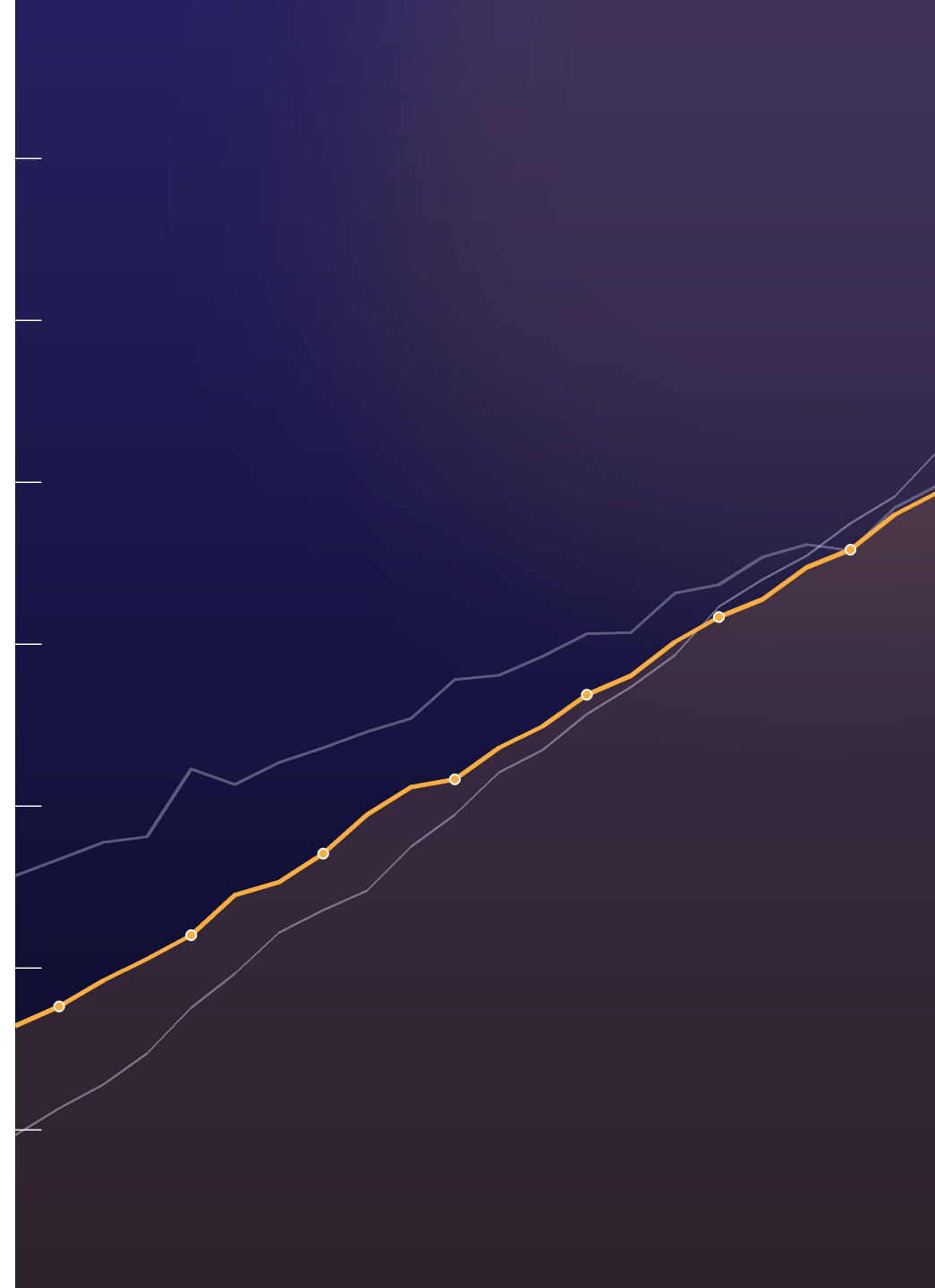


The State of Software Revenue

Analysing revenue trends across public software companies
2Q26 season update

September 2026



Key takeaways

1. What we analysed

- 74 listed US software companies and 27 in the EU and UK, priced at the 10 September 2026 close.

2. Valuations are off the low, and growth is still what the US pays for

- US software is on 4.0x NTM revenue, up 28% from the March 2026 low, against 6.3x in March 2023 and a 7.8x peak in December 2023.
- Expected growth explains 51% of the spread in US multiples and each further point is worth 0.46 of a turn. In Europe it explains 5%.

3. US growth has recovered from the 2Q24 trough

- The US median is 15.8%, against a 12.9% trough in 2Q24 and a 16.4% recovery peak in 1Q26.
- The recovery has breadth: 57% of the panel is growing faster than a year earlier. Europe is on 5.4% and has fallen for three halves.

4. The distribution is moving to the tails

- 9 of 73 US companies grew faster than 30%, up from the 1Q25 low. No European name did.
- The bar for the top decile is 33.1%, its highest since 2023 and up from 31.7% in 1Q26. The top quartile bar is flat at 23.9%.

5. The biggest companies are growing the fastest, and taking most of the new revenue

- Above \$5bn of revenue the US median is 24.0%, against 3.1% below \$500m. In 1Q23 it was 14.3% against 14.8%.
- The incremental pool is \$10.5bn a quarter, up from \$5.6bn in 1Q24, with the top ten names comprising 63.8% of the pool.

6. Retention and new business are neck and neck, but retention sets the fastest apart

- Net retention contributes 10.5 points of growth and new business 9.3
- The fastest quartile grew 39.2% with 23.2 points from the installed base. The slowest grew 4.4% with -1.2.

7. Retention is holding among those that disclose it

- Median net retention is 109 and has held that band since 1Q24. Gross retention is 96, so the weakness is in expansion, not churn

