracle)	O	USD	185.35	319.00	(4.3)%	USD	6.03	7.50	8.70	30.7	24.7	21.3
WDAY (Workday)	O	USD	128.88	214.00	(76.6)%	USD	9.23	10.94	12.87	14.0	11.8	10.0
EDME			1,509.74									
SPX			7,259.22									

O - Outperform, M - Market-Perform, U - Underperform, NR - Not Rated, CS - Coverage Suspended

WDAY base year is 2026;

Source: Bloomberg, Bernstein estimates and analysis.

INVESTMENT IMPLICATIONS

We reiterate our ratings and price targets on Sage (covered by R. Nguyen), on SAP (co-covered by M. Moerdler and R. Nguyen), and on Microsoft, Oracle and Workday (covered by M. Moerdler).

Outperform:

Microsoft (PT \$646)

Oracle (PT \$319)

SAP (PT €276 / \$323)

Workday (PT \$214)

Market-Perform:

Sage (PT 1,340p)

Table Of Contents

Investment summary.....	4
Mid-market ERP at the crossroads.....	8
The bull case: AI-enabled, cloud-native compounders.....	9
The bear case: Slowing S-curve, margin drag, commoditized AI.....	9
Investment implication: This is a stock-picking market, not a beta trade.....	10
The forces driving transformation in the ERP market for SMBs.....	11
The economic and technological forces reshaping the industry.....	11
Competitive dynamics in an AI-driven ERP market.....	11
Reinventing the business model for an AI-first future.....	17
AI as catalyst and disruptor.....	18
Upside potential: new revenue pools, pricing power, and competitive differentiation.....	19
Downside risks: commoditization, rising costs, and execution bottlenecks.....	20
Potential AI disruption risks across ERP segments.....	20
Approximately \$233bn of software revenue opportunity through 2030.....	24
Global ERP spending is set to grow c.10% annually.....	24
SMB ERP spending expected to grow c.13% annually.....	24
The rise of AI-enabled ERP software.....	25

DETAILS

List of recent AI-focused sector reports:

- [When Anthropic and OpenAI Meet IT Services](#)
- [Future of Tech: Does the software world as we know it end?](#)
- [Artificial Intelligence... Sooner or Later: AI is already here - The structural reset of IT Services & Software](#)
- [Disrupted or supercharged? Mapping AI risks in Services and Software and AI disruption radar - Want to try it yourself?](#)
- [Global Software: The coming AI supercycle in Supply Chain Software](#)
- [Forward Deployed Engineering \(FDE\): Where AI software meets the real world](#)
- [Forward Deployed Engineering: Force Multiplier - or False Comfort - for enterprise AI](#)
- [IT Services: The irresistible rise of Services-as-Software](#)
- [Generative AI 401: Agents \(under the hood\)](#)
- [Global Software: Putting the SaaS Apocalypse in Context](#)

INVESTMENT SUMMARY

Mid-market ERP is entering its most consequential cycle in over a decade, in our view. The convergence of cloud, subscription economics, and - critically - AI is reshaping growth durability, margin structure, and competitive moats. While the addressable market continues to expand at a healthy pace, this is no longer a beta-driven growth story. **AI execution and economics will determine whether vendors emerge as high-quality compounders or evolve into commoditized infrastructure.**

We present below a **directional assessment of AI impact** across various ERP software providers (Exhibit 1). This scorecard is intended to illustrate **relative AI leverage**, rather than provide a mechanical or point-in-time ranking. Scores reflect our judgment based on available disclosures, company strategy, and industry feedback, and are intended to compare relative positioning across business-model dimensions and time horizons. The contrast between the two snapshots shows where AI is already delivering financial leverage today, versus where its impact should accelerate by early-2030s. This framing should help investors separate near-term execution stories from longer-duration AI compounders.

EXHIBIT 1: **Bernstein AI leverage scorecard - Current vs Early-2030s for selected mid-market ERP software vendors**

Company	Current position (2026)					Early-2030s potential scenario				
	Business model	Revenue growth	Margin impact	Cash flow	Capex/AI-opex	Business model	Revenue growth	Margin impact	Cash flow	Capex/AI-opex
Microsoft	●	●	●	●	●	●	●	●	●	●
Oracle	●	●	●	●	●	●	●	●	●	●
SAP	●	●	●	●	●	●	●	●	●	●
Workday	●	●	●	●	●	●	●	●	●	●
Sage	●	●	●	●	●	●	●	●	●	●
Intuit	●	●	●	●	●	●	●	●	●	●
Infor	●	●	●	●	●	●	●	●	●	●
Visma	●	●	●	●	●	●	●	●	●	●

● High AI leverage
 ● Moderate / emerging AI leverage
 ● Limited / uncertain AI leverage

Source: Bernstein analysis and estimates

EXHIBIT 2: **Bernstein's threshold criteria for AI leverage**

● High AI leverage

- Business model: AI materially changes the business model (platform-, agent-, or outcome-led)
- Revenue growth: Clear evidence (or strong line of sight) of AI-driven revenue expansion
- Margin impact: Productivity gains are priced or retained, not rebated
- Cash flow impact: AI improves recurrence, predictability, and FCF durability
- Capex/AI-opex: AI investment burden scales efficiently over time

● Moderate / emerging AI leverage

- Business model: AI embedded mainly as an enabler, not yet the core value layer
- Revenue growth: Growth uplift present but partially diluted or indirect
- Margin impact: Impact depends on execution and pricing discipline
- Cash flow impact: Neutral-to-positive
- Capex/AI-opex: Meaningful but manageable

● Limited / uncertain AI leverage

- Business model: AI largely commoditized or defensive
- Revenue growth: Limited ability to monetize beyond cost savings
- Margin impact: Productivity gains mostly passed through to clients
- Cash flow impact: Margins or cash flows structurally constrained
- Capex/AI-opex: High AI cost burden relative to scale

Source: Bernstein analysis

We apply a directional assessment (Exhibit 3) to evaluate how well various ERP vendors are positioned in the current transition to AI-enabled ERP, and whose AI strategy is most likely to drive economic value in the market over the next 3-5 years.

Based on our analysis, **vendors that combine deep AI integration with strong mid-market relevance - e.g., Oracle NetSuite and Sage - are best positioned to convert AI into durable mid-market economics. Vendors with high AI depth but lower mid-market relevance - e.g., SAP and Workday - operate powerful platforms, but risk over-serving mid-market customers. Vendors with high relevance and rapidly improving AI - e.g., Intuit and Visma - continue to move up-market.**

EXHIBIT 3: Bernstein's AI directional assessment for various mid-market ERP vendors

Vendor	AI integration depth	Mid-market relevance	Monetization readiness	Execution credibility
Sage	High	High	Medium-High	High
SAP	High	Low-Medium	Medium	High
Oracle NetSuite	High	High	Medium	High
Microsoft Dynamics	Medium	Medium	Medium	Very high
Workday	High	Low-Medium	High	High
Intuit	Medium-High	High	High	High
Infor	Medium	Medium	Medium	Medium
Visma	Medium	High (regional)	Medium	Medium-High

High: clear strength and structural advantage; Medium: credible but mixed, dependent on execution; Low: poorly aligned with mid-market needs

Source: Bernstein analysis

EXHIBIT 4: Bernstein's AI directional assessment for various mid-market ERP vendors

Sage	
AI integration depth	AI is embedded through task-specific agents across Intacct and X3, rather than generic assistants.
Mid-market relevance	Strong alignment with finance-led mid-market workflows, compliance needs and accountant-influenced buying.
Monetization readiness	Clear path via premium modules and retention uplift, but still proving willingness to pay beyond core subscription.
Execution credibility	Clear roadmap, disciplined scope, and strong governance underpin credibility.
Directional view	Embedded mid-market AI optimiser; strongest relative positioning in finance-centric ERP.
SAP	
AI integration depth	Broad AI across finance, supply chain and analytics via BTP and embedded copilots.
Mid-market relevance	AI depth is enterprise-oriented; mid-market customers often face complexity and long implementation cycles.
Monetization readiness	Strong ability to bundle AI into large contracts.
Execution credibility	Scale, data and ecosystem are unmatched.
Directional view	AI powerhouse, but over-engineered for much of the mid-market
Oracle NetSuite	
AI integration depth	Strong AI across finance and operations.
Mid-market relevance	Strong functional fit for mid-market ERP buyers.
Monetization readiness	AI mainly bundled today rather than explicitly priced.
Execution credibility	Benefits from Oracle infrastructure and roadmap discipline.
Directional view	Strong horizontal mid-market ERP; AI increasingly necessary but not yet a sharp differentiator.
Microsoft Dynamics 365	
AI integration depth	Powerful AI via Copilot, but often horizontal.
Mid-market relevance	Broad reach, but ERP outcomes depend heavily on partners.
Monetization readiness	AI drives ecosystem stickiness more than direct ERP ARPU.
Execution credibility	Hyperscaler AI strength and delivery capability are best-in-class.
Directional view	AI platform leader; mid-market ERP value depends on partner execution.
Workday	
AI integration depth	Deep AI across finance and HR, with strong data models.
Mid-market relevance	Optimised for large-enterprise operating models; mid-market often over-served.
Monetization readiness	Strong success in pricing AI as part of premium enterprise offerings.
Execution credibility	Consistent innovation and customer trust.
Directional view	Very strong AI finance, but largely outside true mid-market sweet spot.
Intuit	
AI integration depth	AI deeply integrated in workflows (QuickBooks, tax, cash).
Mid-market relevance	Excellent SMB → lower-mid-market fit; stretching upward.
Monetization readiness	Proven ability to upsell AI-driven services.
Execution credibility	Strong data, product velocity and distribution.
Directional view	AI leader in SMB finance; long-term threat moving up-market.
Infor	
AI integration depth	AI focused on industry templates rather than horizontal agents.
Mid-market relevance	Works best in specific verticals (manufacturing, distribution).
Monetization readiness	AI often bundled as part of vertical ERP.
Execution credibility	Improved focus under private ownership, but uneven delivery.
Directional view	Vertical AI specialist; less systematic across the mid-market.
Visma	
AI integration depth	Practical AI in payroll, accounting and compliance.
Mid-market relevance	Very strong fit in Nordic/European SMB-to-mid-market segments.
Monetization readiness	AI supports retention more than premium pricing.
Execution credibility	Strong regional execution, limited global scale.
Directional view	Regional mid-market AI compounder; limited global threat but locally strong.

Source: Bernstein analysis

Our investment thesis are based on six core observations that frame how **AI is reshaping the economics - growth durability, margin trajectories, and valuation dispersion - of mid-market ERP**. Together, they outline where AI is already driving differentiation, and how the balance between scale, specialization, and monetization will determine winners.

1- AI is the primary source of differentiation - and disruption

View: AI is shifting ERP from systems of record to systems of action.

Rationale: AI-enabled ERP is forecast to grow at >45% p.a. over 2026-30, reaching c.90% market penetration by 2030. Basic copilots are now table stakes; value is migrating toward agentic and autonomous workflows that drive measurable productivity gains. Vendors that move fastest beyond "AI features" toward workflow-embedded automation will capture outsized share and pricing power.

