SCOTTIE VENTURES

Enterprise Software & AI Industry Report

Associates

Anirudh Bhat
Veer Lad

Analysts

Keshav Vyas
Jonathan Chen
Zakareya Hamed
Aryan Hiray

Industry Overview

Enterprise software remains a large and expanding market, underpinned by cloud adoption, modernization of core systems, and AI woven into workflows. Recent industry estimates size enterprise software around **$264B** in **2024** with double-digit growth expected through the decade, reflecting steady demand for applications that manage finance, operations, security, and data at scale. At the same time, the segment of "enterprise AI" is growing from a smaller base but at a faster clip, with reports ranging from **$24B** in **2024** to projections near **$97B** in **2025** depending on definition and scope, a sign that spending is rapidly shifting toward AI features, copilots, and agentic automation layered onto existing stacks.

Global surveys show a majority of enterprises actively using AI, particularly generative AI, and expanding budgets to move pilots into production. In Europe, the **AI Act** is now in force with staged obligations through **2026** and beyond, which means compliance, model governance, and documentation are becoming must-haves for vendors and buyers operating in the **EU**. On the infrastructure side, demand for compute and power is reshaping data-center planning and researchers report rising grid requirements as AI workloads scale, which can influence cost curves and deployment timing for AI-heavy products.

COMPETITION

The competitive landscape is anchored by hyperscalers that supply the base layers of compute and platforms, while application leaders dominate key categories such as **CRM, ERP, HCM, analytics, and security**. Buyers are experimenting with new pricing tied to usage and outcomes for AI features, but long-term durability will hinge on whether AI consistently improves revenue, margin, or risk control after accounting for compute and integration costs. The practical questions teams are asking include: which workloads truly benefit from AI today, how to measure ROI beyond demos, what data and identity foundations are required to make agents safe and effective, and how regulations in different regions will affect product rollouts and procurement.

Market Growth & CAGR

The overall enterprise software market is projected for robust growth, exhibiting a combined CAGR of around **12%** through the end of the decade, driving total market size past **$1500 billion by 2030**.

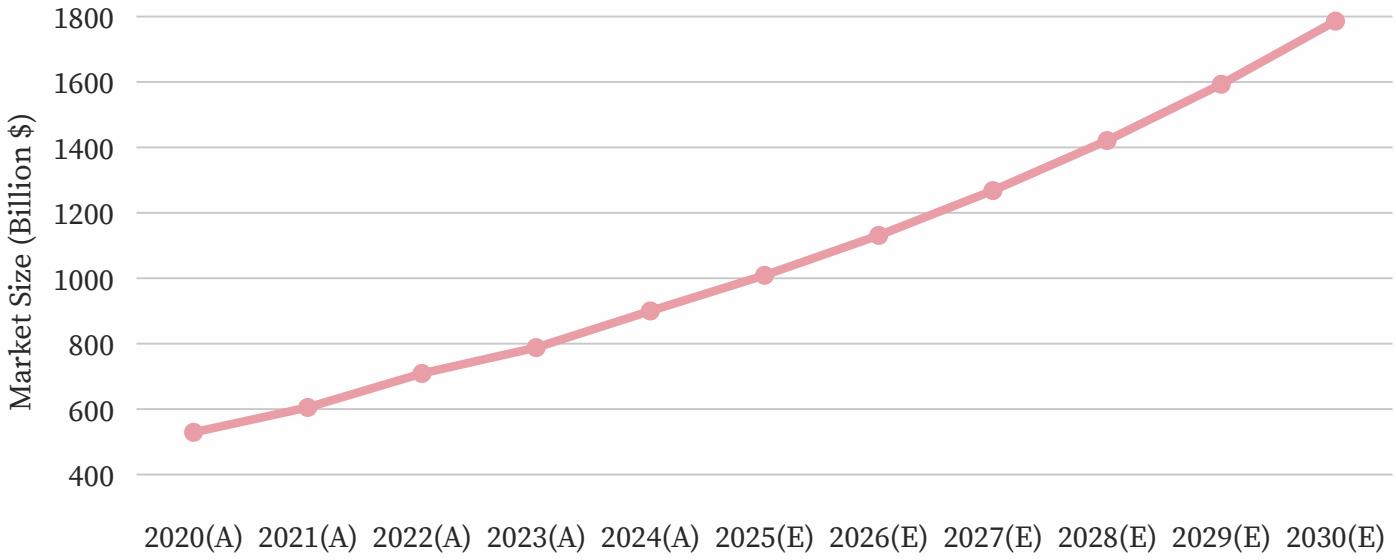
Geographically, North America remains the largest single market, accounting for over **40% of global spending**, but the Asia-Pacific (APAC) region is anticipated to be the fastest-growing market, with a significantly higher expected regional CAGR of **10-20%**