8. Consumption pricing is retaining better than seats

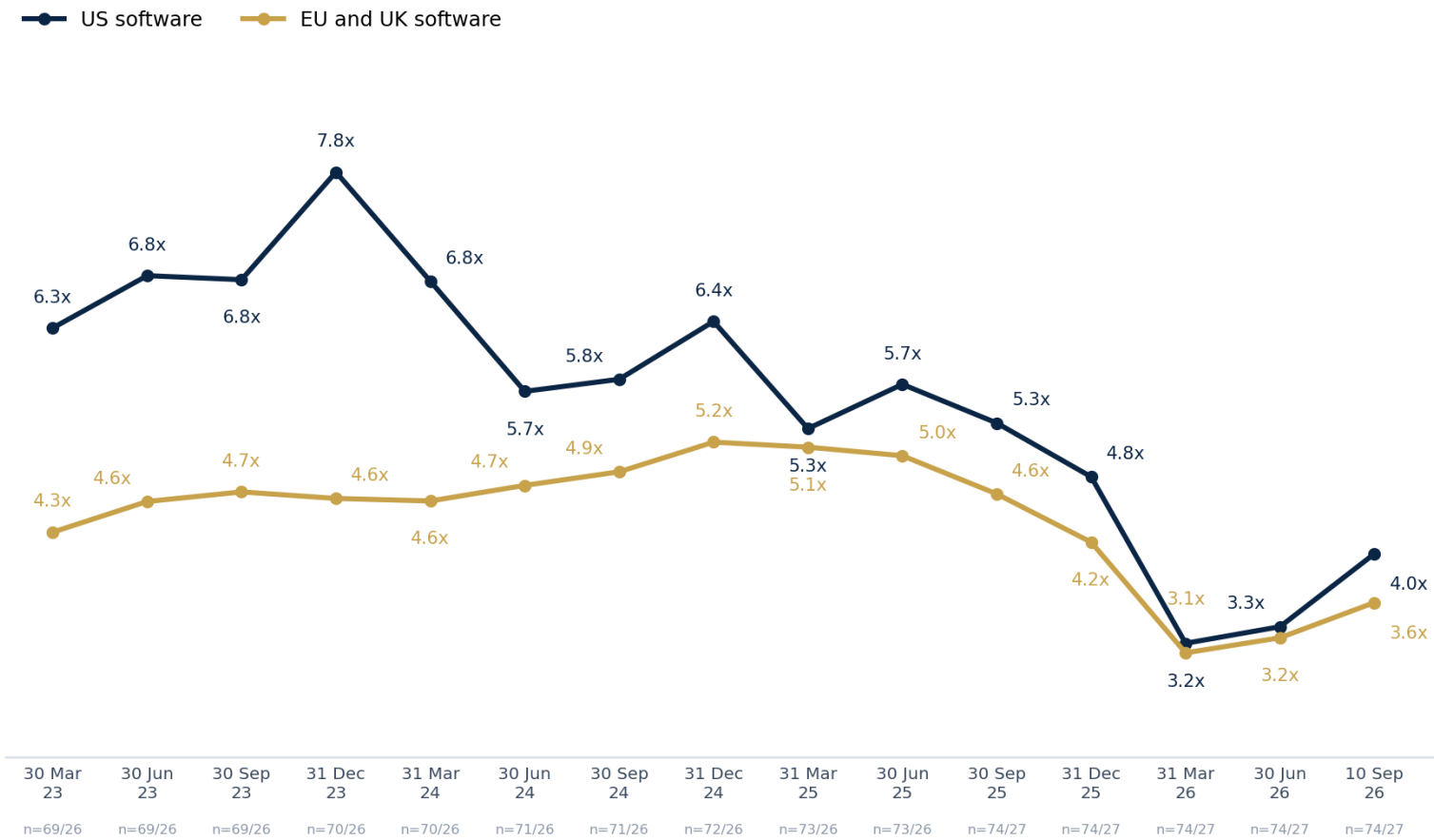
- Consumption and transaction priced names retain 111.0, against 106.5 for seat priced.
- The same gap shows up in growth: 23.6% against 12.7%.

9. The backlog still leads revenue, but by less than at any point in the series

- RPO growth of 17.6% is the lowest reading in the series, down from 21.8% in 4Q25 and a 23.3% peak in 2Q23.
- The lead over revenue growth is 2.5 points, from 7.4.

Valuations have bounced off the March low but are still a third below 2023

Median NTM EV to revenue multiple, by observation date
Median across each group's available companies; n for each group under the axis



Key takeaways

US software is on 4.0x, a third below the 6.3x of March 2023 and well below the 7.8x peak of December 2023.

There has been a recent recovery post the March low, the US median is up 28%.

Volatility in Europe has been less off a lower base to begin with: 4.3x to 3.6x over the period, with a 5.2x peak in December 2024.

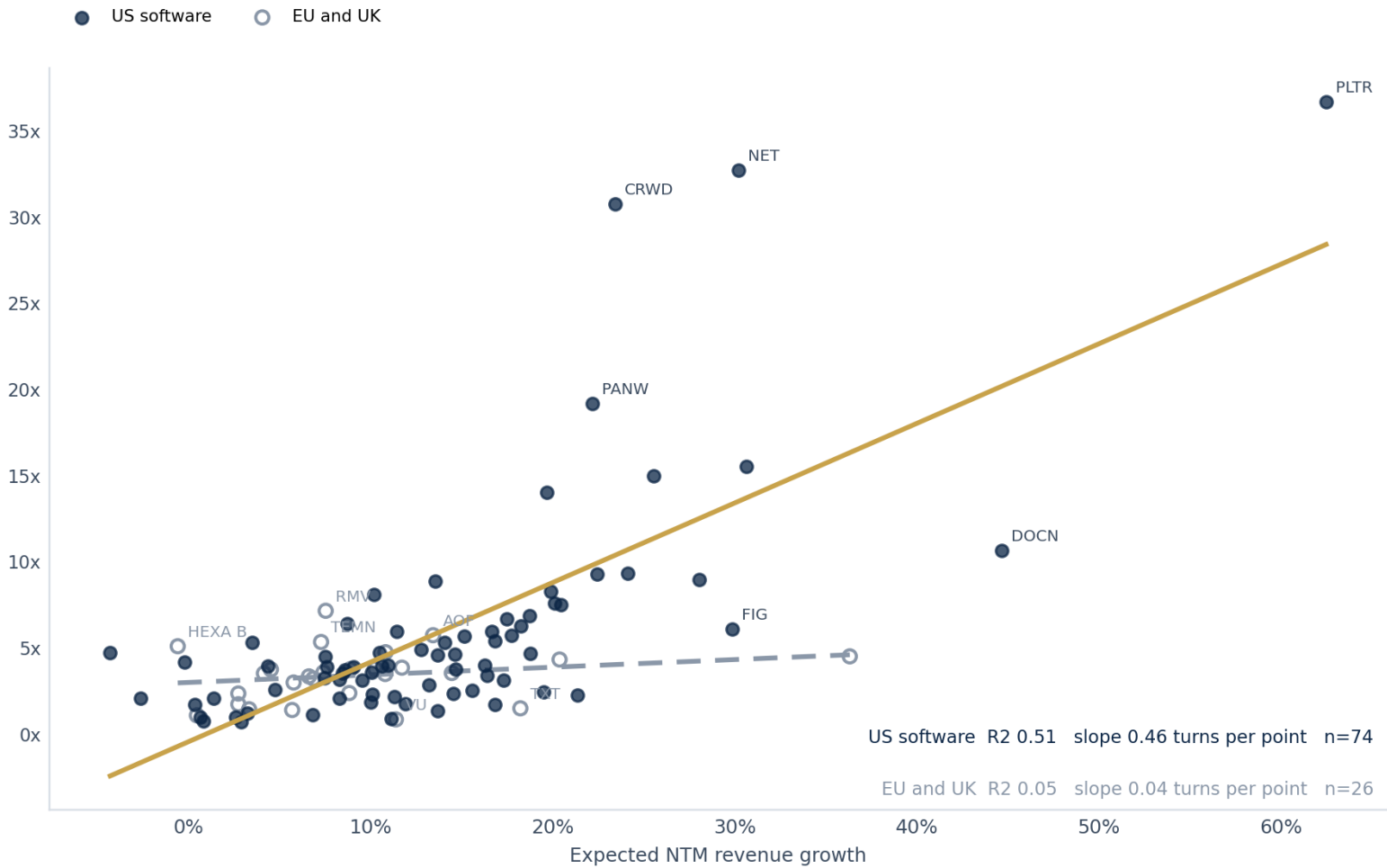
There has been some convergence in multiples across the 2 geos. The US premium is 14% now, against 48% in March 2023 and 23% at the end of 2024. It was at its narrowest (3%) at the March low.

