Visualising the AI Software Drawdown

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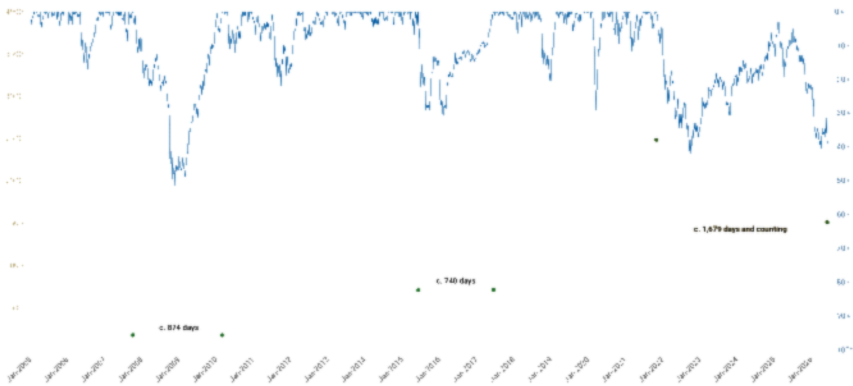
Important events in the world of Software & Services in the week ahead, and key MS research / stories from the past week.

Key Takeaways

- Visualising the AI Software drawdown (#Software)
- AI Counts - The Accounting Automation Wave (*MS Research*, #Wolters Kluwer)
- Databricks, Lovable, and PhysicsX funding rounds and reports (#Software)
- UK company account digital filing requirements likely a small tailwind for Sage (#Sage)
- London Tech Week 2026 Takeaways: All things AI (*MS Research*, #Software, #Informa)

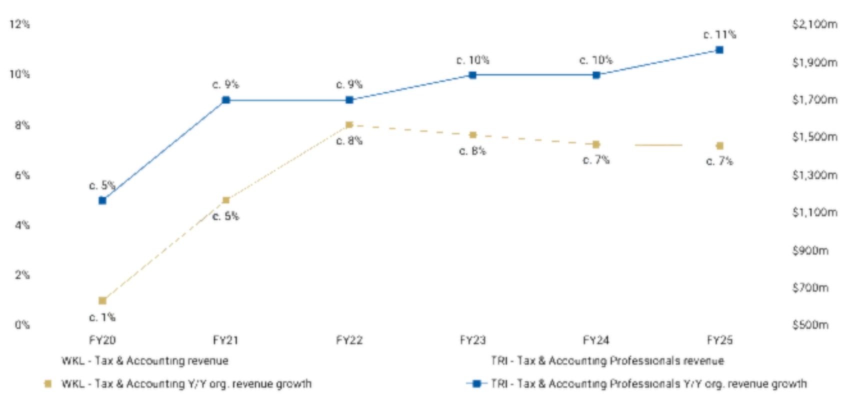
1) Visualising the AI Software Drawdown (*#Software*)**:** The weak price performance across application software largely stems back to around August last year, albeit we have started to see some sub-sector level dispersion between other areas of the software market such as data infrastructure and cybersecurity names. However, here we visualise an around 2-decade perspective, but look at a selection of mid/large-cap software stocks that have been listed since January 2005 (>50 in total in our analysis). We have run their stock performance over this period in an equal-weighted aggregated way into a visualisation that also shows the depth of drawdowns from the latest all-time high through this period. While there is inherently a degree of survivorship bias in this, it paints an interesting picture; this selection peaked during COVID, in late 2021, and did not quite manage to reach new all-time highs in late 2024/early 2025. As such, it is closing in on a 1,700 day run without reaching a new all-time high level, and is tracking down >35% from its last all-time highs. Similar deep magnitudes of drawdowns were only seen during the global financial crisis, and during the rate-hike and multiple-compression period coming out of COVID 19

