McRock Industrial Software INDEX

REPORT

Q3 2026

McRock Capital

Industrial Software Q3 2026 Market Update

1 Macro Environment

The Q3 2026 was defined by a U.S. economy navigating two forces: Federal Reserve hiking rates for the first time since 2023, and a Middle East conflict that escalated further as Saudi Arabia was forced to shut its East-West pipeline. This led to Brent crude pushed further above its Q2 peak, to US$108–109/bbl and pushing the U.S. 10-year Treasury yield above 5% intraday for the first time since 2023, a level widely viewed as a threshold for broader financial-market stress.

The Federal Reserve held rates steady at 3.50%-3.75% through July. Core PCE inflation ran near 3.7% and August CPI held at 3.4% year-over-year, driven by tariff-driven goods inflation and the oil shock. During the quarter, markets moved from pricing Fed cuts to pricing 25bp hike at the September 16 meeting, which marks the first increase since 2023. U.S. 10-year Treasury yields briefly topped 5% on September 14 before settling near 4.95%–4.98%, with 30-year yields holding above 5.2%.

Despite this, the S&P 500 hit multiple record highs through the summer, peaking near 7,790 in mid-August, before pulling back on the yield spike into September; Q2 tech sector earnings again outpaced the broader market as AI monetization proved resilient to rising rates. Combined hyperscaler capex guidance for 2026 was raised again to roughly US$775–800B across Amazon, Alphabet, Microsoft, Meta, and Oracle, up from the US$650B+ cited last quarter, with Google Cloud, AWS, and Azure all posting accelerating growth. Equity markets stayed choppy into quarter-end as the yield spike and Fed decision offset otherwise resilient earnings.

Real GDP Growth QoQ Annualized

	Q2 2026	2.2%	▼ -0.3%
	Q2 2026	3.3%	▲ 3.0%

Equity Index Performance Q2'26 vs Q1'26

	S&P 500	7,586	▲ 1.2%
	TSX Composite	35,703	▲ 2.4%

Central Bank Policy Rate % QoQ

	Sep'26	3.75%-4.00%	▲ 0.25%
	Sep'26	2.25%	▬ 0.00%

10 Year Government Bond Avg QoQ

	Sep'26	4.96%	▲ +48bp
	Sep'26	3.93%	▲ +51bp

Source: McRock Capital; Blackrock; Fox; Province of Nova Scotia Finance and Treasury Board; Federal Reserve; Bank of Canada.

2 Industrial Software

The defining tension across the software sector in Q3 2026 turned from a valuation story into a cost-of-capital story, as the Fed neared its first hike since 2023 while the AI mega force kept bifurcating the market: hyperscaler infrastructure, AI model builders, and cybersecurity platforms extended their premium, while incumbent horizontal SaaS players faced mounting questions about seat count durability as agentic workflows commoditize those seats' processes.

Generative AI revenue acceleration validated the investment thesis at the model layer. Anthropic's Claude platform's annualized revenue run-rate surpassed US$65B by July, more than doubling since Q2, with FY26 guidance of US$100-120B. SpaceX completed its Nasdaq debut in June, while Anthropic and OpenAI remain in confidential S-1 review with no public listing date set, tempering near-term IPO catalysts. This accelerating monetization shifted market focus from "will AI pay off?" to "who captures the value?" creating new differentiation risk for legacy per-seat SaaS models.

The energy constraint on the AI buildout intensified as the Iran conflict began threatening regional energy supply directly, not just data center power costs; with data centers still projected to source 25-30% of power from behind-the-meter solutions, demand for grid management, power optimization, and distributed energy resource control software strengthened further. U.S. tech valuations held near the S&P 500, but the investable surface area kept compressing toward platforms controlling data layer ownership and workflow lock-in.