Source: Company multiples from market data feeds and Gemfield Partners analysis

Revenue growth is still the main valuation driver in the US, much less so in Europe

EV to NTM revenue against expected NTM revenue growth

US software n=74, EU and UK n=26.



Key takeaways

In US software, expected growth explains 51% of the spread in multiples.

Each further point of expected growth is worth 0.46 of a turn in the US. The fitted multiple is 4.2x at 10% growth, 8.8x at 20 and 13.4x at 30.

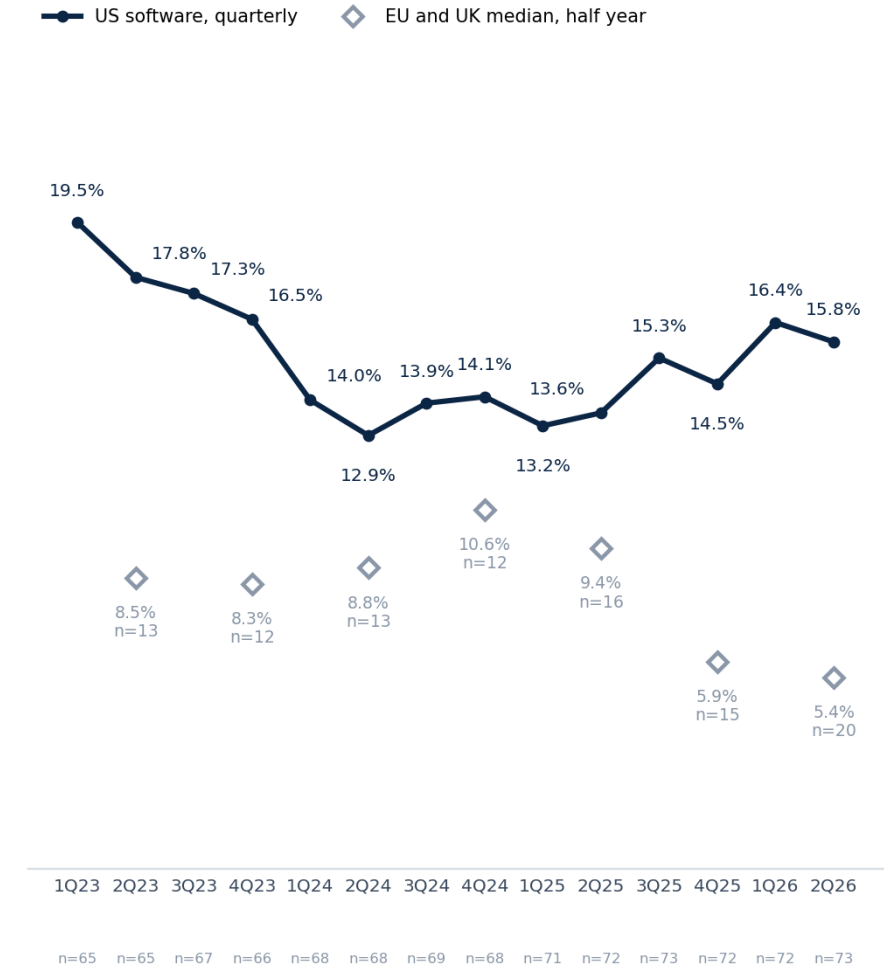
In Europe the same regression doesn't really exist (explains 5% of the spread).

Source: Publicly available information, market data feeds and Gemfield Partners analysis. Priced at the 10 September 2026 close.

US revenue growth has recovered from its 2Q24 trough while Europe has been decelerating

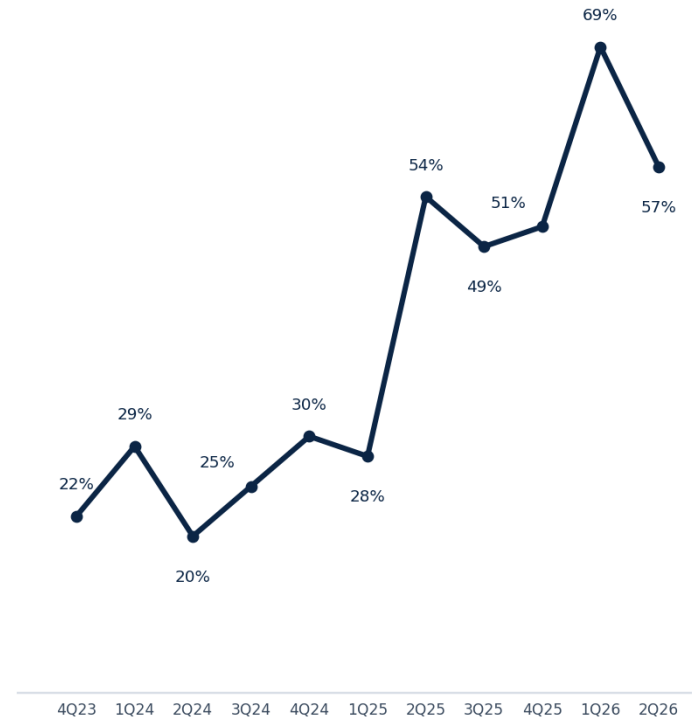
Median year on year revenue growth

US software, quarterly. EU and UK shown as half year medians, local currency, per cent.



