

The 'SaaSocalypse': How AI Just Killed London's Biggest IPO of the Decade

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Note: the original article is provided as a separate file (attached to the email or downloadable from the website).

1. Reading Passage

It was supposed to be London's biggest stock-market debut of the decade. Visma, a €19bn Norwegian accounting and payroll software company, had planned to go public in early 2026, ending years of private ownership under UK buyout firm Hg. For London – battered by years of companies fleeing to New York – a successful Visma IPO would have been a milestone. Instead, the listing has been shelved.

The reason isn't anything wrong with Visma itself. The company is still growing roughly 20% a year, has expanded across 28 countries through 170 acquisitions, and posted around €270m in quarterly earnings before interest, taxes, depreciation and amortisation. The problem is what's happening *around* it. A sharp sell-off in software-as-a-service stocks – nicknamed the 'SaaSocalypse' – has crushed the valuations of companies that Wall Street had long deemed highly predictable. The trigger: advances in artificial intelligence that suddenly raise the possibility that AI tools can replicate what payroll, tax-compliance and accounting software do, especially for smaller businesses whose needs are less complex than, say, a multinational insurer's.

Here's the catch: Hg doesn't have to sell. Most private equity firms operate on rigid timelines – raise a fund, buy companies, exit within roughly a decade, return cash to investors. Hg, which now manages over \$100bn in assets, has built an unusual model around its 'long-term' winners. It bought Visma two decades ago for around £380m and has rolled the stake between its own successive funds, last summer using cash from one vehicle to repay another. That flexibility lets Hg wait out market storms instead of dumping assets at depressed prices. As one source close to the firm put it, listing now would only sell a small portion of the holding anyway.

But the delay isn't costless. Hg's investment trust, which holds part of the Visma stake, has fallen 26% this year, and the firm is heavily indebted, with average net debt of more than seven times earnings as of December. If software valuations stay depressed, the leverage that magnifies returns in good times will magnify pain in bad ones. One analyst warned that in a 'highly polarised' market split between AI winners and losers, that gearing could force write-downs across portfolio companies. A \$5bn fund holding part of the Visma stake faces a loan roughly equal to about half the holdings' value – meaning further sector declines would make markdowns far more painful.

The broader question hovering over the whole episode is whether software is entering a 'different valuation paradigm.' In public markets, financial-management software groups currently trade at about 10 times forward earnings. The 2023 deal that valued Visma at €19bn implied roughly 20 times – and recent indications suggest advisers think a fair price now might be closer to €30bn at IPO, while some investors think the realistic figure is more than €20bn. That gap between what sellers want and what buyers will pay is the real reason IPOs get postponed. Visma's bigger size makes the gap even harder to close.

For London, the delay is another setback in a long struggle to attract listings. For investors, it's a live test of whether AI permanently compresses the value of software companies – or whether this is, like past tech panics, a temporary repricing that long-term owners like Hg are wise to wait out.

2. Explanation

A €19bn Norwegian accounting-software giant was supposed to deliver London's biggest IPO in years. Then AI showed up – and Wall Street started doubting whether software companies have a future at all.

What's Going On?

Visma, a €19bn accounting and payroll software company owned by UK private equity firm Hg, was on track to go public in early 2026 in what would have been London Stock Exchange's biggest listing of the decade. The IPO has now been put on ice.

The reason: a brutal sell-off in software-as-a-service (SaaS) stocks, nicknamed the 'SaaSocalypse.' Investors suddenly fear that advances in artificial intelligence will let companies replace expensive software subscriptions with cheaper, AI-built alternatives – torching the predictable revenue Wall Street once prized.

How To Think About It

Imagine you spent 20 years collecting rare baseball cards, and the market values your collection at \$19m. Then a printer is invented that can replicate any card perfectly for \$5. Suddenly nobody's sure what your collection is worth – so you're not selling today.

- It's like a homeowner pulling their house off the market mid-listing because mortgage rates spiked overnight: the asset didn't change, but buyers' willingness to pay did.
- Or like a Hollywood studio shelving a finished blockbuster because a rival's surprise release tanked the genre – Hg can wait for the storm to pass because, unlike most sellers, it isn't forced to exit.

Key Things To Know

- Visma operates across 28 countries, has made 170 acquisitions, and grew about 20% year-on-year with roughly €270m in EBITDA in Q1 and €5bn in debt.
- Hg has owned Visma for two decades – it bought the Norwegian firm for around £380m and Visma is now Hg's single most valuable asset.
- The trigger for the sell-off: investors worry AI tools can replicate the work of payroll, accounting and tax-compliance software, especially for smaller businesses with simpler needs.
- Hg manages over \$100bn and runs a 'long-term' ownership model – it can roll Visma between its own funds rather than forcing a sale, which most PE firms can't do.
- The most common misconception: that an IPO delay means the company is in trouble. Visma is still growing strongly – it's the *market's mood about software* that has soured.