2- AI can be a margin tailwind - or a structural tax

View: The AI ROI curve versus the AI cost curve is the core investment debate.

Rationale: At scale, AI should reduce cost-to-serve, shorten implementations, boost ARPU (average revenue per user) through bundles, and lift retention - driving operating leverage. Conversely, if AI becomes commoditized before being monetized, vendors absorb higher R&D and compute costs with limited pricing upside. Margin dispersion across vendors is likely to widen meaningfully.

3- Cloud provides stability, not the upside

View: Cloud ERP is a steady compounder, not the growth catalyst.

Rationale: With c. 14% cc growth through 2030, cloud migration underpins predictable revenue and cash flow, but the easy wins are behind us, but there is still a large percentage of customer base to migrate. Remaining migrations are in many cases complex and services-heavy. AI - not migration volume - must drive the next leg of growth acceleration and margin expansion for many mid-market vendors which is different from large enterprise.

4- Platforms are gaining an edge, but specialists still matter

View: AI may favor scale - but vertical precision can still win.

Rationale: Large platforms (SAP, Oracle, Microsoft, Workday) benefit from unified data models, deep AI investment, and hyperscaler economics, strengthening lock-in and cross-sell. However, vertical and regional specialists retain defensible positions where domain-specific AI delivers faster, clearer ROI. The market will likely reward both - but punish undifferentiated generalists.

5- Monetization is shifting from seats to outcomes - gradually

View: AI expands the total addressable market, but monetization will be uneven and phased.

Rationale: Vendors are moving from per-seat pricing¹ toward bundles, usage-based AI tiers, and early outcome framing (e.g., faster close, lower inventory). These models improve ARPU and lifetime value but require credible ROI proof and disciplined execution to avoid over-promising and margin volatility.

6- This is a stock-picking market, not a sector trade

View: Valuation dispersion will be justified by AI execution, not ERP exposure.

Rationale: Winners will be those that (1) embed AI deeply into core workflows, (2) monetize it faster than costs scale, and (3) convert AI capability into durable retention, ARPU expansion, and operating leverage. Laggards risk becoming utility software - mission-critical, but structurally low return.

¹ Note that while seat based pricing is a meaningful percentage of revenue enterprise class implementations are already more module/client size/ outcome based.

Bottom Line

AI is no longer an optional feature in ERP - it is the defining economic variable, in our view. Mid-market ERP will not move in lockstep. The next cycle will reward vendors that turn AI into operating leverage and pricing power, and penalize those for whom AI remains a cost of staying relevant. For investors, selectivity is essential.

So AI for mid-market ERP, sooner or later?

In our view, **Microsoft** and **Oracle** sit firmly in the sooner camp: AI is already compounding through platform-level leverage, cross-sell, and scale economics, translating into durable ARPU expansion and margin support.

We believe **SAP** and **Workday** are more execution-dependent - both possess formidable platforms and data moats, but must convert AI ambition into simpler deployments, faster time-to-value, and visible margin uplift to justify re-rating.

Sage is the defensive improver, in our view: AI enhances usability, retention, and earnings quality, but is more about protecting franchise value than reshaping industry economics.

Intuit, **Visma**, and **Infor** represent focused compounders: each applies AI with clear intent - finance-led automation at Intuit, regional productivity and compliance at Visma, and vertical, asset-heavy workflows at Infor - driving steady, if more bounded, value creation.

In conclusion, we think **AI will not lift all boats - returns will accrue to those turning capability into operating leverage, sooner rather than later.**

MID-MARKET ERP AT THE CROSSROADS

Mid-market ERP is at the nexus of three structural shifts: migration to the cloud, the integration of AI, and the transition from license-based to subscription-led business models with an increasing percentage from consumption or value based pricing. Together, these forces are reshaping industry economics - altering margin profiles, competitive dynamics, and the durability of growth. For investors, the central question is which vendors are best positioned to emerge as long-term value creators.

The core tension is whether vendors can translate cloud and AI momentum into sustained margin expansion, or whether they are instead entering a more competitive, structurally lower-return phase of the cycle.

At stake is whether **ERP evolves into a differentiated platform or drifts toward commoditized infrastructure.** In the upside scenario, mid-market ERP becomes an even higher-margin, recurring, bundle-driven platform with expanding ARPU (average revenue per user) and strong retention. In the downside case, it becomes mission-critical but undifferentiated - expensive to operate, hard to price, and constrained on returns. **Crucially, AI sits at the center of both outcomes.**

Four debates dominate the investment case: 1) is AI margin accretive?; 2) Global vendors vs specialists: who wins?; 3) where are we in the cloud adoption S-curve?; and 4) Evolving business model - opportunity or risk?

The AI equation: Margin tailwind or structural tax?

AI is reshaping ERP from a reactive record-keeping system into a predictive, self-optimizing platform. That evolution should, in theory, enhance pricing power and reduce cost-to-serve.

- **The bull argument:** AI drives operating leverage. Embedded automation lowers support intensity and shortens deployment cycles, while intelligent workflows (forecasting, anomaly detection, close automation) allow vendors to scale faster without linear cost growth. For top players, AI becomes a profit amplifier - both through cross-sell (analytics, automation) and through structural efficiency.
- **The bear argument:** AI becomes table-stakes. Buyers expect "smart ERP" as standard, limiting monetization and forcing vendors to absorb higher R&D and compute costs. Until AI integration is automated and cheap, it acts more like a margin tax than a tailwind.
- **Investor takeaway:** The key question is whether the AI ROI curve for vendors steepens faster than their cost curve.

Platforms vs specialists: Scale moats or composable upstarts?

The competitive battlefield is splitting between global suite vendors and agile vertical specialists.

- **The bull argument:** Cloud and AI deepen platform lock-in. Scaled players (SAP, Oracle, Microsoft) can deploy unified data models, premium AI modules, and hyperscaler partnerships to entrench share and lift margins through mix upgrades. The playing field tilts toward capital-intensive innovators who can keep pace with compute and model training costs.
- **The bear argument:** Composable cloud ERP erodes moats. API-rich, low-code ecosystems allow vertical or regional players to plug in generative capabilities from third parties - closing capability gaps at minimal cost. Instead of consolidation, fragmentation persists, compressing pricing and creating a long tail of viable local alternatives.
- **Investor takeaway:** The structural question is whether AI favors scale, domain and semantic knowledge (data, R&D, cloud reach) or precision (fit, flexibility, vertical IP). The answer will determine the next decade's margin hierarchy.

Cloud adoption: Late-cycle momentum or saturation risk?

After a decade of migrations, the mid-market cloud ERP curve is just starting to mature.

- **The bull argument:** There remains significant runway for growth. A substantial share of mid-market ERP deployments is still on-premises, while mounting digital and regulatory pressures - such as ESG compliance, e-invoicing mandates, and analytics modernization - continue to drive steady adoption. Market researcher Gartner Group expects cloud ERP to grow at c.14% at constant currencies through 2030, pointing to a "steady compounder" market rather than a boom-and-bust cycle.
- **The bear argument:** The easy wins are done. Remaining migrations involve complex, customized legacy workloads that stretch implementation timelines and demand heavy consulting support. Growth moderates as vendors exhaust the low-friction cohorts.
- **Investor takeaway:** The next leg of growth requires re-acceleration through AI-driven productivity, not pure migration volume.

Business model evolution: Pricing power or over-promising?

ERP vendors are inching toward "outcome-based" narratives - faster closes, lower inventory, better forecasts, higher cash flow - but not yet full outcome contracts.

- **The bull argument:** Bundling (ERP + analytics + AI) and value framing sustain pricing power while improving recurring revenue quality. Subscription and consumption / value-based-pricing adoption lifts revenue visibility and valuation multiples.
- **The bear argument:** Over-promising on "results" without contractually capturing outcomes risks compressing margins or introducing volatility. As customers optimize cloud budgets, vendors may face push back on renewals and inflation-linked escalators.
- **Investor takeaway:** The model shift improves resilience but demands tight pricing discipline and credible ROI proof points to sustain ARPU growth.

THE BULL CASE: AI-ENABLED, CLOUD-NATIVE COMPOUNDERS

In the bull scenario, mid-market ERP transforms from software to infrastructure. Demand is non-discretionary; compliance mandates, supply chain digitalization, and operational efficiency imperatives make modernization essential. Vendors with cloud-native architectures and embedded AI scale efficiently, converting R&D intensity into operating leverage.

The addressable market remains deep - we estimate at c.\$38bn in 2025 for mid-market ERP, and representing a cumulative c. \$233bn in revenue opportunity over 2026-30. AI enhances seat expansion and retention, while subscription bundling raises long-term value. Margin recovery follows as automation offsets R&D inflation. At scale, leaders consolidate share while enjoying richer product mix and valuation re-rating. **!!! put in whose #s (eg gartner) so we don't get conflict from what we have previously published!!**

Investor framing: This is the "AI-enabled compounder" thesis - sustained double-digit growth, rising quality of earnings, and durable competitive positions for vendors like NetSuite, Intuit, SAP, and Oracle.

THE BEAR CASE: SLOWING S-CURVE, MARGIN DRAG, COMMODITIZED AI

The bear view sees a maturing cycle with tougher economics. AI features commoditize faster than pricing adjusts; vendor R&D remains heavy and compute costs stay elevated. Implementation bottlenecks persist amid consultant shortages, slowing revenue conversion. Cloud infrastructure capex absorbs cash flow and delays margin recovery.

Meanwhile, competitive intensity rises from both ends: hyperscaler-adjacent platforms move into ERP adjacencies, and regional players undercut pricing. Customers push for cost optimization and simpler modular solutions, capping ARPU upside.

Investor framing: The bear case is the "mature SaaS plateau" thesis - durable revenues but limited operating leverage, where ERP behaves more like utilities software than growth compounders.

INVESTMENT IMPLICATION: THIS IS A STOCK-PICKING MARKET, NOT A BETA TRADE

Mid-market ERP is at an inflection point, not a consensus growth story. Ultimately, investor positioning hinges on three variables:

- S-curve placement - are we still in expansion, or drifting toward maturity?
- AI economics - is AI accretive to gross margin, or transiently dilutive?
- Implementation speed - how quickly can vendors translate cloud and AI promises into delivered productivity for customers?

The upside belongs to vendors that can turn AI into operating leverage and complexity into pricing power. The downside belongs to those that absorb cost, complexity, and risk without repricing the value they deliver.

THE FORCES DRIVING TRANSFORMATION IN THE ERP MARKET FOR SMBs

THE ECONOMIC AND TECHNOLOGICAL FORCES RESHAPING THE INDUSTRY

- SMBs (small and mid-sized businesses) are entering a major ERP modernization cycle.

Regulatory pressure is a key catalyst, in our view. Companies are accelerating upgrades to meet new requirements such as e-invoicing, ESG reporting, and real-time financial disclosure. Mid-market ERP programs focus on rapid time-to-value - typically 4-9 month implementations with 12-18 month ROI driven by gains in inventory, labor efficiency, and working capital management.