Share of companies growing faster than a year earlier

US software, per cent of the panel



Key takeaways

The US growth trough was 2Q24 at 12.9%, recovery peaked at 16.4% in 1Q26 and was 15.8% for the latest quarter

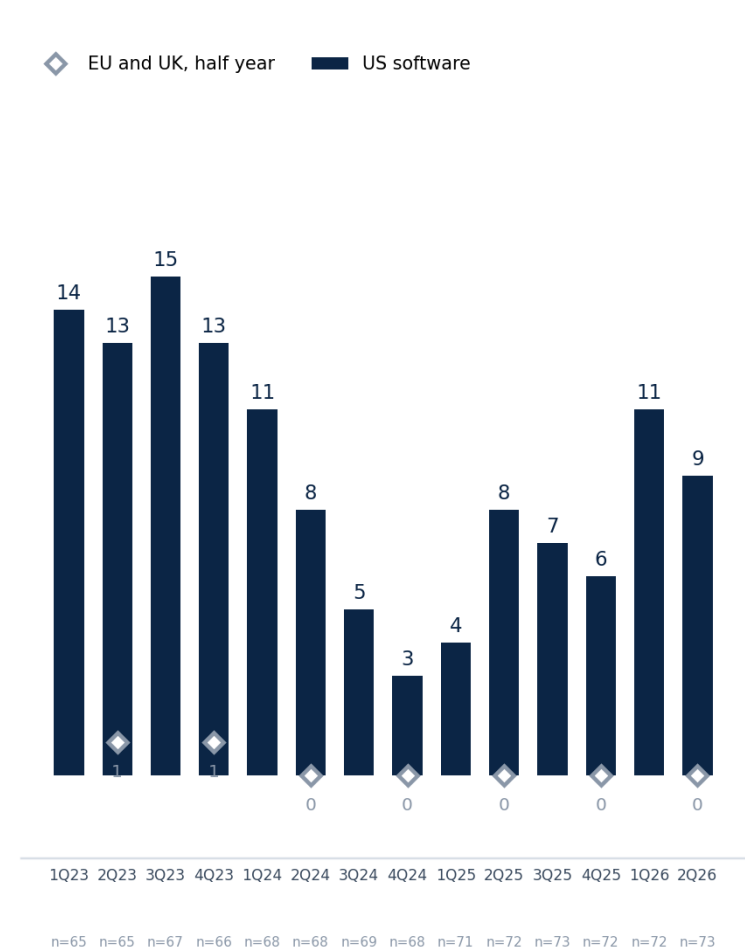
Analysis of the breadth of the recovery is also encouraging: 57% of the companies are growing faster than they were a year earlier.

Europe is lower and still falling. The EU and UK median is 5.4% in 2026H1.

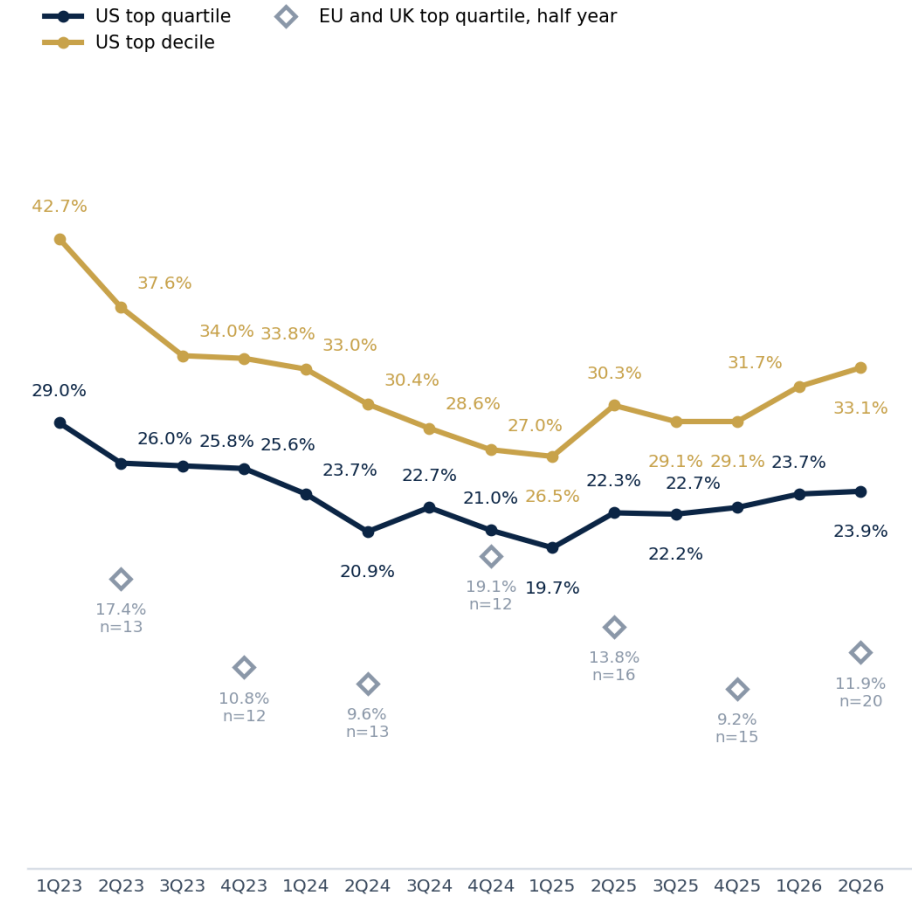
Europe has decelerated in every half since 2024H2, three in a row

The top end of growth is off its 1Q25 low: more names growing >30% and the bar for top %-iles is higher

Companies growing faster than 30 per cent
US software, count by quarter. EU and UK, count by half.



Where the top quartile and top decile bars sit
Growth rate at the 75th and 90th percentile, per cent, on the all-reporter panel.



Key takeaways

The US top decile bar is 33.1%, against 31.7% in 1Q26 and 42.7% back in 1Q23.

The top quartile bar is flat at 23.9%.