Exhibit 1: Long-listed global software stock selection - performance over time



2) AI Counts - The Accounting Automation Wave (*MS Research*, *#Wolters Kluwer*): Our colleague Toni Kaplan (who covers US Information Services) led a note this week on the AI growth opportunity for the Tax & Accounting Industry, focusing on the market serving tax and accounting firms themselves. This is a market led by Wolters Kluwer and Thomson Reuters, but also with Intuit and Drake Software as key players at the lower end of the market. The accounting industry is increasingly embracing AI as a solution to two structural challenges: a persistent shortage of qualified professionals and growing regulatory complexity. Generative AI adoption within the tax and accounting industries is accelerating rapidly, with Thomson Reuters' 2026 AI in Professional Services Report showing that over a third of tax firms and corporate tax departments (c. 34% for both) have already deployed GenAI at an organizational level. While AI-native startups are increasingly attacking individual workflow steps, we expect the core tax engine market to remain dominated by incumbents such as Thomson Reuters and Wolters Kluwer, whose established infrastructure, trusted compliance systems, and embedded customer workflows create durable barriers to entry. **See the full note here.**

Exhibit 2: Wolters Kluwer Tax & Accounting segment vs Thomson Reuters Tax & Accounting Professionals segment



3) Databricks, Lovable, and PhysicsX funding rounds and reports (*#Software*): According to The Information (unconfirmed), Databricks is reportedly in talks to raise funds at a $165bn+ valuation, which would be a jump from the last round at a $134bn valuation in February. The news comes on the back of renewed interest in the data infrastructure software segment of the software market, which has rallied despite broader weakness across application software; Snowflake's stock is c. +58% over the past month, MongoDB c. +15%, and Datadog c. +17%. Separately, Forbes reported (unconfirmed) that Sweden-based Lovable, an AI-powered app-builder, is in talks to raise funds at a $12bn valuation, which would be a notable step-up from its $6.6bn Series B round in December 2025. Elsewhere, PhysicsX, a physical-AI engineering platform announced a $330m Series C financing at a valuation of c. $2.4 billion, up from a nearly $1 billion valuation at their Series B.

4) UK company account digital filing requirements likely a small tailwind for Sage (*#Sage*): Companies House has confirmed a delayed version of its Economic Crime and Corporate Transparency Act (ECCT) accounts reforms. From April 2028, all UK companies will need to file annual accounts using commercial software. We think this should drive further software adoption across the long tail of UK companies, with c. 4.9m companies on the effective register and Companies House previously noting back in 2023 that over 65% of companies already used software filing. For Sage, we think this change is likely to be supportive of UKIA growth (where we forecast c. 9% CAGR FY26-29e), but it is unlikely to be a major group level tailwind, given the remaining opportunity is likely concentrated in smaller/ micro entities, dormant companies, and low-complexity holding/SPV structures where average revenue per user is relatively low. However, we acknowledge the 2028 implementation deadline comes a year later than was previously expected, to give businesses greater time to prepare for the changes.

5) London Tech Week 2026 Takeaways: All things AI (*MS Research*, *#Software*, *#Informa*)**:** We attended London Tech Week, hosted by Informa. We share a few of our takeaways below, but for our full takeaways **see our note here**.

- **Enterprise worker AI usage:** Many UK workers have tried AI but daily usage, training, and measurable productivity gains remain limited, implying enterprise AI adoption is still early and ROI is not yet broadly well measured.
- **Legal AI:** The volume of tokens Harvey has processed on its platform has grown from 1 trillion per month at the start of the year, to 15 trillion now. Meanwhile, Legora has opened new offices in Madrid, Milan and Paris.
- **Websites, search, marketing, and GEO:** Marketing is shifting from traditional SEO toward Generative Engine Optimisation, where brands must structure online context for AI systems while websites remain important as the enterprise's digital home.
- **AI adoption in financial services:** Banks and asset managers are moving from AI experimentation toward targeted, ROI-focused deployments, with greater attention to token budgets, governance, model routing, and build-versus-buy discipline.