Economic drivers include the shift from capex (on-premise licenses) to opex (cloud subscription), lower infrastructure and maintenance costs, faster deployment through modular architectures, and more verticalized "off-the-shelf" solutions tailored to sectors such as construction, fashion, retail, etc. Manufacturing accounts for roughly half of mid-market ERP demand, with Industry 4.0 initiatives serving as a major adoption catalyst.

- ERP spending by small and mid-sized businesses (SMBs) is projected to grow rapidly through 2030.

Based on Gartner data, we estimate SMB ERP spend will expand at roughly 13% per year (cc) over the next five years, rising from c.\$38bn in 2025 to c.\$58bn in 2030. This implies a cumulative c.\$233bn revenue opportunity over 2026–30. SMB growth is set to outpace the broader ERP market, which is expected to increase at about 10% cc annually over the same period, reaching c.\$120bn by 2030 from c.\$73bn in 2025.

- The technology landscape for mid-market ERP is shifting rapidly, driven by accelerating cloud adoption, modular architectures, and the emergence of AI-enabled platforms.

SMBs are now well into the second wave of cloud adoption, with full-SaaS or hybrid deployments (cloud ERP combined with local components) already dominating nearly all new ERP deals in 2025, according to industry sources. Hybrid models remain important in cases where connectivity constraints, regulatory requirements, or legacy add-ons necessitate some local presence. Fully on-premise deployments persist mainly in highly regulated or specialized niches.

Our industry contacts also highlight the rapid shift toward modular ERP architectures (e.g., IFS Cloud, Infor CloudSuite) and more ecosystem-centric strategies, where seamless integration with CRM, MES (manufacturing execution system), PLM (product lifecycle management), e-commerce, and data platforms is becoming essential.

Mid-market buyers often move faster than large enterprises in adopting AI-enabled cloud ERP, as they face less legacy technical debt and can migrate directly to cloud-native platforms without multi-year transformation programs. That said, we do not believe that mid-market is going to try to build their own ERP solutions using AI development tools ([link](#))

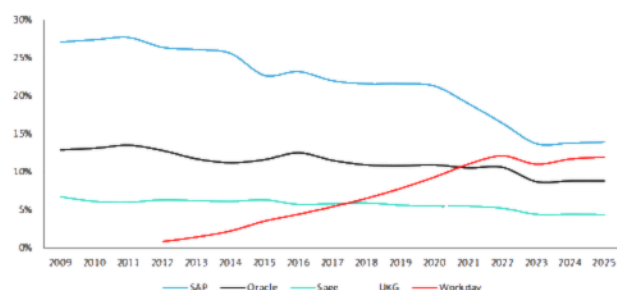
COMPETITIVE DYNAMICS IN AN AI-DRIVEN ERP MARKET

A fragmented competitive landscape with a long tail of small vendors

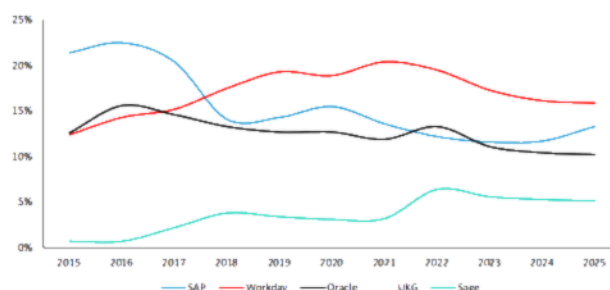
Globally, the **Top 3 ERP vendors accounted for c.35% of the market in 2024 according to Gartner**, while the **Top 5 represented c.45%** (Exhibit 5). Market concentration is higher in cloud ERP, where the **Top 3 vendors hold c.39%** and the **Top 5 c.52%** of total market share (Exhibit 6). Overall, market shares among leading vendors have remained broadly stable over the past two years.

SAP remains the largest ERP vendor worldwide, with its global market share stabilizing at **c.14% since 2023** according to Gartner following a prolonged decline that began after 2009. In cloud ERP, SAP has rapidly increased its share over the past two years, although it continues to trail **Workday**, the segment leader.

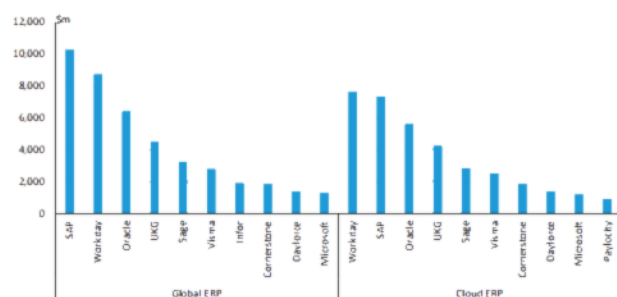
There are no reliable estimates of market share specifically for the mid-market ERP segment. However, the revenue gap between global ERP leaders - such as SAP, Oracle, and Workday - and mid-sized providers like Visma, Infor, Cornerstone, and Dayforce remains significant (Exhibit 7). Beyond these players, the market is highly fragmented, with a long tail of smaller ERP vendors generating less than \$1bn in annual revenue (Exhibit 8).

EXHIBIT 5: Market share trend for Top 5 global ERP vendors

Source: Gartner Group (April 2026), Bernstein analysis

EXHIBIT 6: Market share trend for Top 5 cloud ERP vendors

Source: Gartner Group (April 2026), Bernstein analysis

EXHIBIT 7: ERP revenues from selected global software providers (2025)

Source: Gartner Group (April 2026), Bernstein analysis

EXHIBIT 8: ERP revenues from selected mid-sized software providers (2025)

Source: Gartner Group (April 2026), Bernstein analysis

Major trends driving ERP market evolution

The ERP market is steadily converging toward **AI-enabled, cloud-first platforms**, yet meaningful fragmentation remains. This transition is **multi-speed**, shaped by differences in vendor scale, cloud maturity, AI capability, and customer segmentation.

Global vendors bring scale and AI leadership; cloud-native specialists compete on speed and economics; accounting platforms act as feeders into ERP; and regional or vertical champions retain defensible niches. Going forward, **competitive outcomes will be driven by AI differentiation, implementation simplicity, and the ability to scale repeatable mid-market solutions profitably**, giving rise to several distinct competitive dynamics.

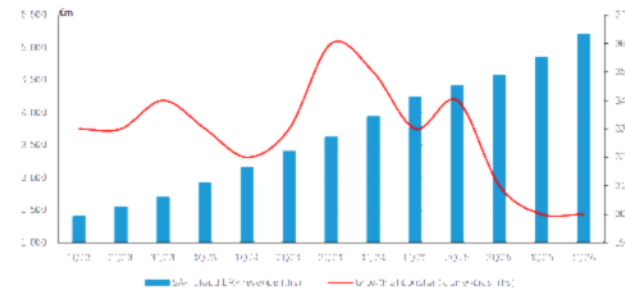
- **Global ERP suites moving down-market.**

Large enterprise ERP vendors - such as SAP, Oracle, Microsoft, and Workday - are increasingly targeting the mid-market to sustain growth as enterprise penetration matures (Exhibit 13). Leveraging enterprise-grade breadth, global compliance, and advanced cloud and AI platforms, these players extend their reach through tailored offerings such as SAP GROW/RISE, Oracle Fusion Cloud ERP, and Microsoft Dynamics 365 (Business Central and Finance & Operations).

Mid-market customers are demanding more advanced analytics, automation, and AI-enabled workflows - areas where global vendors have a clear advantage due to scale and R&D investment. Deep integration with hyperscale cloud platforms (Microsoft Azure, Oracle OCI) and embedded AI (Microsoft Copilot, SAP Joule, Oracle AI agents) further strengthens their value proposition.

Complexity, higher total cost of ownership, and reliance on systems integrator ecosystems remain barriers for classic mid-market buyers. Deployment cycles are often longer, and outcomes depend heavily on partner quality, making these solutions less frictionless than cloud-native alternatives. It is for these reasons that we have seen the large enterprise ERP vendors simply and/or buy (e.g. Oracle buying NetSuite) to become more competitive downmarket. With AI the simply motion will likely accelerate which could make the large vendors more competitive in the mid-market.

EXHIBIT 9: SAP: Cloud ERP suite revenue



Source: SAP (FY to end-December), Bernstein analysis

EXHIBIT 10: Oracle: NetSuite revenue



Source: Oracle (FY to end-May), Bernstein analysis

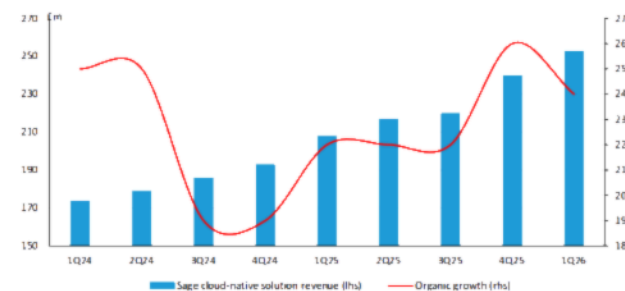
- **Cloud-native mid-market ERP suites gaining share.**

Cloud-native ERP vendors - such as Oracle NetSuite, Sage Intacct, Acumatica, selected Microsoft Dynamics deployments - designed specifically for mid-market use cases continue to win greenfield and replacement deals, especially among businesses transitioning from SMB accounting tools.

These platforms offer faster time-to-value, lower implementation risk, and attractive SaaS economics. AI capabilities are typically more targeted but embedded early, supporting automation of finance, planning, and reporting workflows.

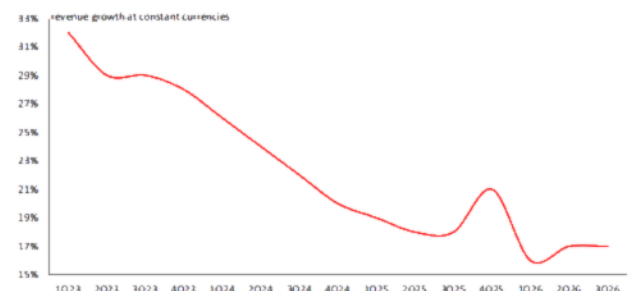
For instance, Oracle NetSuite dominates cloud-native mid-market ERP with c.36k clients, particularly in services, and wholesale distribution industries. Microsoft Dynamics 365 Business Central is a common upgrade path from GP/NAV, benefiting from Microsoft 365 and Azure integration. Sage Intacct leads in SaaS-centric finance, while Acumatica performs well in construction and distribution industries.

EXHIBIT 11: Sage: Cloud-native solutions (e.g., Intacct)



Source: Sage (FY to end-September), Bernstein analysis

EXHIBIT 12: Microsoft: Dynamics 365 revenue growth



Source: Microsoft (FY to end-June), Bernstein analysis

- **Regional and vertical champions.**

Regionally focused and vertically specialized vendors - such as Visma, IFS, Unit4 - remain highly competitive in specific geographies and industries (Exhibit 14).

Deep localization, regulatory alignment, and industry-specific functionality (e.g. Nordics public sector, asset-intensive industries, education) provide defensible moats. These vendors often deploy AI selectively to solve domain-specific problems (e.g. predictive maintenance, payroll compliance, public finance).

However, portfolio fragmentation from acquisition-led growth and uneven cloud maturity can, in our view, create integration and positioning challenges versus unified global platforms.