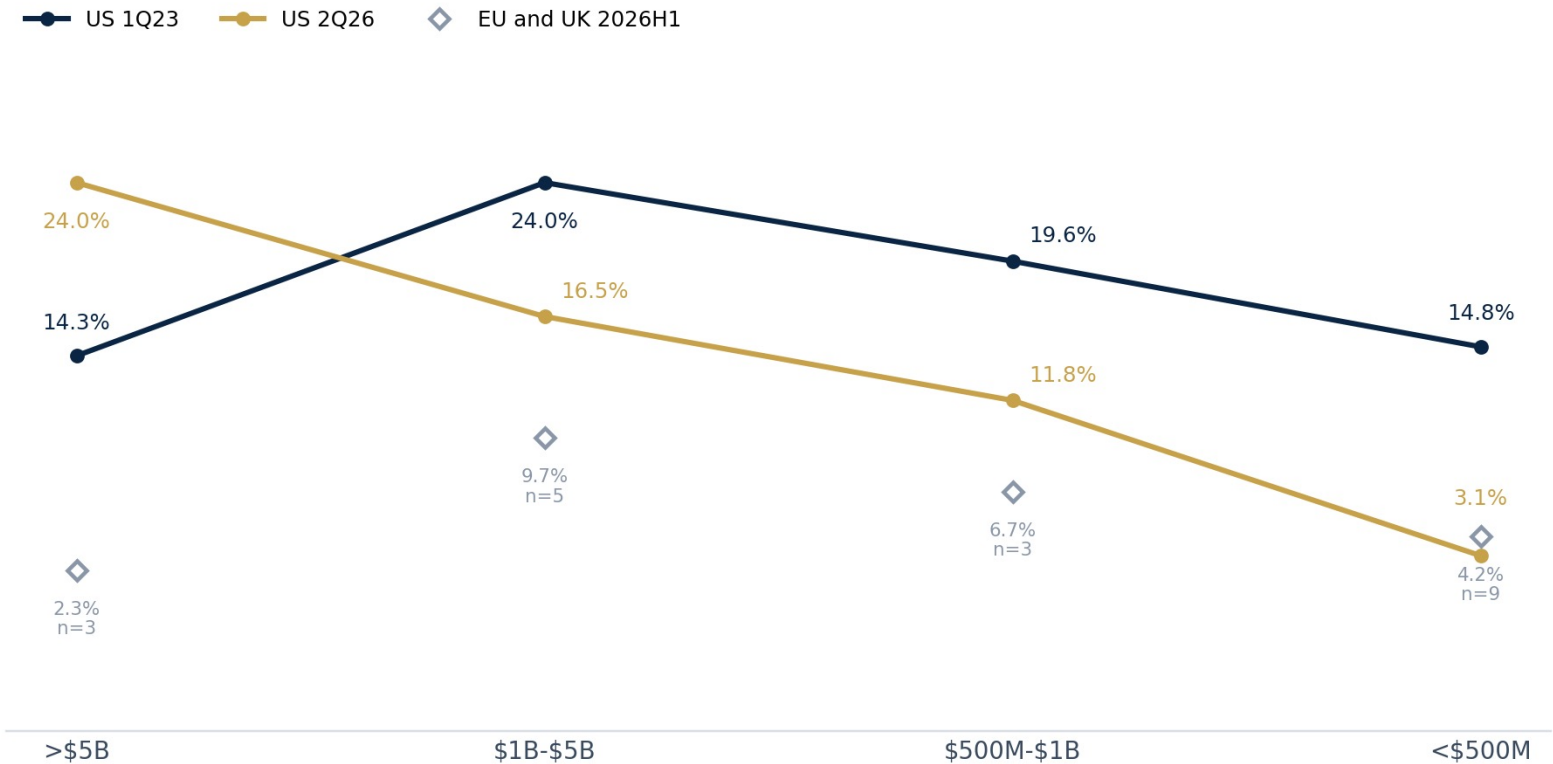
9 of 73 US companies grew faster than 30%, against 14 of 65 in 1Q23.

No European name grew above 30% in 2026H1, and the European top quartile bar sits below the US median.

The biggest US companies are now growing the fastest

Median growth by annualised revenue size band

US software, 1Q23 against 2Q26, per cent. EU and UK, 2026H1



Key takeaways

US software with revenues >\$5bn grew 24%, against 3.1% for those with revenues <\$500 million.

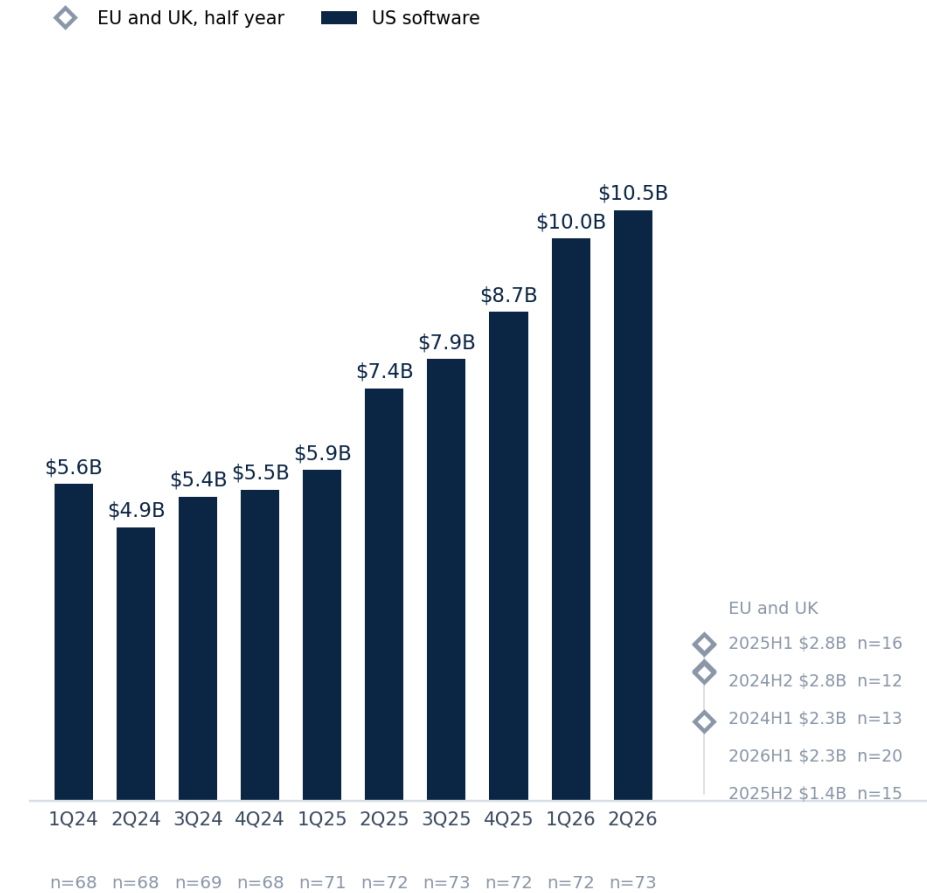
In 1Q23 it was 14.3% against 14.8%. Scale was a slight drag 3 years ago and now it has turned into a huge advantage

Europe does not show it though. Scale in Europe is not buying growth.

The incremental revenue pool is very concentrated: ten names take 64% of it

Incremental revenue created each quarter

Sum across the US universe, billions of dollars, n under each column. EU and UK by half year.