$900B

Market Size in 2024

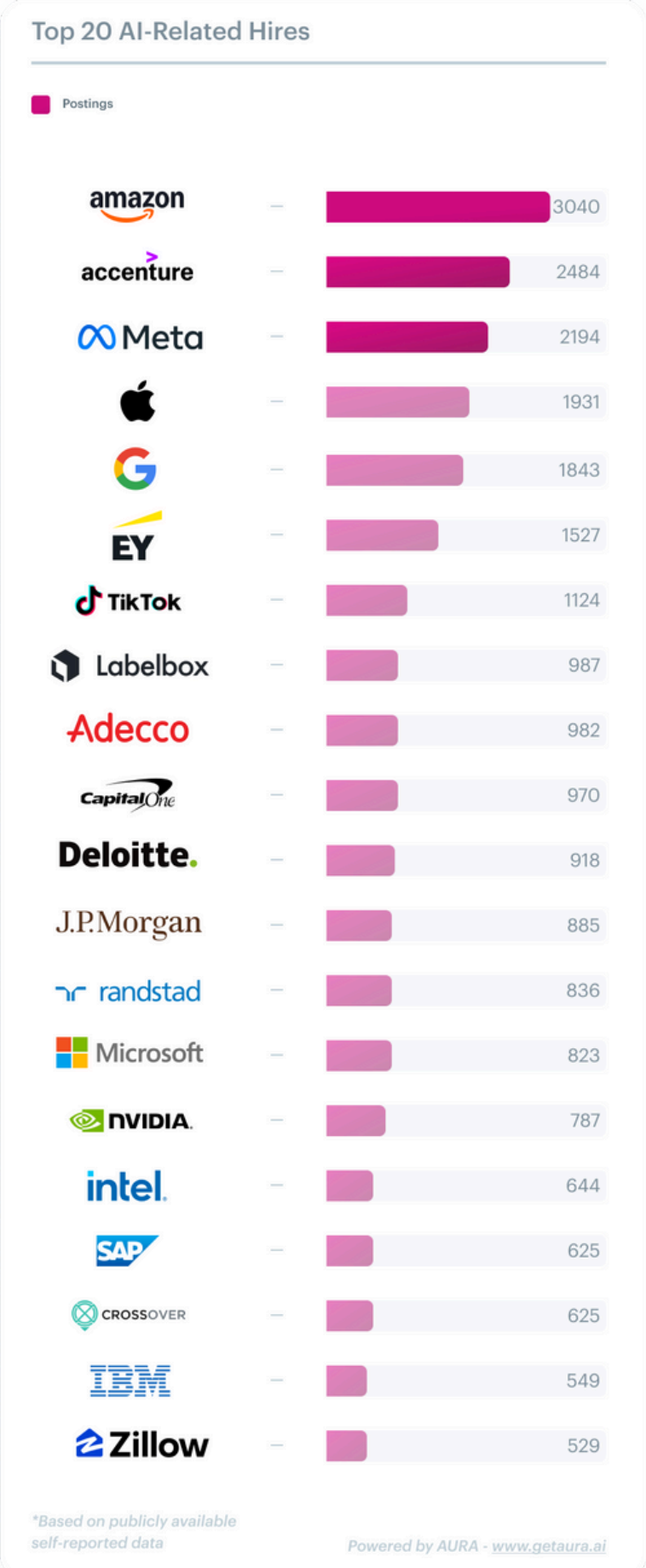
12.1%

Projected CAGR through 2030



The general Enterprise Software market, which includes core functions like ERP and SCM, maintains a solid but moderate growth rate, anchored by persistent digital transformation initiatives across industries. In contrast, the dedicated Enterprise AI segment—encompassing software, platforms, and services for machine learning, natural language processing, and generative AI—is experiencing hyper-growth.

This high-growth category is projected to compound at an explosive rate of **30% to over 40%** annually, ballooning from a $24-100 billion valuation in 2024 to potentially over $150 billion by 2030. This differential growth highlights a fundamental shift in capital allocation, where enterprises prioritize intelligent, data-driven applications that promise significant productivity and operational leverage.



Key Trends

Shift to AI Native Platforms

Enterprises are transitioning from using AI as a tool for increasing productivity to a complete automated workflow. According to a recent McKinsey & Co. 19% of B2B companies are already implementing generative AI cases and 23% are actively in progress.

Startups who still brand themselves as merely SaaS tools are at risk of being replaced by platforms that offer broader orchestration and faster time to value.

Security, Compliance, and Governance

Enterprises are increasing budgets for security, compliance, and governance infrastructure. According to a PwC survey of over 1800 executives, 77% reported that they company was negatively impacted by the compliance complexity and over half of them ranked technology risk as a top priority.