EXHIBIT 13: Market positioning for selected global ERP vendors

Company	Bernstein's view
SAP (S/4 cloud for mid-market, ByDesign, Business One)	
Positioning	Global Tier-1 ERP vendor (S/4 Cloud, Business One, Business ByDesign) increasingly targeting the mid-market through GROW/RISE with SAP and industry cloud packages, building on a large upper-SMB and mid-market installed base.
Strengths	SAP benefits from a powerful global brand, deep industry and regulatory coverage, and strong capabilities in manufacturing, supply chain, and complex operations. It is trusted by multinational mid-market groups, supported by an extensive services ecosystem and real-time analytics.
Weaknesses	Total cost of ownership and implementation complexity remain high relative to mid-market-focused competitors, with longer deployment cycles, heavy partner dependence, and risk of over-engineering for smaller buyers - particularly amid ongoing consulting talent constraints.
AI development	SAP is embedding AI across S/4, SuccessFactors, and supply-chain modules (forecasting, anomaly detection, automation, Joule copilot), with GenAI capabilities gradually rolling down from enterprise to mid-market deployments.
Other considerations	The shift toward cloud subscriptions and RISE deals improves renewal and expansion economics but pressures near-term margins and extends sales cycles. Investors focus on cloud mix, GROW/RISE adoption, and SAP's ability to scale more templated, repeatable mid-market offerings profitably, while the ECC-to-S/4 transition and manufacturing demand provide structural tailwinds.
Oracle (NetSuite, Fusion ERP)	
Positioning	A dual-track ERP strategy, with Fusion Cloud ERP positioned at the upper mid-market and enterprise, and NetSuite serving as a cloud-native mid-market standard - particularly for high-growth, SaaS, and multi-subsidiary businesses.
Strengths	Oracle combines exceptional suite breadth (finance, supply chain, HCM, analytics) with strong capabilities in complex finance, EPM, and multi-entity operations. NetSuite dominates greenfield mid-market cloud ERP deployments, supported by 36k+ clients, and is widely adopted among software, wholesale, services, and light-manufacturing companies. Oracle's scale, R&D budget, and tightly integrated platform model underpin strong retention and expansion.
Weaknesses	Oracle's enterprise-heavy heritage and perceived implementation complexity can deter more traditional mid-market buyers, who may gravitate toward lighter cloud alternatives (e.g., Dynamics, Acumatica). NetSuite is often viewed as premium-priced, with relatively high TCO, reliance on partners for customization, contract rigidity, and occasional gaps in localized functionality - making it less attractive for smaller or cost-sensitive mid-market firms.
AI development	Oracle is embedding AI across both Fusion and NetSuite, including forecasting, anomaly detection, automated procurement and AP, predictive cash collections, and demand planning. Generative and agentic AI are positioned as key differentiators, anchored to Oracle Cloud Infrastructure; Fusion Cloud ERP now includes AI Agent Studio to enable custom, workflow-embedded AI agents.
Other considerations	Oracle continues to post strong cloud growth, with investors focused on NetSuite attach within Oracle's broader base, cross-sell across the Oracle cloud stack, and margin mix between high-margin software and services-heavy implementations. The shift toward integrated platforms over point solutions structurally benefits Oracle, provided it can sustain mid-market growth while managing implementation intensity.
Microsoft (Dynamics 365 Business Central and Finance)	
Positioning	Address the mid-market through Dynamics 365 Business Central, with Finance & Operations positioned for the upper mid-market, both tightly embedded within the broader Microsoft ecosystem (Microsoft 365, Azure, Power Platform).
Strengths	Microsoft's ERP offering benefits from deep integration with Microsoft 365, Teams, Excel, Power BI, Azure, and Entra ID - making Dynamics a natural choice for Microsoft-standardized mid-market firms and supporting a compelling TCO and cross-sell story. Business Central has emerged as a cloud-native, all-in-one ERP for SMBs and mid-market companies (finance, supply chain, projects, light manufacturing), increasingly viewed as "good enough" ERP. Microsoft's strong growth is driven by its vast installed base and broad partner ecosystem enabling verticalized solutions.
Weaknesses	Dynamics implementations remain highly partner-driven, leading to variable execution quality and risks of over-customization. Business Central's breadth can present a learning curve for firms upgrading from basic accounting, while advanced capabilities often require higher-tier licenses and partner customization. Product and roadmap complexity (Business Central vs Finance & Operations vs legacy NAV/AX/GP) can also lengthen decision cycles for buyers.
AI development	Microsoft is a clear AI leader, embedding Copilot across Dynamics 365 (Finance, Supply Chain, Sales, Service) with natural-language queries, AI-generated insights, predictive recommendations, and automation. Combined with Microsoft 365 Copilot and tools such as Copilot Studio, Azure OpenAI, and Fabric, Microsoft offers an unmatched AI surface area and strong support for custom, workflow-embedded AI agents - an important differentiator versus stand-alone mid-market ERPs.
Other considerations	Dynamics ERP is part of a broader cloud growth engine, with investor focus less on ERP share and more on Azure and Microsoft 365 ARPU expansion, attach rates, and ecosystem pull-through. Growth in the mid-market is primarily driven by share gains and cross-sell into the existing Microsoft base, with key risks centered on partner scalability and quality control as deployments accelerate.
Workday (Financial Management, HCM)	
Positioning	A cloud-native HCM and financial management vendor focused on the upper mid-market and large enterprises, particularly in people-intensive and services-led sectors such as public sector, education, and professional services.
Strengths	Workday has a best-in-class HCM brand and growing credibility in financial management, underpinned by a unified data model that links people and finance for analytics and planning. Its pure SaaS model delivers strong net retention, standardized deployments, and predictable operations, supported by a focused consulting ecosystem centered on best-practice processes. The platform is attractive to mid market organizations seeking Tier-1 cloud finance and HR without legacy on-premise complexity.
Weaknesses	Workday skews toward the upper mid-market and enterprise, with total cost of ownership and implementation effort often too high for classic mid-market manufacturers or smaller regional firms. It lacks depth in traditional manufacturing, logistics, and industrial ERP compared with SAP, Oracle, or Microsoft, reflecting its focus on people- and finance-centric operations rather than end-to-end operational ERP.
AI development	Workday is embedding AI and machine learning broadly across its platform, including digital co-workers, real-time insights, anomaly detection in finance, and predictive tools for HR and planning. The current product roadmap introduces hundreds of AI-enhanced features - such as automated reconciliations, spend anomaly detection, and predictive forecasting - reinforcing the positioning of AI as a production-grade capability deeply embedded in workflows.
Other considerations	Financial Management is a key long-term growth vector alongside core HCM. Revenue is entirely subscription-based, with strong expansion economics; AI-driven upsell opportunities within Workday's large installed HCM base.

Source: Company data, Bernstein analysis

EXHIBIT 14: **Market positioning for selected mid-market ERP vendors**

Company	Bernstein's view
Sage (Intacct, X3, Sage 200, etc.)	
Positioning	A mid-market finance-centric ERP provider with a strong SMB and mid-market footprint in the US, UK and Europe, anchored by Sage Intacct, Sage X3, and Sage 200/300, and supported by one of the broadest installed bases in the industry.
Strengths	Sage has one of the largest ERP customer bases by count (c.3m), benefiting from deep relationships with accountants and channel partners. Sage Intacct and X3 are credible mid-market finance and ERP platforms with growing vertical depth in services, manufacturing, and distribution. The company emphasizes a modular, best-of-breed ERP approach, which resonates with mid-market buyers seeking flexibility rather than monolithic platforms.
Weaknesses	Sage's growth profile is structurally slower than best-in-class cloud peers, reflecting a remaining legacy/on-premise tail and a brand that is perceived as less "next-generation" in North America. Intacct can feel complex for some multi-entity environments, with reporting flexibility often cited as a pain point, while portfolio overlap between Intacct and X3 can create buyer confusion. Sage's implementation ecosystem is smaller than those of SAP or Microsoft, contributing to resource constraints.
AI development	Sage is pursuing a human-centric AI strategy through Sage Copilot, with embedded AI agents across Intacct and X3 supporting close automation, AP/AR optimization, cash flow modeling, variance analysis, and natural-language queries. The focus is on practical, embedded finance automation rather than stand-alone AI platforms, positioning AI as a co-pilot that improves usability, trust, and workflow efficiency.
Other considerations	Robust cloud migrations, ARR growth, and margin expansion, though competitive pressure from Intuit and NetSuite remains intense - particularly in cloud finance. Sage benefits from a highly diversified customer base but lower ARPU. Execution risk is centered on sustaining strong cloud growth while funding AI investment and modernizing the portfolio.
Infor (CloudSuite, LN, M3)	
Positioning	A mid-market ERP vendor with deep industry specialization, positioned between Tier-1 platforms (SAP/Oracle) and lighter SMB ERPs. Its strategy centers on vertical-specific cloud ERP for manufacturing, distribution, healthcare, and public sector.
Strengths	Infor's core advantage lies in deep vertical functionality delivered through products such as Infor LN, M3, CloudSuite Industrial, and SunSystems. Its industry-specific CloudSuites reduce customization needs and resonate with complex mid-market manufacturers and distributors. Infor also benefits from SAP-grade operational depth at a scale and cost point better suited to the mid-market.
Weaknesses	Infor lacks the global brand power and ecosystem scale of SAP, Oracle, or Microsoft, and its portfolio remains complex, with multiple ERP cores and uneven cloud maturity across products. Go-to-market execution and partner coverage are less consistent, and the company is less visible in services-led or finance-centric ERP use cases.
AI development	Infor is embedding AI via Infor Coleman across demand planning, forecasting, inventory optimization, and operational analytics, with a pragmatic focus on industrial use cases rather than broad horizontal copilots. AI strengthens vertical differentiation but is less expansive or visible than hyperscaler-led ERP AI strategies.
Other considerations	Infor's value proposition is strongest in manufacturing-led mid-market segments, where switching costs and vertical depth provide defensibility. Customers focus on continued cloud migration, simplification of the portfolio, and Infor's ability to scale AI-enhanced industrial workflows without over-reliance on services.
Visma (Nordic/European mid-market and SMB suites)	
Positioning	A Northern European software group focused on SMB and mid-market accounting, payroll, ERP, and vertical solutions, with a strong regional - not global - footprint. Its portfolio is highly mid-market-oriented and advanced in applied AI, though fragmented across many products and brands.
Strengths	Visma benefits from deep localization across the Nordics and parts of Europe, strong accountant and payroll networks, and a broad ecosystem of vertical applications built around core accounting and ERP workflows. The company is a clear regional leader in financial software, serving approximately 2.4m customers. Its decentralized model allows for strong local product-market fit and rapid innovation.
Weaknesses	The group has limited global brand recognition and is not viewed as a global ERP reference platform like SAP, Oracle, or Microsoft. Its highly federated, acquisition-driven portfolio creates complexity and overlap, which can hinder clarity of positioning and integration versus single-platform competitors. While technically strong, its cloud ERP offerings have limited penetration outside Europe, constraining scalability relative to global SaaS peers.
AI development	AI is actively embedded into accounting, payroll, and ERP workflows as part of a broader European SMB digitization strategy. The group operates an "AI-powered ecosystem" with 250+ live AI initiatives, including Smartscan (dramatically reducing manual document processing), AI agents for tax and legal workflows (e.g., Taxy.io), and significant internal productivity and platform-modernization efforts. Despite this progress, Visma's AI innovation remains less visible globally, reflecting its regional focus.
Other considerations	Visma operates with a private-equity-style holding structure and a decentralized operating model, prioritizing recurring revenue growth and regional margin scalability over global ERP share. The focus is on M&A discipline, integration effectiveness, and its ability to scale local AI successes across more than 170 business units. Geographic concentration and portfolio fragmentation remain the key structural constraints, even as local execution and growth remain strong.
Acumatica	
Positioning	A cloud-native, mid-market ERP focused on growing SMBs and lower mid-market firms, particularly in distribution, construction, manufacturing, and services, with a strong emphasis on usability and flexibility.
Strengths	Acumatica differentiates through resource-based pricing (not per-user), modern cloud architecture, and strong partner-led vertical solutions. Its open platform, API-first design, and ease of deployment make it attractive to cost-conscious mid-market buyers seeking an alternative to more complex Tier-1 ERP systems.
Weaknesses	Acumatica lacks the depth required for highly complex, global, or regulated enterprises and has limited brand recognition outside North America. Enterprise-scale analytics, compliance, and advanced manufacturing capabilities lag those of SAP, Oracle, or Infor, constraining its ability to move far up-market.
AI development	AI in Acumatica remains incremental, focused on workflow automation, anomaly detection, and productivity enhancements rather than autonomous processes or agent-based ERP. AI is positioned as a usability and efficiency enhancer rather than a core platform differentiator.
Other considerations	Acumatica benefits from strong mid-market demand for "modern but pragmatic" ERP, with growth driven by partner expansion and share gains against legacy on-premise systems. Customers view it as a steady mid-market challenger, with upside tied to ecosystem scale and product depth rather than disruptive AI leadership.