Biggest contributors

2Q26, revenue added against the same quarter a year earlier

Company	\$M added
CRM	1,109
PLTR	931
SHOP	903
PANW	873
NOW	772
ADBE	745
SNOW	401
TEAM	382
CRWD	301
WDAY	301

Key takeaways

The US pool has grown from \$5.6bn in 1Q24 to \$10.5bn in 2Q26.

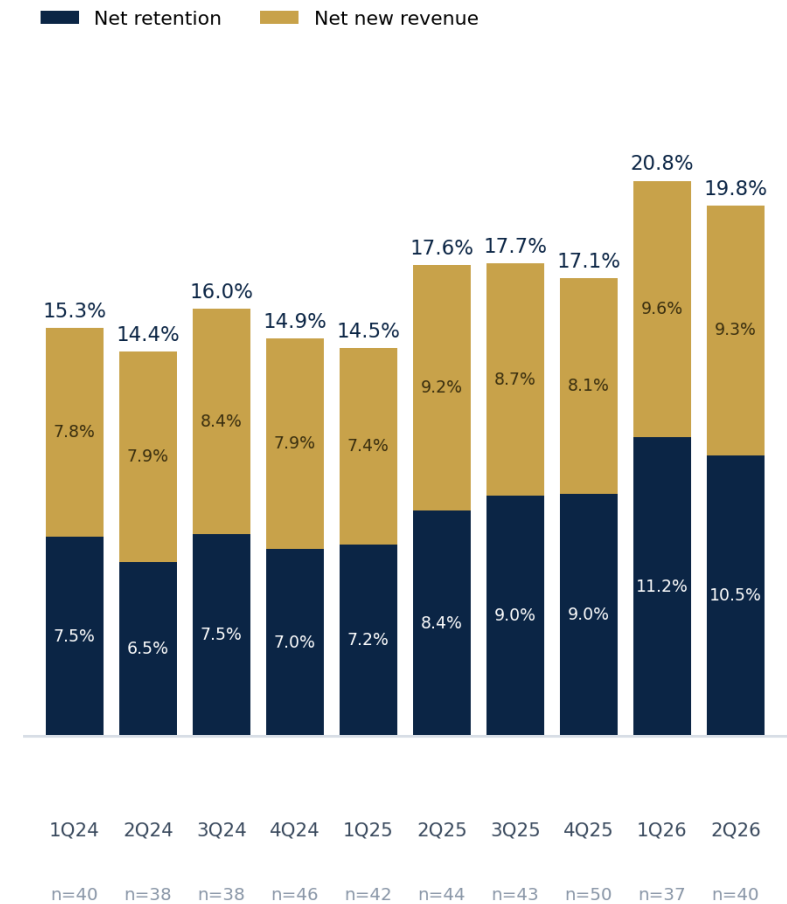
It is highly concentrated with the top ten names taking 63.8% of it.

Six companies each added more than \$700m of revenue against the same quarter a year earlier.

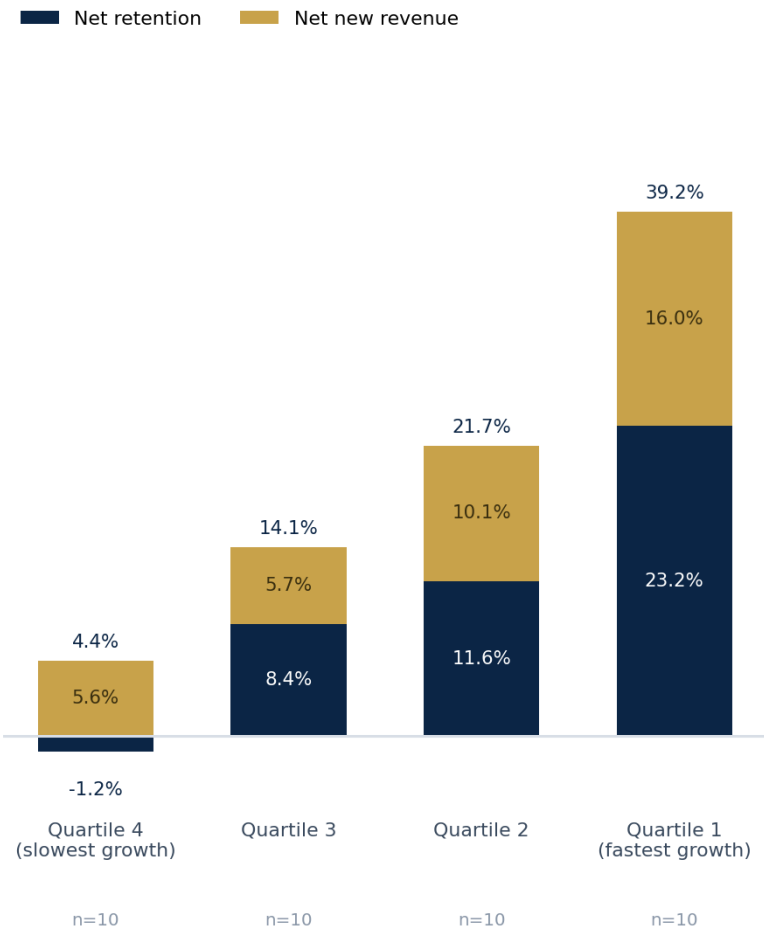
The EU and UK pool is \$2.3bn dollars in 2026H1 on 20 names.

Retention and new business contributing equally to growth in aggregate, but retention sets the fastest apart

Contribution to growth, in points of year-on-year growth
US net retention disclosers



The same split by growth quartile
US net retention disclosers



Key takeaways

Net retention contributes 10.5 points of growth and net-new revenue 9.3, on the 40 names that can be split out.