Exhibit 3: Key week ahead events

Monday 15/06/2026	Tuesday 16/06/2026	Wednesday 17/06/2026	Thursday 18/06/2026	Friday 19/06/2026
	Wiley 4Q26 Results		Informa 2026 AGM	
			Accenture 3Q26 Results	

Key: MS Europe Coverage; Other Global Stocks; Industry Event

Source Research

Coverage Valuation vs. European Market

Exhibit 4: European Software NTM P/E vs STOXX Europe 600

Long-Term Valuation Charts

Exhibit 5: Amadeus P/NTM Earnings

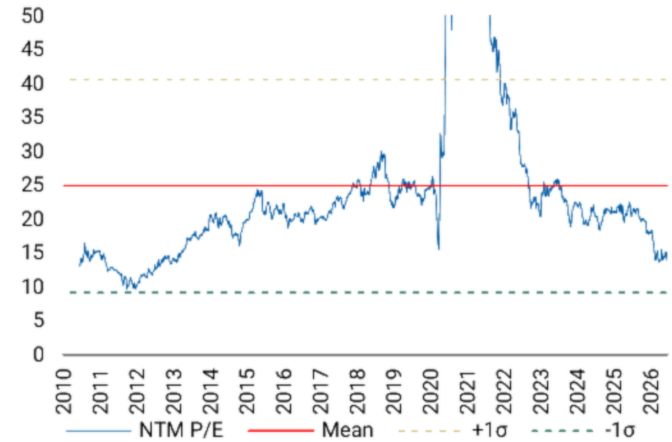


Exhibit 6: Capgemini P/NTM Earnings

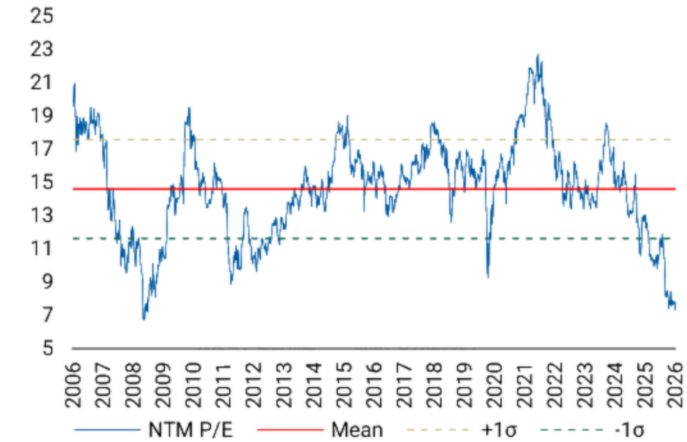


Exhibit 7: Dassault Systemes P/NTM Earnings

Exhibit 8: HBX P/NTM Earnings

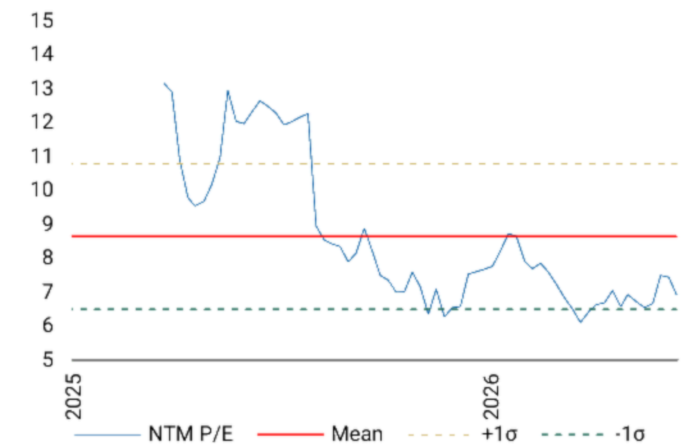


Exhibit 9: Indra P/NTM Earnings

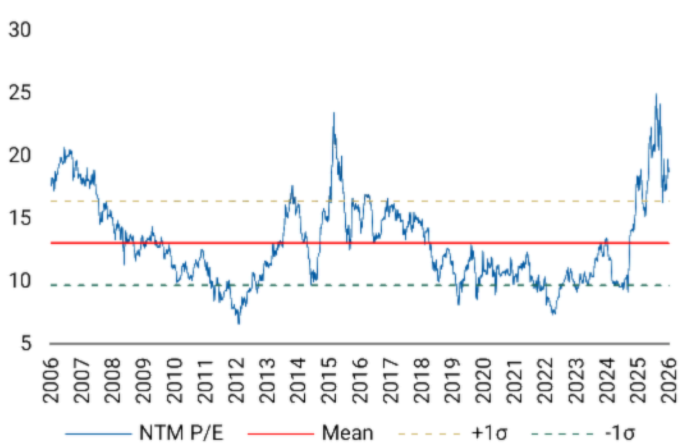


Exhibit 10: Informa P/NTM Earnings

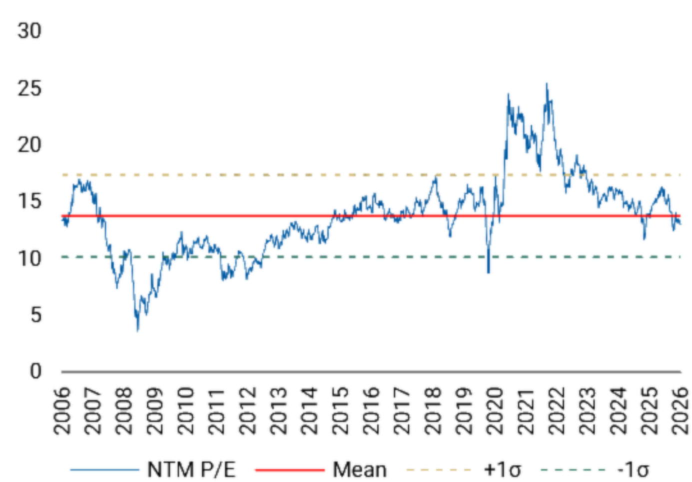


Exhibit 11: IONOS P/NTM Earnings

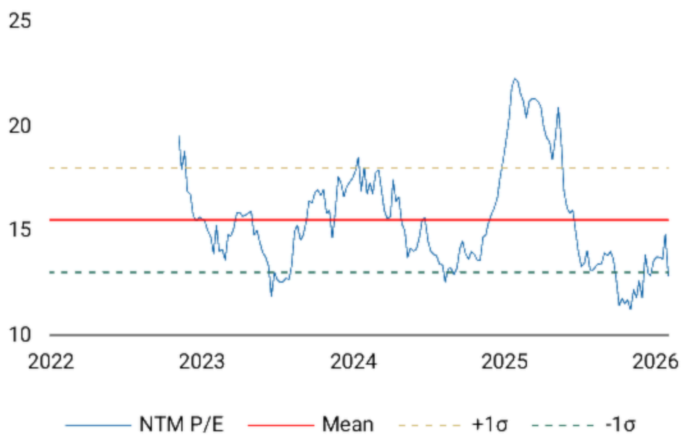


Exhibit 12: Nemetschek Group P/NTM Earnings

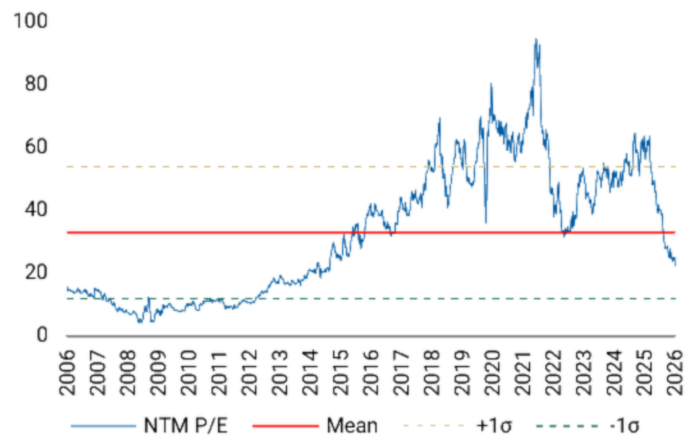


Exhibit 13: Netcompany P/NTM Earnings

Exhibit 14: RELX P/NTM Earnings