Source: Company data, Bernstein analysis

- **Industry-focused mid-market specialists.**

Several mid-market-centric vendors - such as Infor, IFS, Epicor, Unit4 - maintain strong positions in asset-heavy industries, project-based services, and public/education sectors (Exhibit 14).

Competition is based on vertical depth, domain-specific workflows, and implementation agility rather than horizontal suite breadth. These vendors often outperform global platforms in operational fit for industries such as manufacturing, energy, defense, or public services.

While they face increasing pressure from the global ERP vendors moving down market, their specialized expertise and industry credibility continue to differentiate them in complex, mission-critical environments.

- **Accounting-first ecosystems expanding toward ERP.**

Originally built around small-business accounting, these vendors -such as Intuit and Xero - are pushing cautiously into ERP-adjacent functionality, primarily targeting lower-complexity mid-market firms (Exhibit 15).

With massive installed SMB bases, these platforms can monetize "graduating" customers via modular expansions (projects, inventory, payroll, reporting) while retaining a strong UX and low-friction onboarding. AI is often used to enhance bookkeeping, forecasting, and compliance rather than full operational orchestration.

In the mid-market, we believe that they act more as **feeder platforms** or entry-level alternatives rather than full ERP competitors - often preceding adoption of heavier ERP solutions like NetSuite or Sage as complexity increases.

EXHIBIT 15: Market positioning for selected mid-market ERP vendors (continued)

Company	Bernstein's view
Intuit (QuickBooks ecosystem, mostly lower mid-market)	
Positioning	Intuit has historically focused on SMB accounting but is now expanding upmarket with Intuit Enterprise Suite (IES), positioned as a bridge between QuickBooks and full ERP for the lower mid-market - especially services-oriented and digitally native businesses.
Strengths	Intuit benefits from a massive installed base (5m+ QuickBooks customers), exceptional brand recognition, and a tightly integrated payments, payroll, and tax ecosystem. The IES platform is designed as a cloud-native, AI-first ERP, emphasizing fast onboarding, usability, and low implementation friction - positioning Intuit as a natural "starter ERP" for micro and lower mid-market firms. IES provides a clear monetization path for existing customers, with a strong upside potential for ARPU, reduction of customer churn, and extend customer lifetime value as businesses scale.
Weaknesses	IES is not yet a full-scale ERP for complex manufacturing, logistics, or highly globalized mid-market operations, and remains largely North America-centric. Compared with established mid-market and Tier-1 vendors (SAP, Oracle, Infor), Intuit lacks depth in complex inventory, project accounting, and multi-entity operational workflows, and has limited vertical specialization beyond finance-centric use cases.
AI development	Intuit is highly aggressive on AI through Intuit Intelligence and embedded AI agents (e.g., invoice automation, categorization, forecasting, cash flow prediction, and advisory prompts). The platform is architected AI-first, with autonomous workflows and multi-entity insights. However, AI capabilities are currently weighted more toward SMB and finance-centric workflows than full mid-market ERP operations.
Other considerations	The move into mid-market ERP represents a significant adjacent growth vector layered onto Intuit's entrenched SMB base. Success hinges on converting "graduating" QuickBooks customers into IES users, boosting recurring revenue and reducing leakage to competitors. From a mid-market ERP perspective, Intuit is best viewed today as a low-end disruptor and feeder platform, rather than a full competitor for complex mid-market deployments.
Xero (cloud accounting, edging into mid-market)	
Positioning	A cloud-native accounting platform focused on small businesses and their advisors, with mid-market exposure largely limited to the upper-SMB segment rather than full ERP deployments.
Strengths	Xero is recognized for its best-in-class user experience, strong accountant ecosystem, and cloud-native brand - particularly in Australia/new Zealand and the UK. It benefits from rapid product iteration and a rich third-party app marketplace that extends functionality into areas such as projects, inventory, and expenses, making it highly attractive for micro and small businesses seeking simplicity and ecosystem flexibility.
Weaknesses	The group lacks the depth required for true mid-market ERP use cases, including complex manufacturing, supply chain, advanced project accounting, and multi-entity operations. It relies heavily on third-party add-ons to approximate ERP functionality and is therefore better positioned as a platform rather than a unified suite. Competitive pressure from Intuit and regional accounting platforms is increasing, particularly as SMB accounting markets mature.
AI development	AI is embedded into core bookkeeping workflows - such as transaction coding, reconciliations, insights, and advisor tools - but remains early relative to the agent-based, workflow-oriented AI strategies seen in more finance-centric ERP suites. AI efforts are primarily aimed at simplifying accounting and compliance, rather than enabling full mid-market ERP automation.
Other considerations	Xero is best viewed as a high-growth SMB accounting SaaS rather than a direct mid-market ERP competitor. Its relevance to the mid-market lies mainly in serving as an on-ramp or alternative to ERP adoption, not a replacement for vendors such as SAP, Oracle, or Sage. Growth is driven by small-business formation, advisor adoption, and fintech adjacencies (e.g., payments and banking integrations), with limited scope for expansion into complex mid-market ERP use cases.

Source: Company data, Bernstein analysis

REINVENTING THE BUSINESS MODEL FOR AN AI-FIRST FUTURE

- Cloud-first subscription models are now standard.

Software vendors have fully shifted to cloud-first, subscription-driven business models, with SaaS becoming the default in mid-market ERP. Perpetual licenses continue to decline rapidly - remaining relevant only in certain regions or highly regulated industries. The subscription model enhances long-term value, revenue visibility, and margin quality for vendors.

- Pricing models are evolving.

Commercial models are moving from traditional per-user pricing to consumption- and role-based structures, as well as "all-you-can-eat" monthly bundles. With AI increasingly embedded in ERP suites, vendors are introducing usage- and outcome-based pricing tied to measurable customer business impact (e.g., faster period close, reduced stock-outs). These models remain small today but are gaining traction, supported by strong upsell and cross-sell into analytics and automation layers.

- Ecosystem economics are becoming more important.

Implementation partners and ISVs (independent software vendor) play a growing role in the mid-market, supported by vendor-led app marketplaces that help capture long-tail demand. The model is also shifting from custom code toward pre-configured, verticalized templates that accelerate deployment and standardize best practices across industries.

AI AS CATALYST AND DISRUPTOR

All ERP vendors are increasingly embedding AI across their platforms (Exhibit 16 and Exhibit 17), as AI capabilities have become a key differentiator in competitive bids and RFP (request for price) evaluations. To date, most implementations focus on horizontal functionalities, though vertical-specific use cases are gradually gaining traction. Disclosure remains limited, however, with most vendors providing little transparency around AI-related revenue contribution, the cadence of new use-case development, or the scale of product launches tied to AI enhancements.

EXHIBIT 16: Current AI offerings from global ERP software providers

Company	Remarks
SAP (S/4, Cloud ERP Suite)	
AI offering	Heavy internal AI development (Business AI, Joule) embedded across finance, procurement, service and maintenance; Joule agents now automate tasks such as AR and maintenance planning inside S/4. Horizontal platform plus strong vertical depth (manufacturing, asset management, service) leveraging domain models; AI is priced as premium capabilities layered onto existing cloud subscriptions in many cases
Economic impact	<u>Revenue growth</u> : supports higher cloud mix, premium SKUs (stock keeping units) and upsell; also helps defend large installed base vs cloud challengers, particularly in complex industries. <u>Gross/operating margins</u> : AI should improve customers' productivity and lower SAP's own delivery/support cost, but significant ongoing AI R&D and infra spend partially offsets; net effect is likely mildly margin-accretive at scale. <u>Capex</u> : meaningful investment in AI platforms and infrastructure, but SAP's model remains more opex-weighted; capex uptick is manageable relative to size. <u>Business model</u> : supports RISE/GROW bundled subscriptions and more value-based pricing, including potential outcome-type contracts tied to transformation or process KPIs; reinforces transition away from classic on-premise licenses.
Oracle (Fusion and NetSuite)	
AI offering	Internal build of "AI-infused ERP": Oracle has added 200+ AI features into NetSuite (automated invoice creation, predictive recommendations, AI-powered quoting chatbot) and is rolling GenAI across planning, finance and supply chain, typically at no extra cost to accelerate adoption. Strong horizontal coverage (forecasting, inventory, quotes, collections) with increasing vertical depth through industry modules; uses Oracle Cloud Infrastructure and AI services as the foundation.
Economic impact	<u>Revenue growth</u> : embedded AI is designed to drive NetSuite new-logo wins and upsell in Fusion/NetSuite by making the base product more compelling, even without separate AI line items. <u>Gross/operating margins</u> : AI improves customer-side efficiency (faster closing, better inventory decisions) and should lower Oracle's cost-to-serve, but increases AI compute/R&D costs; Oracle is signalling that AI should be margin-accretive as cloud scale rises. <u>Capex</u> : higher datacenter and AI infra capex through OCI, but these investments also support other Oracle cloud workloads. <u>Business model</u> : reinforces subscription and bundle-based pricing; AI can justify higher price points for "intelligent" editions and more cross-sell into analytics and planning.
Microsoft (Dynamics 365)	
AI offering	Internal development of Copilot deeply embedded into Dynamics 365 Business Central/Finance and Operations (automated reconciliations, close, anomaly explanations, natural language query over ERP data, AI-drafted documents and emails). Strong horizontal coverage (finance, supply chain, sales, service) plus leverage of Microsoft 365/Power Platform; AI is part of a broader platform strategy, not an isolated ERP feature.
Economic impact	<u>Revenue growth</u> : AI strengthens Dynamics' share-gain story in mid-market and enterprise, especially where customers adopt Microsoft 365 Copilot plus Dynamics; high potential for cross-sell across Microsoft's cloud stack. <u>Gross/operating margins</u> : Microsoft bears significant AI compute and R&D cost but benefits from scale economics; AI should be margin-accretive at cloud-platform level as usage grows. <u>Capex</u> : substantial incremental AI/datacenter capex, but spread over Azure and the entire portfolio. <u>Business model</u> : pushes customers toward integrated subscriptions (M365 + Dynamics + Copilot) and usage-based components; opens the door for more outcome-style positioning around autonomous finance/operations without formally changing pricing to classic outcome-based contracts yet.
Workday (Financial Management, HCM)	
AI offering	Internal development to embed AI capabilities into HCM/Financial Management suites; M&A to add new features (e.g., contract and document AI like Evisort, plus recruiting/people-AI assets). Horizontal AI (e.g., agents, anomaly detection, forecasting) and vertical AI to HR/finance workflows (e.g., recruitment, talent mobility, spend analytics, planning).
Economic impact	<u>Revenue growth</u> : material contribution from new AI products; strong potential up/cross-sell potential into an already sticky installed base, supporting higher net retention rate and multi-module penetration. <u>Gross/operating margins</u> : limited short-term upside due to higher R&D and M&A spend; long-term tailwind as improving productivity reduces services cost. <u>Capex</u> : primarily opex-heavy; AI training/inference costs mostly embedded in opex and cost of goods sold. <u>Business model</u> : AI monetization reinforces a high-margin recurring revenue base; AI moves Workday from "HCM vendor" to "platform for people + finance" with greater cross-selling opportunities between HCM and Financial Management; still early step model as model still largely per-employee/module.