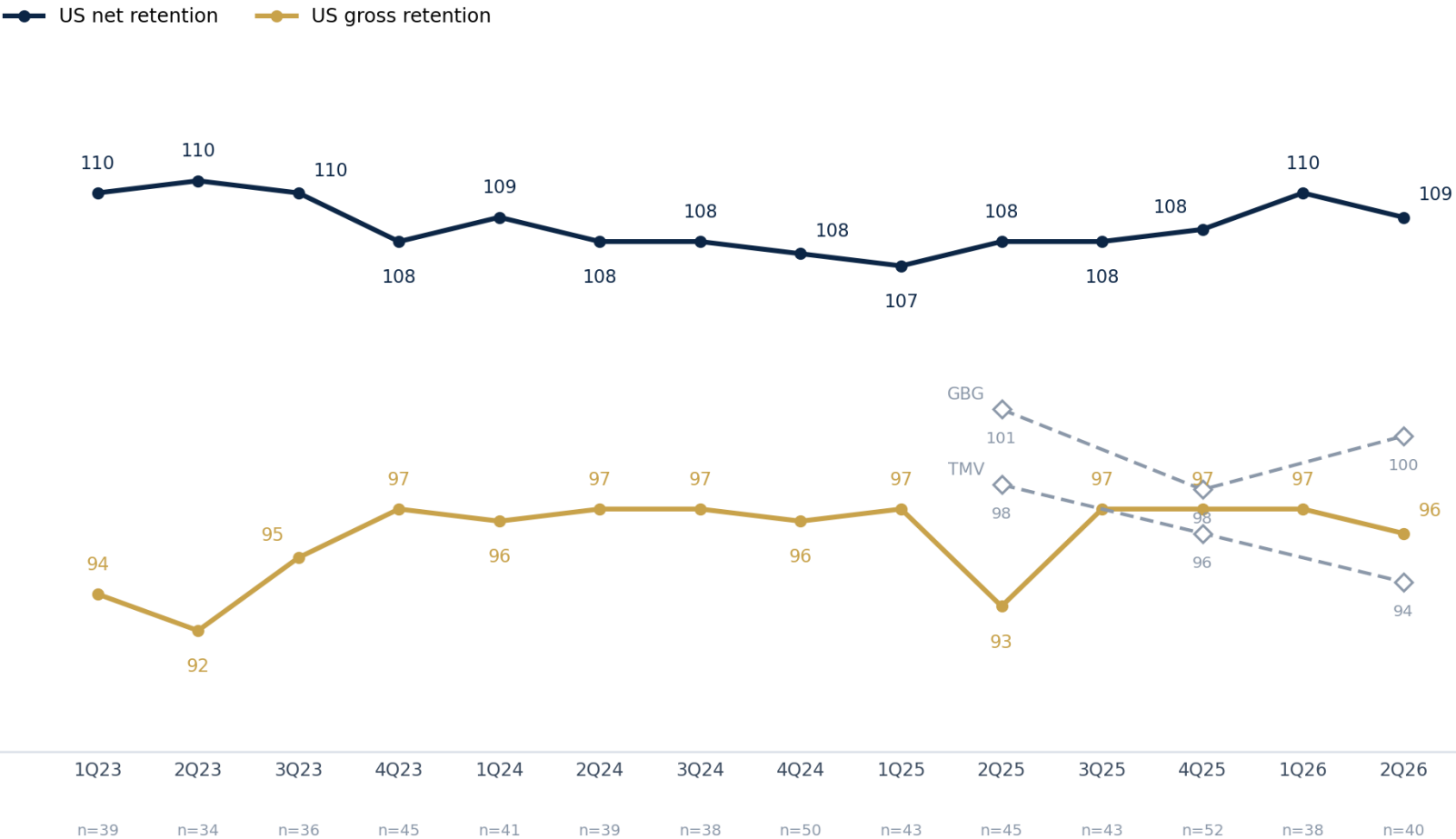
The fastest quartile grew 39.2% with 23.2 points from the installed base. The slowest grew 4.4 with -1.2 from existing customers.

Source: Publicly available information, market data feeds and Gemfield Partners analysis.

Retention rates are holding steady across the disclosed universe

Median net and gross retention

All US disclosers each quarter, n on every point. The two EU and UK names with a rate in every half are shown by name.



Key takeaways

Median net revenue retention is 109 for those that disclose it (c.40 names), consistent since 1Q24

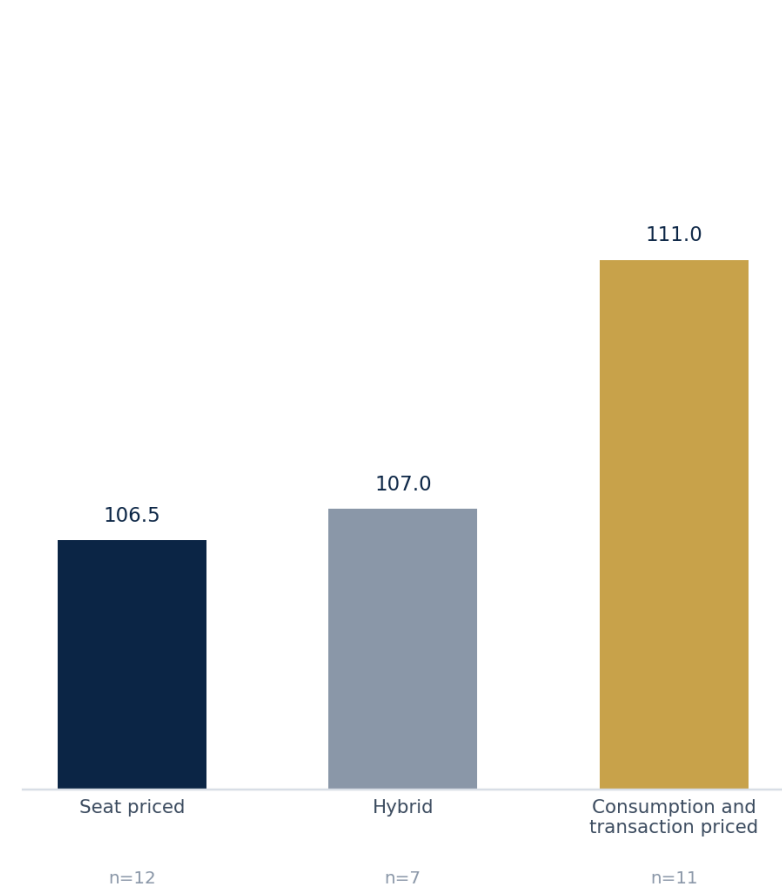
6 of 40 disclosers have retention <100

Gross retention is 96 (only 8 disclose though) and has held in the mid nineties throughout, so what weakness there is sits in expansion, not churn.