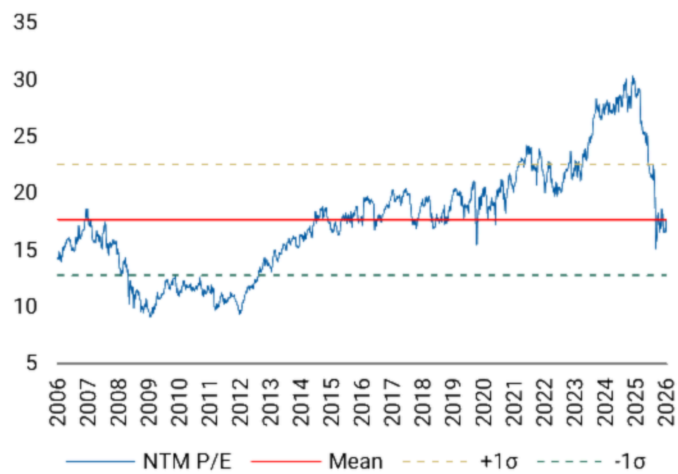


Exhibit 15: Sage Group P/NTM Earnings

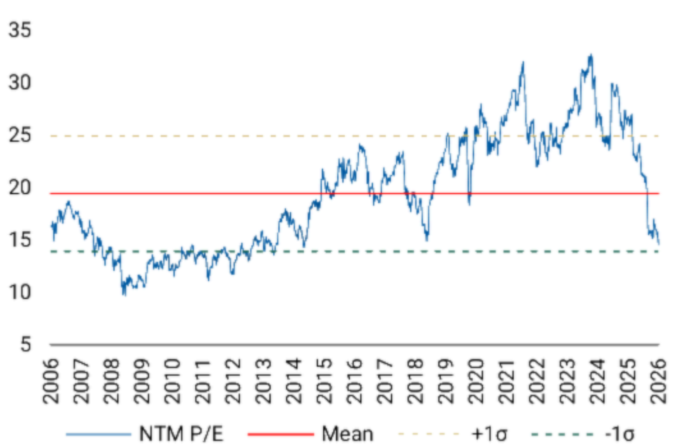


Exhibit 16: SAP P/NTM Earnings

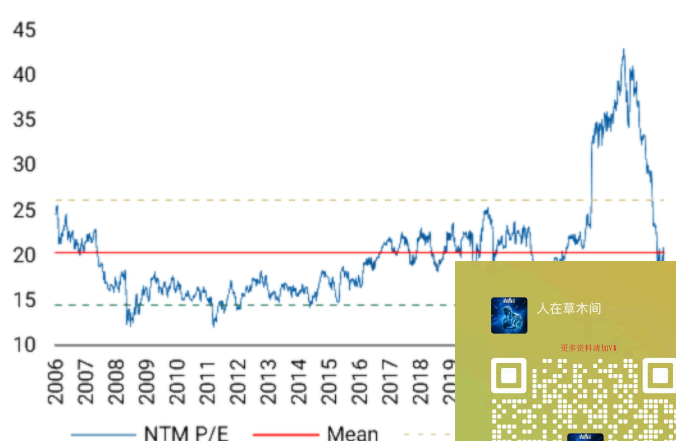


Exhibit 17: Temenos P/NTM Earnings

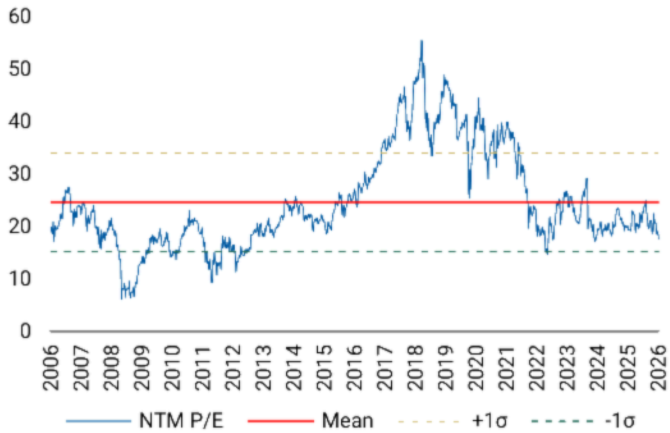


Exhibit 18: Tieto P/NTM Earnings

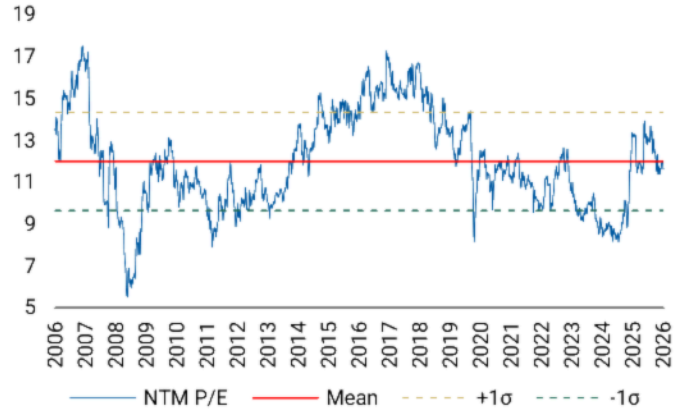
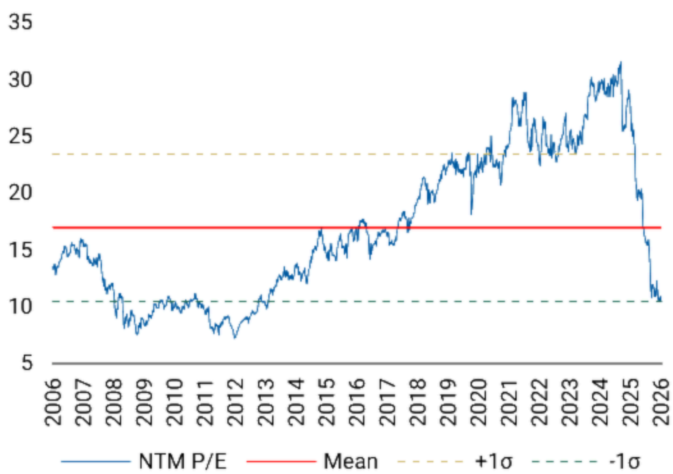


Exhibit 19: Wolters Kluwer P/NTM Earnings



Coverage Company Guidance

Exhibit 20: Company Forward Guidance (1/2)

	Published Company Guidance / Targets	
	FY26	**Mid-term / Long-term**
Amadeus	High single digit revenue growth (in cc) Adj. EBIT margin stable at cc (FY25: 29.1%) Adj. diluted EPS growth at low double-digit FCF between €1.35-1.45 billion	**Over 2026-2028:** High single digit annual revenue growth (in cc) Adj. EBIT margin expansion over the period Adj. diluted EPS growth CAGR at low double-digit FCF growth CAGR at high single digit