Source: Company data, Bernstein analysis



EXHIBIT 17: **Current AI offerings from mid-market ERP software providers**

Company	Remarks
Sage (Intacct, X3)	
AI offering	Internal build of Sage Copilot (gen-AI assistant) and a growing family of Intacct AI agents (close, accounts payable, analytics) plus an AI Developer Solutions platform to let partners plug certified third-party agents directly into Copilot. Focus is mostly horizontal finance workflows (close automation, anomaly detection, variance analysis, help/search) with early industry-specific use cases; relies on both internal R&D and partner ecosystem (e.g., FP&A (Financial Planning and Analysis) agents connecting via APIs).
Economic impact	<u>Revenue growth</u> : supports higher NRR (net retention rate) and ARPU (average revenue per user) via AI add-ons and better stickiness; raises Sage's credibility as a modern SaaS finance/ERP vendor in mid-market. <u>Gross/operating margins</u> : AI can reduce support and internal finance effort, but near term R&D and cloud infrastructure spend rise; net effect should be margin accretive over time if attach/upsell is strong. <u>Capex</u> : modest incremental infra and tooling; most spend runs through opex R&D rather than heavy capex. <u>Business model</u> : reinforces subscription/SaaS with AI-tiered pricing and cross-sell of agents; creates optionality for outcome-oriented offers around faster close or reduced DSO (day sales outstanding), but that's not yet mainstream.
Infor (Industry Cloud, Coleman AI)	
AI offering	Coleman AI platform, combined with ION middleware and GT Nexus network, helps mine Infor CloudSuite ERP and supply chain data, automate tasks, and serve recommendations in natural language. Coleman - internally developed - is tightly integrated into industry-specific CloudSuites for manufacturing, distribution, and asset-heavy sectors.
Economic impact	<u>Revenue growth</u> : AI a key differentiator in asset-heavy sectors (smart factories, predictive supply chain) to up-sell CloudSuites and analytics solutions, supporting expansion in existing accounts; deep AI integration increases switching costs for clients, supporting long-term recurring revenue durability. <u>Gross/operating margins</u> : embedded Coleman AI reduces implementation and support effort, improving service margins and partner economics over time. <u>Capex</u> : more opex-heavy; AI raises variable infrastructure/cost of goods sold more than capex. <u>Business model</u> : Coleman frequently marketed on tangible KPIs (reduced downtime, improved routing, lower inventory) which lends itself to more outcome-aligned selling, even though pricing remains mostly subscription/seat or module-based.
Intuit (QuickBooks, Intuit Assist)	
AI offering	Internal platform Intuit Assist embedded across QuickBooks and other products to automate invoicing, payment reminders, estimates and proactive cash-flow insights. Strongly horizontal SMB finance focus (cash flow, billing, categorisation) rather than full ERP; continuous iterative rollout with customer feedback loops.
Economic impact	<u>Revenue growth</u> : AI improves customer outcomes (faster cash collection, better visibility), supporting higher retention, upsell into more advanced plans and services, and potentially payments volume. <u>Gross/operating margins</u> : automation reduces support contact volume and makes more tasks self-service, structurally supporting margins, although Intuit continues to invest heavily in AI capabilities. <u>Capex</u> : mainly opex for AI/ML engineering; infrastructure is absorbed into Intuit's existing cloud spend. <u>Business model</u> : deepens subscription and services-led monetisation (payments, capital, advisory) rather than classic license; outcome framing is implicit (better cash flow, faster payments) rather than contractual.
Visma	
AI offering	Extensive internal AI program: 250+ product-related AI initiatives live across the group such as Smartscan (document intelligence), Taxy.io (multi-agent GenAI agent system for tax and legal areas). AI is both horizontal (document capture, productivity, engineering tooling) and vertical (tax/legal domain agents) across a highly federated portfolio of 170+ business units.
Economic impact	<u>Revenue growth</u> : AI is already described as a driver of double-digit organic growth and record customer intake, improving product value and differentiation in local markets. <u>Gross/operating margins</u> : productivity benefits (e.g., 3x higher deployment frequency, large internal automation gains) support margin expansion and more efficient scaling of the group. <u>Capex</u> : mainly software and infra investments distributed across units; the group's scale reduces per-solution burden. <u>Business model</u> : AI strengthens Visma's SaaS subscription and "expert system" value proposition; specific agentic solutions (like Taxy.io) move closer to outcome-style value (solved cases, compliance), with potential for more usage- or outcome-linked pricing over time.

Source: Company data, Bernstein analysis

AI presents both meaningful upside and tangible downside risks for vendors, in our view.

- Upside: AI expands total addressable market (TAM), accelerates upgrades, enables premium pricing, strengthens competitive differentiation, and adds new automation and intelligence revenue layers.
- Downside: Rising R&D and compute costs, platform-level commoditization, governance challenges, and implementation bottlenecks can mute returns in the short term or delay customer adoption.

UPSIDE POTENTIAL: NEW REVENUE POOLS, PRICING POWER, AND COMPETITIVE DIFFERENTIATION

- AI has become the core competitive battleground.

Horizontal AI - assistants, copilots, and agents - is rapidly becoming table stakes across finance, supply chain, service, planning, and analytics. Meanwhile, vertical AI for industries such as manufacturing, construction, professional services, tax/compliance provides deeper differentiation by combining ERP data with domain-specific models.

- AI is opening up substantial monetization opportunities for vendors.

Industry data shows that AI can deliver tangible ROI for customers: 12-20% reductions in operating costs, up to 35% improvements in processing accuracy, and 30-40% faster reporting cycles. These measurable benefits are accelerating customer upgrade decisions and broader adoption.

- Premium AI capabilities are driving larger deal sizes and better cross-selling opportunities, significantly widening vendors' TAM.

As AI becomes embedded in core workflows - analytics, automation, and decision intelligence - ERP vendors are increasingly able to monetize through premium AI tiers, usage- and outcome-based pricing, automation and intelligence add-ons, and additional seats or expanded workloads. This shifts the TAM beyond traditional ERP into automation suites, predictive workflows, and vertical AI intelligence layers, creating new high-value revenue pools.

Overall, we see meaningful economic upside from AI - provided vendors execute their strategies effectively. On the revenue side, AI-enabled products support higher net retention rates, premium tiers, seat expansion, and incremental AI add-ons. On margins, automation reduces support and implementation effort, lifting gross margins for AI-rich modules. And on cash flow, the shift toward consumption-based AI services enhances recurring revenue and strengthens long-term cash-flow visibility.

DOWNSIDE RISKS: COMMODITIZATION, RISING COSTS, AND EXECUTION BOTTLENECKS

Despite the strong upside, AI also introduces structural risks that may slow monetization or delay adoption. In segments with limited data readiness, immature integration environments, or low appetite for major workflow redesigns, we expect AI adoption to progress more gradually.

- **Commoditization risk:** AI capabilities are rapidly becoming standardized, in our view, at the platform level (e.g., hyperscaler LLMs and foundation models), forcing ERP vendors to invest heavily just to maintain parity. This drives up R&D spending, compute and cloud-AI infrastructure costs, and model-governance and security requirements. Without meaningful differentiation - through proprietary models or deep vertical integration - vendors risk losing pricing power.
- **Higher operating costs:** While automation lowers delivery expenses, AI requires sustained investment - including higher R&D spending, ongoing compute and cloud-AI costs, model-training and fine-tuning, and expanded data-governance teams. The net margin impact depends, in our view, on a vendor's scale, product mix, and ability to monetize AI effectively.
- **Data quality, security and governance hurdles:** AI adoption in ERP often slows due to fragmented data, poor master-data quality, and strict governance and auditability requirements, based on industry feedback. Security concerns add further caution and can delay deployment. These challenges are especially pronounced in the public sector and other highly regulated industries, where adoption cycles for embedded AI tend to be significantly longer.
- **"Pilot purgatory" and implementation failures remain common:** approximately one-thirds of companies report any enterprise-level operating income uplift from AI programs, according to Deloitte. Key barriers include fragmented pilots, insufficient ERP and data readiness, poor workflow integration, and limited change-management maturity. These issues often lead to slower-than-expected upgrades, delayed monetization for vendors, and reduced customer willingness to pay for advanced AI tiers. This is one reason why software vendors are rapidly scaling their Forward Deployed Engineering (FDE) programs. (see our notes: [Forward Deployed Engineering \(FDE\): Where AI software meets the real world](#) and [Forward Deployed Engineering: Force Multiplier - or False Comfort - for enterprise AI](#)).

POTENTIAL AI DISRUPTION RISKS ACROSS ERP SEGMENTS

We have outlined a simple methodology to assess current AI-driven disruption risks for software providers in our notes [Disrupted or supercharged? Mapping AI risks in Services and Software](#) and [AI disruption radar - Want to try it yourself?](#). This framework evaluates each software segment and company based on its standalone exposure to AI risk and its relative positioning versus peers, based on two key dimensions: automatability (i.e. ability to be automated) of core value by AI, and defensibility of product/client switching cost (moat).

While our hybrid qualitative-quantitative approach is not without limitations - being largely static for now and not fully capturing each company's ongoing AI initiatives (such as dedicated R&D, active and upcoming use cases, or the depth of AI and data talent) - we believe it offers a useful lens for investors to assess the transformation journey ahead. Because the inputs rely on subjective assumptions, results can vary meaningfully depending on how those assumptions are calibrated.