In addition, the Security Magazine “2025 Security Benchmark Report” shows half of the security leaders increased their security spending year over year, averaging around 12%

Tool-Stack Consolidation

To reduce complexity, integrate workflows, and remove redundant tools, enterprises are committing to vendor consolidation. A study posted via Business Insider found that over 100 publicly traded mid-market B2B SaaS companies are being replaced as customers prefer AI-native platforms over narrow point solutions. This favors companies that position themselves as platforms from day-one, focusing on cross functional-workflows, integration and scalability.

Headwinds

Data Privacy, Security & Regulatory Uncertainty

One of the biggest headwinds to enterprise AI adoption is the growing complexity of data privacy and regulatory frameworks. As companies deploy generative and predictive models that rely on sensitive data, they face stricter oversight under laws like the EU AI Act, GDPR, and CCPA. A 2025 Cloudera study found that 53% of enterprises cited data privacy as their top obstacle to scaling AI, and 46% listed security and compliance risks. These evolving regulations raise costs, delay deployment, and force firms to invest heavily in data governance, pushing them to balance innovation with transparency and risk control.

Return on Investment and Scaling Challenges

Even when enterprises successfully launch pilot programs, many struggle to scale AI profitably across their organizations. McKinsey's State of AI 2025 report found that only about one-third of firms have scaled AI beyond the pilot stage. This "only one-third of all respondents say they are scaling their AI programs" gap reflects weak infrastructure, unclear ROI metrics, and limited leadership alignment. Without strong value frameworks, executives hesitate to invest further, especially during tighter capital markets. Research from Janus Henderson Investors adds that software valuations are falling as investors demand clearer evidence of monetizable AI outcomes, making scaling both a technical and strategic challenge for long-term competitiveness.

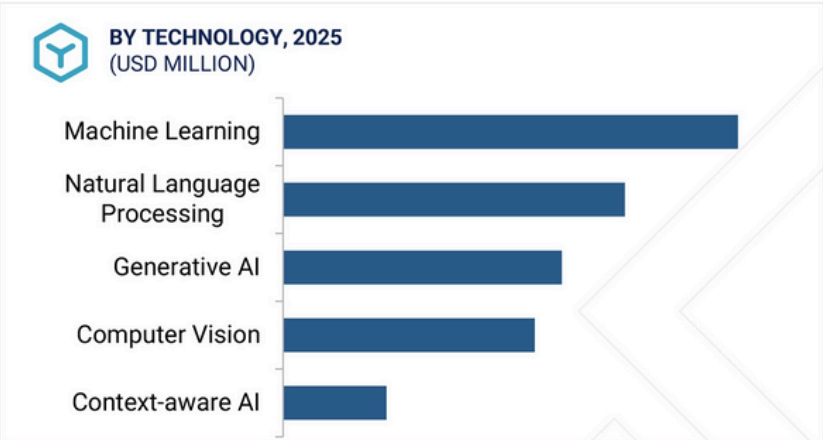
Tailwinds

Strong Enterprise AI Adoption & Productivity Gains

Despite regulatory friction, enterprise demand for AI continues to accelerate as companies seek productivity improvements and cost efficiencies. AI copilots, automation tools, and data-driven decision systems are increasingly embedded into core workflows across finance, healthcare, and operations. McKinsey estimates that generative AI could unlock up to $4.4T in annual economic value, reinforcing sustained long-term adoption. As ROI becomes more visible in areas like customer support, sales enablement, and software development, enterprises are more willing to expand AI deployments beyond pilots.

Maturing Infrastructure & Declining Deployment Costs

Advances in cloud infrastructure, foundation models, and MLOps tooling are reducing the cost and complexity of deploying AI at scale. Open-source models, modular AI stacks, and improved data pipelines allow enterprises to customize solutions without building everything in-house. At the same time, vendors are increasingly offering AI as embedded features rather than standalone tools, lowering adoption friction. This maturation of the AI ecosystem enables faster scaling, shorter implementation timelines, and more predictable unit economics.