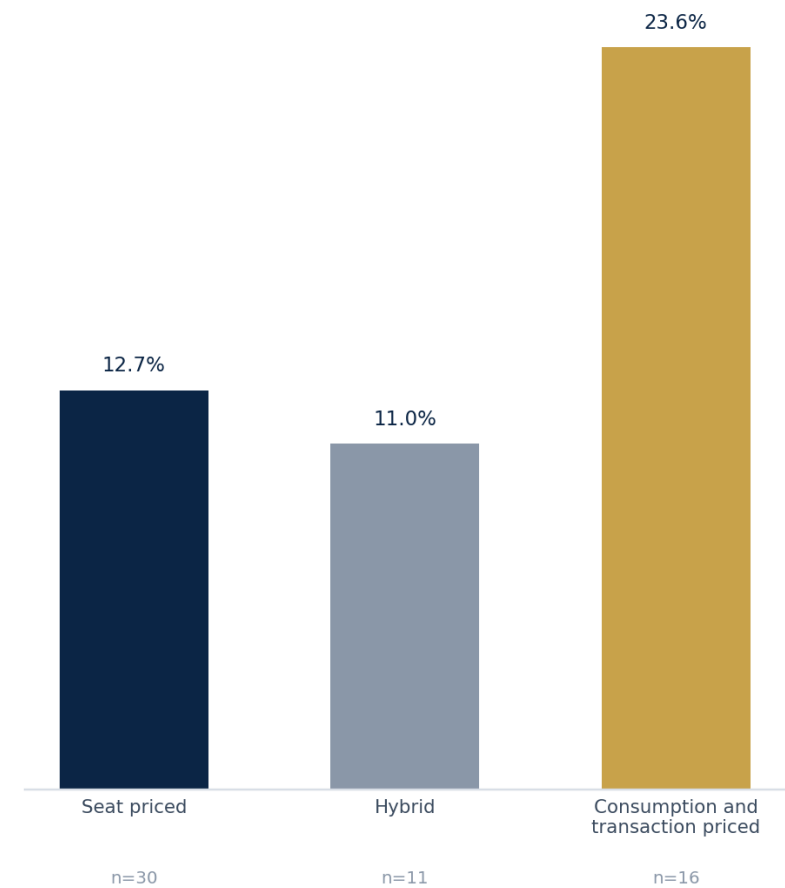
There is likely some selection bias here as companies could stop printing the rate when it weakens

Consumption-priced models demonstrating better retention than seat-priced ones

Median net revenue retention by pricing model
2Q26 US disclosers, classified by dominant pricing basis



Median revenue growth by pricing model
Same classification, 2Q26 year on year, per cent



Key takeaways

Seat-priced names show median net retention of 106.5 (12 names that disclose), against 111.0 for consumption and transaction pricing (11 names that disclose).

The same trends appears when you look at growth rates as well: 12.7% for seat-priced names against 23.6% for consumption.

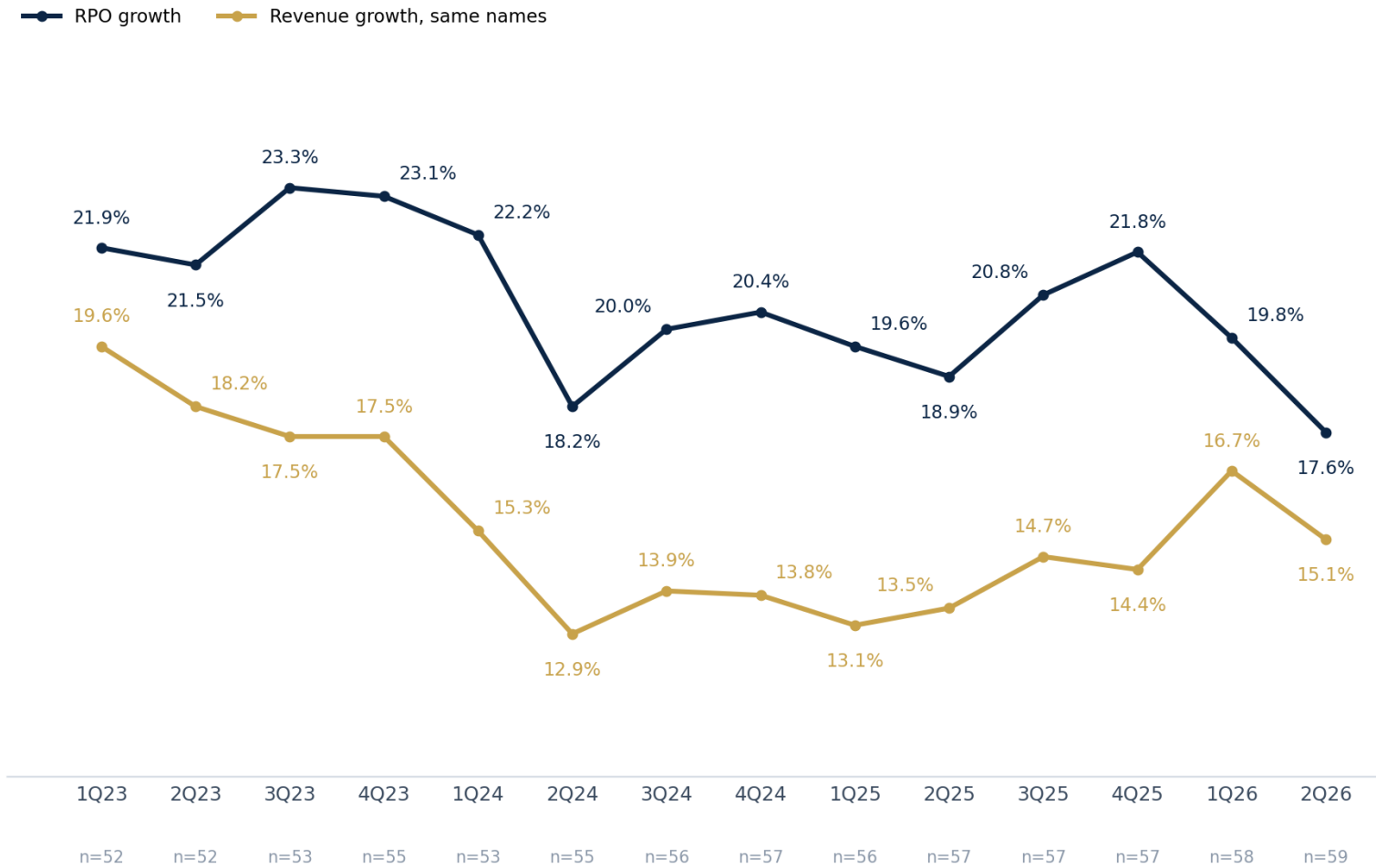
A potential cause is that AI efficiency and productivity initiatives are targeting seat priced environments first

Source: Publicly available information, market data feeds and Gemfield Partners analysis.

RPO growth premium narrows as forward momentum moderates

RPO growth against revenue growth for the same companies

US software, median year on year, per cent, n on every point.



Key takeaways

RPO has grown faster than revenue in every quarter of the series indicating that the backlog is growing faster than revenue

However, 2Q26 RPO growth of 17.6% is at a 3 year low, down from 21.8% in 4Q25. The peak was 23.3% in 2Q23.

The lead over revenue growth is 2.5 points, down from 7.4 in 4Q25 and still narrowing.

Note: RPO increases could be due to both annual booking increases and contract duration increases as well so this is not just due to booking going up each year.

Source: Publicly available information, market data feeds and Gemfield Partners analysis.

What comes next in this series

The recovery in software multiples post March 2026 has been uneven. What has been driving this?

A deep dive into how the cost lines have trended

What has been going on in European software

How does AI play into all of this, according to the management teams

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