Overall, we believe the implications for each of the four ERP segment can be summarized as follows (Exhibit 18 and Exhibit 19):

- **Financial Management Suite (FMS): High automation potential, low platform displacement.**

FMS combines very high task-level automation potential with strong platform resilience. AI will significantly automate operational finance workflows - such as AP/AR (accounts payable/accounts receivable), reconciliations, and period close - materially reducing human effort per transaction. Yet the core finance platform remains highly defensible due to its system-of-record role, regulatory and audit requirements, and deep data moats.

Despite this high defensibility, FMS is also exposed to disruption at the workflow level, as many finance tasks are easily automatable and value may shift toward vendors that best productize autonomous finance flows.

Winners will be those that deliver end-to-end autonomous finance processes (e.g., no-touch AP, lights-out close), and monetize AI through premium tiers and attach without materially cannibalizing implementation revenues.

- **Human Capital Management (HCM): Moderate automation potential, moderate defensibility.**

AI can significantly streamline transactional HR processes - such as payroll, time and attendance, and case management - and enhance decision-making, but strategic HR activities remain hybrid and less automatable.

Defensibility in HCM is weaker than in finance because switching platforms is relatively easy, integration depth is lighter, and AI-native HR point solutions can deliver substantial value on specific use cases without replacing the underlying system. As a result, competition from specialized HR AI tools limits vendor defensibility even as automation gains accelerate.

- **Enterprise Asset Management (EAM): High defensibility, with AI reinforcing incumbents.**

AI enhances predictive maintenance, uptime optimization, scheduling, and anomaly detection, but EAM remains a safety-critical, heavily regulated domain where decades of asset-history data and deep process integration create strong vendor moats.

As a result, disruption risk is relatively low: AI primarily augments the value proposition of established EAM platforms, in our view, rather than displacing them, and generic AI tools lack the domain depth required to replace incumbent systems.

Meaningful automation is achievable, yet compliance requirements, safety constraints, and specialized data environments ensure that AI strengthens incumbents far more than it threatens them.

- **Core Manufacturing and Operations (CM&O): High automation potential, moderate defensibility.**

CM&O has very high automation potential but only moderate defensibility. AI can significantly enhance planning, scheduling, and supply-chain optimization - delivering major efficiency gains for customers - but not all of this value accrues to ERP vendors. Because AI planning and industrial optimization tools can integrate easily via APIs, best-of-breed point solutions can capture value at the edges of ERP, partially displacing native functionality.

As a result, disruption risk is meaningful, in our view: vendors that fail to deliver advanced AI-driven planning and optimization capabilities may see value siphoned off by specialized industrial AI applications.

In our view, **investor perceptions of AI disruption risk vary meaningfully across ERP vendors, largely depending on their revenue exposure to key application segments** such as FMS, HCM, EAM, and CM&O ([Exhibit 19](#))

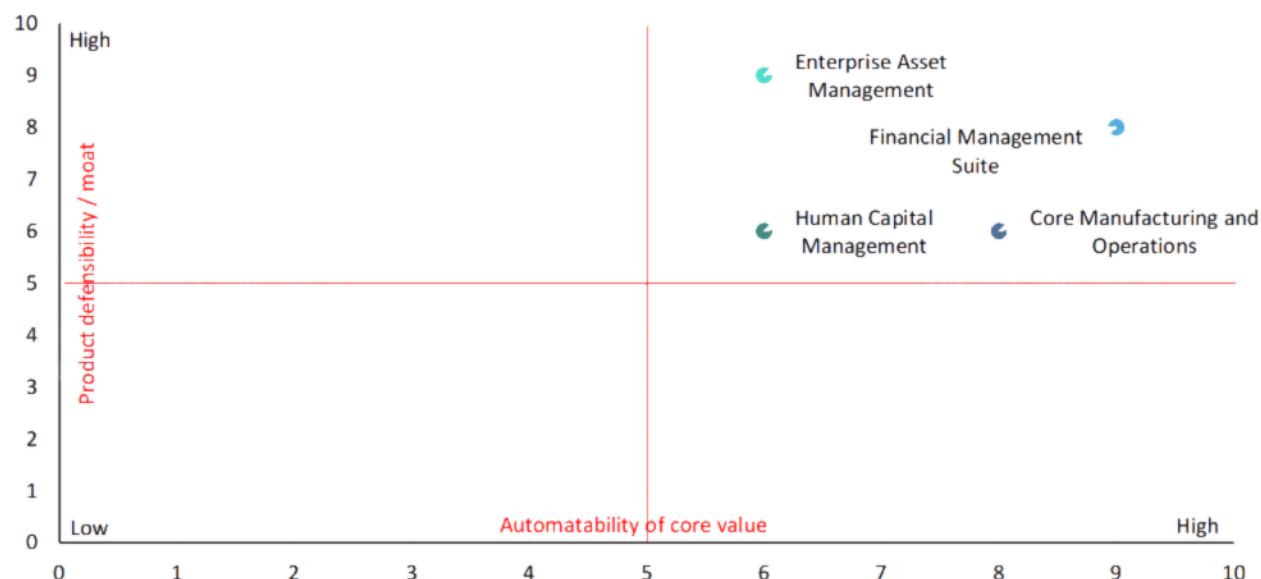
EXHIBIT 18: **AI disruption risk - score and rationale for various ERP segments**

Segment	Rationale
Financial Management Suite	
Automatability: 9.0	Core finance tasks (transaction capture, matching, reconciliations, accounts payable/accounts receivable workflows, close orchestration) are highly rules-based and sequential, making them prime targets for AI and automation. Current tools already automate invoice matching, payroll, purchase orders, inventory tracking and parts of the period close; agentic AI is now moving into predictive cash management, anomaly detection, and auto-drafted reports.
Defensibility: 8.0	Reports on finance automation show that much of the accounting close, basic FP&A (Financial Planning and Analysis) and document processing is technically automatable with today's AI and RPA (Robotic Process Automation). Finance modules sit at the system-of-record core of the enterprise; they are deeply embedded in controls, integrations, audits, and regulatory reporting, which raises switching costs. Incumbent ERP vendors have strong data moats (full historical ledgers, sub-ledgers, customer and supplier behavior) which are crucial for training finance-specific models and anomaly detectors. Compliance, audit trails and segregation of duties requirements make buyers cautious about point-AI startups taking over core finance, favoring vendors that can show robust governance and certifications.
Human Capital Management	
Automatability: 6.0	Some HR processes are highly automatable: payroll, time and attendance, basic case management, standard recruiting workflows and employee queries (AI chatbots). However, much of HCM's strategic value lies in judgment-driven domains: talent acquisition, performance management, succession planning, engagement, and culture - areas where AI can assist but not fully replace human decision-making due to ethical, legal and brand constraints. Regulatory and reputational issues (bias, fairness, explainability) limit the extent of fully automated decision-making in hiring and people decisions, keeping AI more in an advisory/assist role.
Defensibility: 6.0	HCM systems manage sensitive personal data and connect to payroll/tax authorities, which creates switching frictions, but integration depth is often lower than finance or manufacturing cores. There is a vibrant ecosystem of specialist HR/people-tech tools (recruiting platforms, engagement tools, skills clouds) that can sit on top of or alongside core HCM platforms, limiting the moat of any single vendor. AI innovation in HR is happening both inside HCM suites and in startups, which can integrate via APIs and capture high-value niches (e.g., AI-driven sourcing, skills inference).
Enterprise Asset Management	
Automatability: 6.0	Many EAM tasks involve scheduling maintenance, tracking asset condition, and triggering work orders based on rules and sensor thresholds - good candidates for AI-driven prediction and automation. However, EAM workflows often sit at the intersection of physical assets, safety, compliance and human judgment; fully autonomous decision-making is constrained by regulation and risk appetite. AI's role is largely in predictive maintenance, anomaly detection, and decision support rather than full "no-human" execution (e.g., suggesting maintenance windows, not automatically grounding a critical asset).
Defensibility: 9.0	EAM systems are tightly tied to asset hierarchies, long-lived equipment histories, warranty/contract data, and regulatory inspection records - this creates rich proprietary data and high switching costs. In asset-heavy industries (utilities, rail, aviation, heavy manufacturing), EAM is safety-critical and heavily regulated, and customers are conservative in replacing core systems. AI for EAM depends on long-term historical patterns of failures and interventions, which favors incumbents with deep data and domain models.
Core Manufacturing and Operations	
Automatability: 8.0	AI-driven ERP for manufacturing already adjusts production schedules, triggers procurement, optimizes inventory and resolves routine exceptions with minimal human intervention. In manufacturing verticals (food and beverage, industrial equipment, metals), AI is used for predictive maintenance, BOM (bill of material) optimization, defect detection, labor planning and yield/scrap optimization - activities that are heavily data-driven and increasingly automated. Integration of ERP with IoT and sensor data allows closed-loop control: AI can directly tune production and logistics based on real-time conditions.
Defensibility: 6.0	Deep integration with shop-floor, MES (manufacturing execution system), WMS (warehouse management system), and supply-chain partners creates switching costs, but these are more process and implementation driven than purely data-moat driven. In many verticals, there is room for specialist vendors or co-pilots that sit on top of existing ERP or MES to provide planning/optimization, which can weaken the ERP vendor's capture of AI value. Cloud-native planning and optimization tools can be layered on top of older ERP cores, meaning a lot of AI value can be captured by adjacencies rather than the ERP itself.

Scores are relative, not absolute (1: lowest, 10: highest). They are intended as a comparative lens across various segments.

Source: Bernstein analysis and estimates

EXHIBIT 19: AI disruption risk quadrant for ERP software by segment



Scores are relative, not absolute (1: lowest; 10: highest). They are intended as a comparative lens across various segments of ERP software. Higher scores in Automatability mean greater AI threat. Higher scores in Defensibility means stronger protective moats.

Source: Bernstein analysis and estimates

We believe that understanding these segment exposures is essential for assessing how AI could amplify competitive advantages, accelerate value creation, or introduce structural vulnerability for each vendor (Exhibit 20).

- Vendors with concentrated portfolios - such as UKG, which is effectively 100% HCM, or Workday, which has no presence in EAM or CM&O - face highly segment-specific AI risks, as disruption in their core modules can materially affect their overall revenue base.
- By contrast, diversified players like SAP, Oracle, and Microsoft span multiple functional domains, giving them both broader exposure to AI-driven change and greater resilience to slow adoption in any single segment.
- Mid-market specialists such as Sage, Visma, IFS, Infor, and QAD each carry distinct risk profiles depending on their mix of HCM-light, finance-heavy, or manufacturing-centric portfolios.
- Cloud-native SMB platforms like Intuit and Xero also sit central to this discussion: their lighter-weight architectures and AI-first product roadmaps improve agility but expose them to intense competition from AI-native point solutions, which can reshape value capture in SMB finance.