Capgemini	Revenue growth of +6.5 to 8.5% cc (organic c. 1.5 to 4%, MSe) Operating margin of 13.6% to 13.8% Organic FCF of €1.8 to 1.9bn	**2028 financial ambitions:** 2025-28 revenue CAGR at cc of +5.5-7.5% (c. +3.5-5.5% organic) Operating Profit pre-acquisition expense to reach 12.1-12.3% of revenue (c. 130-150bps expansion vs 2025) Cumulative organic FCF >€6bn over 2026-28
Dassault Systemes	Total revenue growth between 3 to 5% (cc) Software revenue growth 3 to 5% (cc) Services revenue growth of 2 to 6% (cc) Adj. EBIT margin guidance is 32.2 to 32.6% EPS €1.30 to 1.34	Basic 2029 EPS of €2.4
HBX Group	12-18% YoY growth in TTV 2-7% YoY revenue growth 2-7% adj. EBITDA growth c. 100% operating FCF conversion	Low-double digit TTV annual growth High-single digit revenue growth Low sixties adj. EBITDA margin % c. 100% cash conversion
Indra Sistemas	Revenue >€7,000m in local currency Stated EBIT of > €700m Free cash flow of >€375m	**Long-term (FY24-FY30):** Revenues to reach €6bn in FY26 and €10bn in FY30 EBITDA margins >12% by FY26 and >14% by FY30 EBIT margin at 10% in FY26 and 12% in FY30 Cumulative FCF of >€3bn from FY24-FY30
Informa	6%± underlying revenue growth 7%+ B2B Events underlying revenue growth 4%± Taylor & Francis underlying revenue growth Return to revenue growth for TechTarget	5%+ underlying revenue growth p.a. out to FY28
IONOS Group	Group: c. 7% revenue growth with c. 37-38% adj. EBITDA margin (CC) Web Presence & Productivity: 7-8% revenue growth (CC) Cloud Solutions: c. 10% revenue growth (CC)	Total revenue growth (CAGR) c. 10% Web Presence & Productivity revenue growth (CAGR) c. 9% Cloud Solutions revenue growth (CAGR) c. 20% Adj. EBITDA margin c. 40% Capex (% of revenue) c. 6%
Nemetschek Group	14-15% constant currency revenue growth 32-33% adj. EBITDA margin	*None*
Netcompany Group	Group revenue growth of 15-20% y/y (in CC), 5-10% excluding NBS Adj. EBITDA margin of 16-19%, 17-20% excluding NBS	**Long-term:** Annual organic revenue growth of 5-10% *"through any business cycle"* Adj. EBITDA margins >20% by (in) FY29
RELX	*"We continue to see positive momentum across the group, and we expect another year of strong underlying growth in revenue and adjusted operating profit, as well as strong growth in adjusted earnings per share on a constant currency basis".* Buybacks of £2,250m	*None*

