

SaaS in the Age of AI: Digital Infrastructure for Today's Economy



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Ultra-high-net-worth investors are increasingly asking a fundamental question about artificial intelligence and software as a service (SaaS): If AI can write code, automate workflows, and reduce human labor, what ultimately protects the value of the SaaS companies we own?

The answer is becoming clearer. AI is unlikely to eliminate software as an investment category, but it will force a sharper distinction between companies that function as mission-critical infrastructure and those that operate as replaceable productivity tools. The difference matters because the long-term winners are likely to be the platforms deeply embedded in the operational core of enterprises' businesses, which customers cannot easily remove without introducing financial, regulatory, or operational risk.

Mission-Critical Infrastructure, Not Optional Tools

For sophisticated investors, this transition should not be viewed simply as another technology cycle. It is more accurately understood as a reclassification of software itself. The strongest software businesses are increasingly resembling infrastructure assets: recurring, deeply integrated, operationally essential, and capable of compounding value across multiple economic and technological cycles.

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This is not the first time software has undergone a structural shift. The industry previously navigated the transition from perpetual licenses to subscription-based SaaS models. At the time, investors worried about margin pressure, changes to revenue recognition, and slowing growth. Yet companies that adapted successfully emerged with stronger recurring revenue profiles, higher retention rates, and significantly more durable cash flows.

Today's transition is technologically different but economically familiar. Software is evolving from selling access to tools toward delivering measurable business outcomes. Rather than charging primarily for seats or users, many platforms are beginning to monetize completed work such as invoices processed, claims reviewed, threats identified, or workflows automated. In practice, the near-term model will likely blend recurring subscription revenue with usage- or outcome-based pricing.

For long-term investors, this shift could ultimately expand software's addressable market by allowing platforms to absorb functions that historically relied on labor rather than technology.

Why Infrastructure-Like Software Matters More Now

The recent correction across software valuations has created understandable caution. However, a broad retreat from the sector risks missing an important distinction: AI may weaken superficial applications while simultaneously strengthening deeply embedded enterprise platforms.

The strongest SaaS businesses increasingly operate as systems of record or systems of action across functions such as compliance, financial reporting, healthcare administration, cybersecurity, billing, and customer management. Replacing these systems is rarely a simple technology decision. In many organizations, doing so would require extensive data migration, operational retraining, regulatory review, security validation, and acceptance of meaningful business disruption risk.

That dynamic creates unusually durable customer relationships. For investors accustomed to evaluating long-duration assets, the characteristics are familiar: recurring revenues, high switching costs, embedded utility, and resilient pricing power.

This is one reason why software should not be analyzed solely through the lens of short-term AI disruption narratives. Many enterprise platforms are not merely tools employees happen to use; they are foundational operational environments around which entire businesses function.



Proprietary Context May Become More Valuable Than Code

One of the market's most common assumptions is that if AI makes code generation easier, software moats inevitably weaken. That conclusion may prove too simplistic.

As code becomes easier to replicate, the truly scarce asset may shift from the software itself to the proprietary context in which it is used. The most durable companies are often distinguished not by lines of code, but by years of accumulated workflow expertise, customer-specific integrations, regulatory knowledge, governance infrastructure, and operational trust.

This distinction is especially important for ultra-high-net-worth investors evaluating both public and private market opportunities. Many AI-native businesses can demonstrate impressive technical capabilities early in their lifecycle. Far fewer possess the enterprise relationships, implementation depth, or institutional trust required to become long-term systems of record.

In enterprise environments, the challenge is rarely just building functionality. The challenge is achieving reliability, governance, accountability, and adoption at scale.

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Trust Becomes a Competitive Advantage in the AI Era

Trust is likely to become one of the defining competitive advantages in enterprise software over the next decade.

General-purpose AI systems are inherently probabilistic. Enterprise operations often require deterministic, auditable outcomes. Payroll systems, healthcare workflows, financial reporting, cybersecurity platforms, and insurance claims processing cannot operate effectively on outputs that are merely “mostly correct.”

This reality benefits incumbent platforms that have spent decades building governance frameworks, compliance systems, auditability, and security controls. As AI increasingly shifts from assisting human decision-making to executing workflows autonomously, these trust layers may become even more valuable.

For investors focused on preserving and compounding capital across generations, this matters significantly. Durable enterprise trust is difficult to replicate quickly, even in an environment where product development accelerates dramatically.

AI Could Deepen Existing Moats

Importantly, AI is not solely a disruptive force. For many established platforms, it may become a mechanism for strengthening competitive positioning.

A company that already controls a mission-critical workflow can embed AI directly into existing systems, improving speed, efficiency, and customer outcomes without requiring clients to replace foundational infrastructure. In many cases, this deepens workflow dependency rather than weakening it.

Over time, that dynamic could expand addressable markets and shift monetization models toward value-based pricing tied directly to productivity gains or operational outcomes. Investors should not underestimate how meaningful this could become for high-quality software franchises with strong customer retention and disciplined management teams.

Investors should not underestimate how important value-based pricing tied directly to productivity gains could become for high-quality software franchises.

Where the Greatest Risks Exist

Not every software company is positioned equally well for this transition. Businesses most exposed to AI disruption are often those that rely on relatively thin functionality, limited workflow ownership, or user-interface differentiation without deeper operational integration. AI can compress product cycles rapidly, making it increasingly difficult for narrowly focused applications to maintain defensible competitive advantages.



Conclusion: AI Is Likely to Clarify Which SaaS Businesses Are Truly Indispensable

AI is unlikely to end software. More likely, it will reveal which SaaS companies are genuinely indispensable.

The strongest businesses in the AI era will probably share several characteristics: mission-critical workflows, deep operational integration, trusted governance frameworks, proprietary context, strong customer retention, and the ability to evolve monetization models alongside technological change.

For ultra-high-net-worth investors, the key question is no longer simply which companies “have AI.” The more important question is which companies possess the operational gravity, trust, and infrastructure-like characteristics necessary to remain essential as AI reshapes how work gets done.

Those are the software franchises most likely to continue compounding value through the next phase of the digital economy.

Companies dependent on pure seat-based pricing may also face pressure if AI reduces the number of human users required to perform certain tasks while simultaneously increasing compute and infrastructure costs.

For investors in both public and private markets, this may lead to a far wider dispersion between durable software compounders and businesses whose economics prove more fragile than previously assumed.



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