EXHIBIT 20: ERP software revenue breakdown by segment for selected ERP vendors (2025)

in \$m	ERP sales	FMS	HCM	EAM	CM&O
SAP	10,122	44%	48%	4%	4%
Workday	9,818	22%	67%	0%	11%
Oracle	6,398	43%	52%	2%	2%
UKG	4,502	0%	100%	0%	0%
Sage	3,180	76%	15%	0%	9%
Visma	2,670	62%	38%	0%	0%
Infor	1,892	37%	11%	0%	52%
Microsoft	1,279	73%	16%	0%	11%
IFS	793	7%	5%	79%	9%
QAD	149	50%	0%	11%	39%

Source: Gartner Group (April 2026), Bernstein analysis

APPROXIMATELY \$233BN OF SOFTWARE REVENUE OPPORTUNITY THROUGH 2030

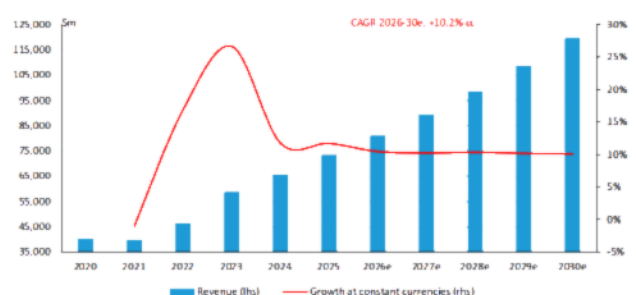
GLOBAL ERP SPENDING IS SET TO GROW C.10% ANNUALLY

Market researcher Gartner Group forecasts the global ERP market to grow at c.10% annual at constant currencies (cc) over 2026-30 to reach c.\$120bn by 2030 from c.\$73bn in 2025 (Exhibit 21). Cumulatively, this represents an estimated c.\$497bn in global revenue opportunity over the period.

By delivery model, SaaS ERP is expected to remain the primary growth driver, expanding at around 14% cc annually, rising from c.\$52bn in 2025 to c.\$99bn in 2030 (Exhibit 22). In contrast, on-premise ERP is projected to decline modestly at c.2% cc annually, falling from c.\$22bn in 2025 to c.\$20bn by 2030.

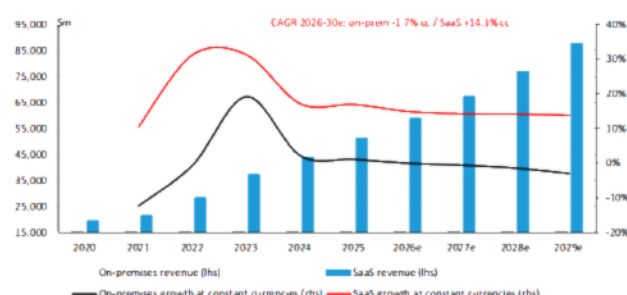
The shift to cloud ERP has continued unabated since 2021. Cloud solutions grew from roughly 49% of the market in 2020 to about 70% in 2025 - an average increase of 4.2 percentage points per year. Given its much faster growth trajectory, SaaS ERP is expected to reach around 83% of the total ERP market by 2030, adding approximately 2.6 percentage points per year.

EXHIBIT 21: Total ERP software market forecasts



Source: Gartner Group (March 2026), Bernstein analysis

EXHIBIT 22: ERP market forecasts by delivery



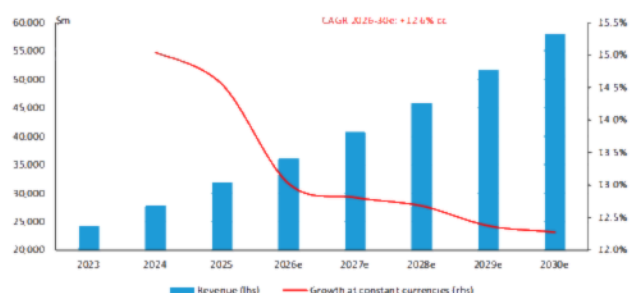
Source: Gartner Group (March 2026), Bernstein analysis

SMB ERP SPENDING EXPECTED TO GROW C.13% ANNUALLY

Gartner does not publish explicit forecasts for the mid-market ERP segment. However, its breakdown of Enterprise Application Software spending by company size provides a useful proxy, in our view. According to Gartner, the combined segments of companies with 100 to 5,000 employees are expected to increase their share of total spending from 34.2% in 2023 to 37.4% in 2030, while small businesses (fewer than 100 employees) rise from 7.1% to 11.1% over the same period. In contrast, large enterprises (more than 5,000 employees) see their share decline from 58.7% in 2023 to 51.5% by 2030.

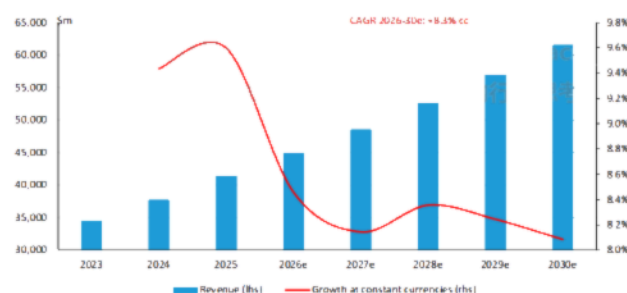
Assuming ERP spending follows a similar pattern, we estimate that **ERP spending by small and mid-sized companies will increase from c.\$38bn in 2025 to c.\$58bn in 2030, implying an annual growth rate of c.13% cc (Exhibit 23). Cumulatively, this represents an estimated c.\$233bn in revenue opportunity over 2026-30.**

EXHIBIT 23: ERP software market forecasts for small and mid-sized companies



Source: Gartner Group (March 2026), Bernstein analysis and estimates

EXHIBIT 24: ERP software market forecasts for large enterprises



Source: Gartner Group (March 2026), Bernstein analysis and estimate

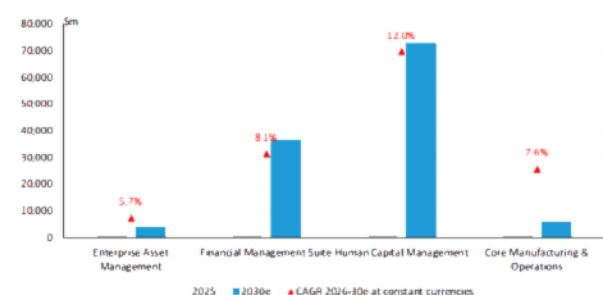
- ERP spending among small companies (fewer than 100 employees) is expected to grow by c.17% cc annually, rising from c. \$6bn in 2025 to c.\$13bn by 2030.
- For mid-sized enterprises (100 to 5,000 employees), ERP spending is projected to increase at c.12% cc annually, reaching c. \$45bn by 2030, up from c.\$26bn in 2025.
- ERP spending among large enterprises should grow at c.8% cc annually over 2026-30, rising from c.\$41bn in 2025 to c. \$62bn by 2030 (Exhibit 24).

By functional segment, Gartner expects Human Capital Management (HCM) - the largest ERP category - to grow the fastest, rising from c.\$41bn in 2025 to c.\$73bn by 2030, implying a c.12% cc annual growth rate. The Financial Management Suite (FMS) segment is projected to grow at c.8% cc annually, increasing from c.\$25bn in 2025 to c.\$37bn by 2030 (Exhibit 25).

Core Manufacturing and Operations (CM&O) are forecast to expand at a similar c.8% cc annual rate, reaching c.\$6bn by 2030, up from c.\$4bn in 2025. Meanwhile, Enterprise Asset Management (EAM) - the smallest segment - is expected to grow at c.6% cc annually, increasing from c.\$3bn in 2025 to c.\$4bn by 2030.

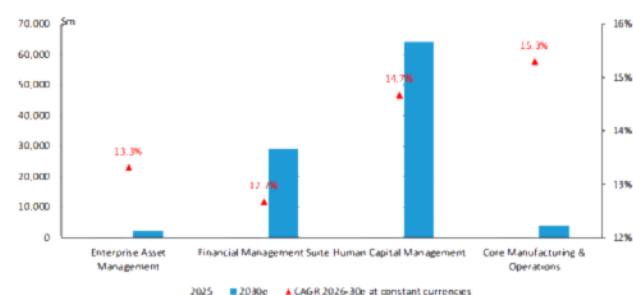
In the cloud segment, Gartner expects HCM to grow at c.15% p.a. cc, increasing from c.\$32bn in 2025 to c.\$64bn by 2030. The FMS segment is projected to expand at c.13% cc annually, rising from c.\$16bn in 2025 to c.\$29bn by 2030 (Exhibit 26). CM&O is forecast to double from c.\$2bn in 2025 to c.\$4bn by 2030, reflecting a c.15% cc annual growth rate. Meanwhile, EAM is expected to grow at c.13% cc annually, increasing from c.\$1bn to c.\$2bn over the same period.

EXHIBIT 25: Total ERP market forecasts by segment



Source: Gartner Group (March 2026), Bernstein analysis

EXHIBIT 26: SaaS ERP market forecasts by segment



Source: Gartner Group (March 2026), Bernstein analysis

THE RISE OF AI-ENABLED ERP SOFTWARE

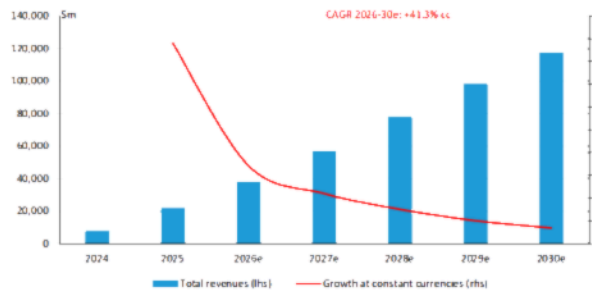
Gartner forecasts that AI-enabled ERP software will expand at a 47% compound annual rate between 2026 and 2030, rising from approximately \$22bn in 2025 to around \$118bn by 2030 (Exhibit 27). By the end of the decade, solutions integrating AI are expected to make up about 90% of the total ERP market, compared with roughly 30% in 2025.

All major ERP vendors have already embedded AI across their platforms, with advanced chatbots and virtual assistants now considered standard features for modern SaaS ERP systems. ERP solutions equipped with chatbots and assistants are expected to grow from about \$17bn in 2025 to roughly \$46bn in 2030, representing an average annual growth rate of c.22%. This category's share of the AI-enabled ERP market is projected to decline from c.80% in 2025 to c.39% in 2030 as more advanced AI capabilities scale.

ERP software supported by simple AI agents is anticipated to grow at an average annual rate of c.75%, expanding from \$3bn in 2025 to about \$43bn in 2030. This segment should increase its market share from c.16% in 2025 to c.37% in 2030.

By 2030, spending on ERP systems powered by advanced AI agents is projected to reach approximately \$28bn, up from around \$1bn in 2025 (Exhibit 28), implying an annual growth rate of roughly 105% over 2026-30. As a result, these advanced agent-driven solutions are expected to account for c.24% of the AI-enabled ERP market in 2030, compared with c.5% in 2025.

EXHIBIT 27: ERP software with AI capabilities market forecast



Source: Gartner Group (March 2026), Bernstein analysis

EXHIBIT 28: ERP software with/without AI capabilities market forecasts



Source: Gartner Group (March 2026), Bernstein analysis