Exhibit 21: Company Forward Guidance (2/2)

	Published Company Guidance / Targets	
	FY26	**Mid-term / Long-term**
Sage Group	Organic total revenue growth in FY26 to be above 9% Operating margins are expected to trend upwards in FY26 and beyond	*None*
SAP	Cloud revenue of €25.8-26.2bn at cc (23% to 25% cc growth). Cloud and software revenue of €36.3-36.8bn at cc (12%-13% cc growth). Non-IFRS EBIT of €11.9-12.3bn (14-18% cc growth). Free cash flow c. €10bn	Expect total revenue growth to accelerate in 2027. Total operating expenses are expected to grow at 80 to 90% of total revenue growth in 2027.
Temenos	ARR growth of c. 12% Subscription and SaaS growth of c. 9% EBIT growth c. 9% FCF growth c. 16% (reported)	**Mid-term (FY28):** ARR to reach >$1.23bn Non-IFRS EBIT of at least c.$480m FCF of at least $410m
Tieto	Organic growth of -2% to 0% and adj. EBITA margins of 14.8 to 15.8%	Annual revenue growth of over 5% CAGR in 2027-2028 Expect 2026 to be broadly flat to slightly negative on topline EBITA margins of over 16% by 2028
Wolters Kluwer	Good organic revenue growth Adj. EBIT margin: c. 28% Diluted adj. EPS growth (%, cc): High single digit growth Adj. FCF (EURm, cc): €1,300m to €1,350m	*None*

Appendix: MS European Software & Services Coverage

Exhibit 22: Coverage Summary

Company	Analyst	Rating	Price Target
Amadeus	George Webb	Overweight	EUR 65
Capgemini	George Webb	Equal-weight	EUR 117
Dassault Systemes	George Webb	Equal-weight	EUR 21.75
HBX Group International	Mark Hyatt	Equal-weight	EUR 7.9
Hexagon AB	George Webb	N/A	N/A
Indra Sistemas	Adam Wood	Equal-weight	EUR 60
Informa	George Webb	Overweight	GBp 990
IONOS Group	George Webb	Equal-weight	EUR 29.4
Nemetschek Group	George Webb	Equal-weight	EUR 74.25
Netcompany	George Webb	Underweight	DKK 334
RELX	George Webb	Equal-weight	GBp 2970
Sage Group	George Webb	Overweight	GBp 1110
SAP	Adam Wood	Overweight	EUR 190
Temenos	Mark Hyatt	Underweight	CHF 59
Tieto	Mark Hyatt	Underweight	EUR 18
Wolters Kluwer	George Webb	Equal-weight	EUR 80.5

Software & Services

Source: Research