Company	Year of Inception	Exit Year	Exit Value	CAGR
DeepMind	7/2/1905	1905	$600	33.24%
Looker	7/4/1905	1905	$2,600	38.65%
Kensho Technologies	7/5/1905	1905	$550	23.63%
Tableau Software	6/25/1905	1905	$15,700	31.75%
Blue Yonder	6/7/1905	1905	$7,100	10.57%
Cognigy	7/8/1905	1905	$955	19.62%
Moveworks	7/8/1905	1905	$2,850	35.07%

Company	Seed Amount	Funding Year	% equity	Description
Mistral AI	$105.00	1905	43.75%	develop open-style large language models
LMArena	$100.00	1905	16.67%	community-driven benchmarking tool for AI models
Exabits	$15.00	1905	10.00%	tokenizes GPU access/infrastructure for AI model training
Lumen Orbit	$11.00	1905	27.50%	building space-based / novel-data-center infrastructure
Hightouch	$2.10	1905	3.42%	sync business customer data across sales and marketing
Reka AI	$7.45	1905	25.00%	develops advanced, multimodal, and efficient generative AI models

$2.71 B

Estimated exit value with 9.5 years to exit. Modeled from companies with truly differentiated and unique product profile which achieved much success

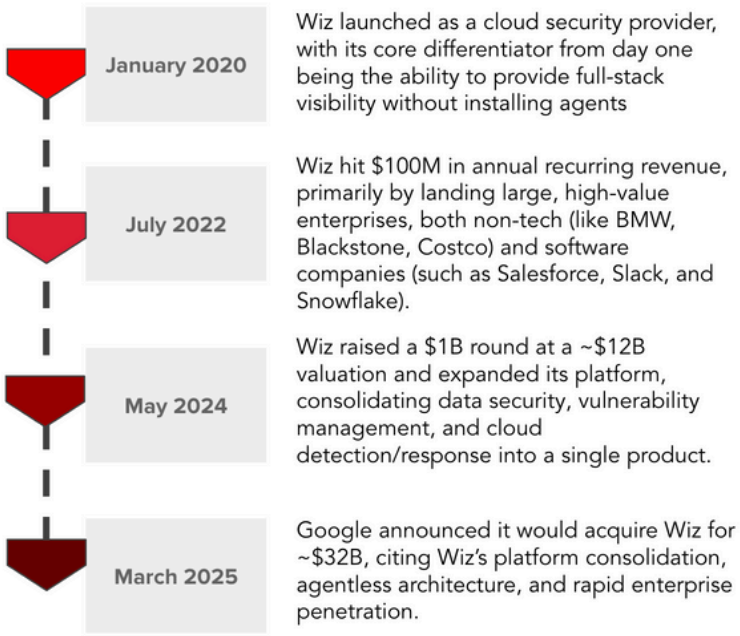
$170 M

Assumed value at year of inception. Calculated by the inception value with similar enterprise AI comparables' seed round evaluation.

Trading Comparables

Case Study - Wiz

In March 2025, Google announced the acquisition of Wiz for approximately $32 billion. This transaction is not merely the largest acquisition in the history of cybersecurity; it is a signal of the immense value placed on consolidated, agentless cloud infrastructure. Wiz's journey from its 2020 launch to a decacorn exit is a template case study in the power of frictionless deployment and the "land-and-expand" business motion in the enterprise sector.



BUSINESS MODEL

- Subscription-based (SaaS), enterprise cloud-security platform sold primarily to large organizations.
- Revenue is almost entirely recurring ARR.
- Strong land-and-expand motion - start in an environment and expand as customers scale their cloud usage.

RETURNS

- Series A Investor - Sequoia
- Series A Investment (2020): $6.4M
- Implied Value at Exit (2025): $1.31B
- EV/Sales: 45.7x
- Return Multiple (MOIC): 205×
- IRR: 189%

PRODUCT OVERVIEW

- **Agentless Setup**: Connects via native APIs without software installation or performance impact.
- **Cloud Mapping**: Automatically builds a real-time map of all resources and connections.
- **Security Graph Correlation**: This is the "AI-ready" layer. It links vulnerabilities, identities, misconfigurations, and network exposure to map complex attack paths.
- **Risk Prioritization**: Filters out alert noise to highlight only the combinations that create true exploit paths.
- **Code-to-Cloud Traceability**: Traces issues back to the specific repository or pipeline, routing fixes directly to develop

- Revenue Trajectory:
  - Early 2024: Reached $350M ARR.
  - Mid-2024: Surpassed $500M ARR.
  - 2025: Reached $700M ARR at the time of acquisition.
  - 2026 Projection: Run-rate was projected to approach $1B ARR.
- Market Penetration: Adopted by 40-50% of the Fortune 100, landing major non-tech enterprises (BMW, Blackstone, Costco) alongside tech giants (Salesforce, Slack, Snowflake).

The financial mechanics of the Google acquisition reveal a significant premium paid for strategic assets that complement an AI-driven cloud strategy.

- The Price Tag: $32 Billion Enterprise Value.
- The Multiples: The deal represents a staggering 45.7x EV/Sales multiple (based on $0.7B ARR).
  - Compare to Public Cyber Peers: ~14.2x
  - Compare to Private Cyber Peers: ~8.5x