Why It Matters

If you're thinking about a career in tech, finance, or even accounting, this story is a live case study in how AI is repricing entire industries in real time. SaaS was the safest, most-loved corner of tech for a decade – recurring revenue, sticky customers, fat margins. The fact that even Visma's IPO can be derailed shows that no business model is automatically safe from disruption, and that's going to shape

which companies hire, which jobs exist, and which college majors pay off.

The Bigger Picture

London's stock exchange has been hemorrhaging listings to New York for years; Visa was supposed to be its big comeback. The delay is bad news for the City but a useful preview of a broader question: are we entering a 'different valuation paradigm' where AI permanently compresses what software companies are worth? Watch private credit markets next – Hg's funds are levered up, and if valuations keep falling, the debt used to buy these companies could start mattering more than the equity story.

3. Key Terms Glossary

IPO (Initial Public Offering)

The first time a private company sells shares to the public on a stock exchange, letting outside investors buy in and giving existing owners a way to cash out.

SaaS (Software-as-a-Service)

A business model where customers pay an ongoing subscription (monthly or yearly) to use software hosted online, instead of buying it once. Think Spotify or Microsoft 365.

Private equity (PE)

Investment firms that buy whole companies, often using borrowed money, aim to improve them, then sell or list them years later for a profit.

Buyout firm

A type of private equity firm specifically focused on acquiring controlling stakes in mature companies.

EBITDA

Earnings Before Interest, Taxes, Depreciation and Amortisation – a measure of a company's core operating profit, used because it strips out financing and accounting choices.

Leverage

Using borrowed money to amplify investment returns. More leverage means bigger gains if things go well, but bigger losses if they don't.

Forward earnings multiple

A valuation ratio: a company's price divided by its expected future profit. '10x forward earnings' means investors are paying \$10 today for every \$1 of next year's profit.

Write-down

An accounting move where a company or fund officially admits an asset is worth less than it previously claimed, lowering reported value.

Bolt-on acquisition

When a company buys smaller competitors and merges them in to grow faster – a strategy Visa used 170 times.

4. Reading Comprehension Quiz

Circle the best answer for each question.

Q1. The passage most directly argues that:

- A) Visma is financially failing and unable to attract any buyers
- B) AI advances have caused investors to question software valuations, derailing a major IPO
- C) London's stock exchange is permanently incapable of hosting large listings
- D) Private equity firms always benefit when public markets decline

Q2. According to the passage, why is Hg able to delay Visma's IPO without significant damage to itself?

- A) Because Hg has only owned Visma for a few months
- B) Because Visma's revenue has collapsed, removing urgency to sell
- C) Because Hg's long-term ownership model lets it move the asset between its own funds
- D) Because the UK government has guaranteed Hg's investment returns

Q3. Which choice best states the central idea of the passage?

- A) Norwegian software companies are inherently riskier than American ones
- B) AI is creating sudden uncertainty about software valuations even for high-quality firms
- C) London's stock exchange should adopt the same rules as Nasdaq
- D) Private equity has destroyed the European technology industry

Q4. As used in the passage, the word 'shelved' most nearly means:

- A) stored on a physical shelf
- B) permanently cancelled
- C) postponed or paused
- D) secretly approved

Q5. As used in the passage, the word 'predictable' most nearly means:

- A) boring
- B) reliably forecastable
- C) easily manipulated
- D) publicly traded

Q6. Which statement about Hg can most reasonably be inferred from the passage?

- A) It is a small startup with limited resources
- B) It has unusual structural flexibility compared to typical PE firms
- C) It plans to exit the software industry entirely
- D) It opposes all forms of artificial intelligence

Q7. The passage suggests that the 'SaaSpocalypse' will most likely:

- A) Affect smaller businesses' software needs more than larger ones
- B) Make all software companies worthless within a year
- C) Have no impact on private equity returns
- D) Cause London to permanently lose its IPO market

Q8. The author's tone in describing Visma's situation is best described as:

- A) Mocking and dismissive
- B) Analytical with a note of irony
- C) Outraged and accusatory
- D) Nostalgic and sentimental

Q9. It can most reasonably be inferred that if AI continues to disrupt software:

- A) Hg will be forced to sell Visma at any price
- B) Software valuations could remain depressed, complicating future PE exits
- C) London will surpass New York as the top IPO venue
- D) All accounting work will be automated within months

Q10. Which choice provides the BEST evidence for the answer to the previous question?

- A) The reference to Visma's growth rate of 20% per year
- B) The mention of Hg's £380m original purchase price
- C) The line about entering a 'different valuation paradigm' that could affect IPO pricing
- D) The detail that Visma operates in 28 countries

My Score: _____ / 10

5. Answer Key with Explanations

Q1. The passage most directly argues that:

Answer: B

The passage's central argument is that the SaaSpocalypse – driven by AI fears – caused investors to reprice software companies, leading Hg to shelve Visma's IPO. A is wrong (Trap A: opposite direction – Visma is actually still growing 20% annually). SAT Tip: For 'main idea' questions, eliminate options that focus on details mentioned only in passing; the right answer captures the passage's overall argument, not a single fact within it.

Q2. According to the passage, why is Hg able to delay Visma's IPO without significant damage to itself?

Answer: C

The passage explains that Hg operates as a 'long-term' owner and can roll Visma between funds rather than being forced to exit. B is wrong (Trap B: uses passage vocabulary like 'revenue' but Visma is actually growing). SAT Tip: When a question asks 'why,' look for explicit causal language in the passage ('because,' 'since,' 'this lets them') rather than relying on what seems plausible.

Q3. Which choice best states the central idea of the passage?

Answer: B

The passage centers on how AI-driven uncertainty is shaking even strong software firms like Visma. D is wrong (Trap C: a real-world critique some people make, but unsupported by the passage, which actually portrays Visma as healthy). SAT Tip: Central-idea answers should reflect what the passage *does* argue, not adjacent claims that sound reasonable in the real world.

Q4. As used in the passage, the word 'shelved' most nearly means:

Answer: C

In context, 'shelved' means the IPO has been paused – Hg may revisit it when conditions improve. A is wrong (Trap: the literal/common meaning). B is wrong because the passage indicates the listing could still happen later. SAT Tip: On vocab-in-context questions, substitute each option back into the sentence – the right answer keeps the meaning intact, while the literal definition is often the trap.

Q5. As used in the passage, the word 'predictable' most nearly means:

Answer: B

The passage describes software revenue Wall Street had 'deemed highly predictable' – meaning investors trusted it to be steady and forecastable. A is wrong (Trap: the word's casual connotation). SAT Tip: Vocab questions reward the precise, neutral meaning the author intended – strip away emotional or slang associations the word picks up in everyday speech.

Q6. Which statement about Hg can most reasonably be inferred from the passage?

Answer: B

The passage emphasizes Hg's long-term model and ability to roll assets between funds – flexibility most PE firms don't have. C is wrong (Trap C: not implied; Hg owns multiple software firms and has shown no exit signal). SAT Tip: Inferences must follow logically from the passage's evidence – eliminate options that go further than the text supports, even if they sound dramatic.

Q7. The passage suggests that the 'SaaSocalypse' will most likely:

Answer: A

The passage notes that AI tools may replicate software functions especially well for SMEs (small/medium enterprises), which have simpler needs. B is wrong (Trap: too absolute – the passage describes uncertainty, not extinction). SAT Tip: Beware answer choices using extreme language like 'all,' 'never,' or 'permanently' – the SAT favors measured claims that match the passage's tone.

Q8. The author's tone in describing Visma's situation is best described as:

Answer: B

The author analyzes the situation factually but uses wry phrasing like 'SaaSocalypse' and 'plot twist'-style framing, signaling irony at the sudden reversal. C is wrong (Trap: the topic involves losses, but the author isn't outraged – they're explaining). SAT Tip: Distinguish the passage's *subject matter* from its *tone* – a serious topic can still be discussed with curiosity, irony, or detachment.

Q9. It can most reasonably be inferred that if AI continues to disrupt software:

Answer: B

The passage explicitly raises the possibility of a 'different valuation paradigm' for software, which would make exits harder for firms like Hg. A is wrong (Trap A: opposite of the passage, which stresses Hg is *not* forced to sell). SAT Tip: Inference questions reward the most cautious, well-supported reading – pick the option that matches the passage's hedged language.

Q10. Which choice provides the BEST evidence for the answer to the previous question?

Answer: C

The 'different valuation paradigm' line directly supports the inference that depressed software values could persist and complicate exits. A is wrong (Trap B: uses passage data but doesn't support the inference about valuations). SAT Tip: On evidence-pairing questions, first locate the exact line that justified your previous answer, then match it to the option that quotes or paraphrases that line – don't pick options that are merely 'true.'