McRock View: The industrial software stack remains under compression from AI disruption above, now joined by a genuine rate-and-energy shock, squeezing plants', utilities', and manufacturers' ability to spend on software. Winners will control the data layer at the point of physical operations and the AI-native workflows built on top; outcome-based and consumption pricing will define the next cycle of industrial SaaS economics.

bonfy.ai · MaintainX · DroneDeploy · LANCIUM BALANCING ENERGY · AiDASH · Generalist · Atira · IntelliSense.io · COGNITE

YTD 2026 saw 123+ Industrial Software Transactions totaling US$40 +, with M&A activity skewed toward strategic buyers consolidating workflow ownership with limited sponsor led platform formation

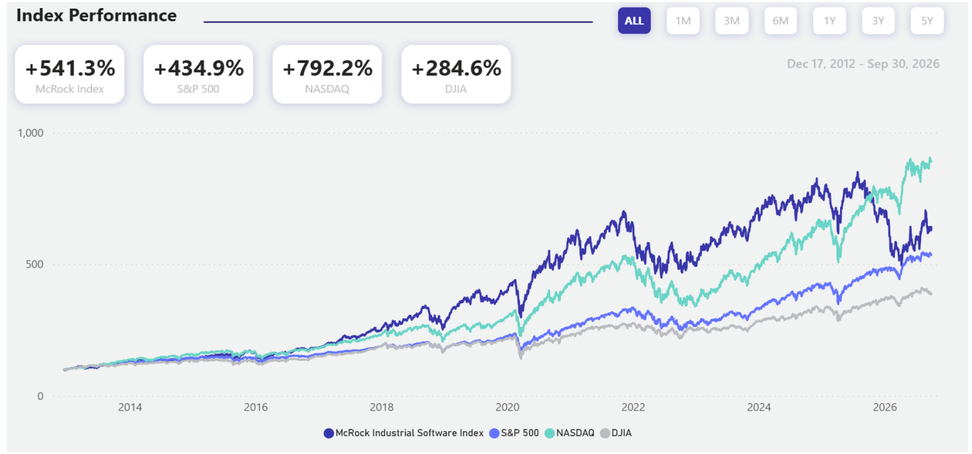
Q3 2026 Index Performance and Highlights

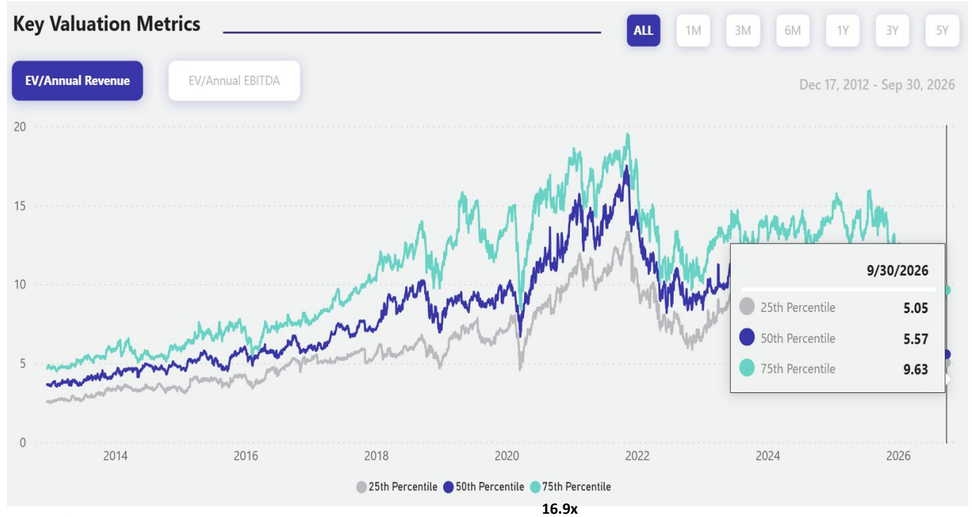
Through Q3 2026, industrial software continued to move by category rather than as a single block, but the direction improved. Three of four sub-categories re-rated upward and the Index average rose to ~8.2x from ~7.6x. Diversified Industrial rebounded from a lower base, Supply Chain and Public Safety extended gains, and AEC was the only category to see a slight dip. The Index remains well ahead of broad equities, at +541.3% since December 2012 versus +434.9% for the S&P 500.

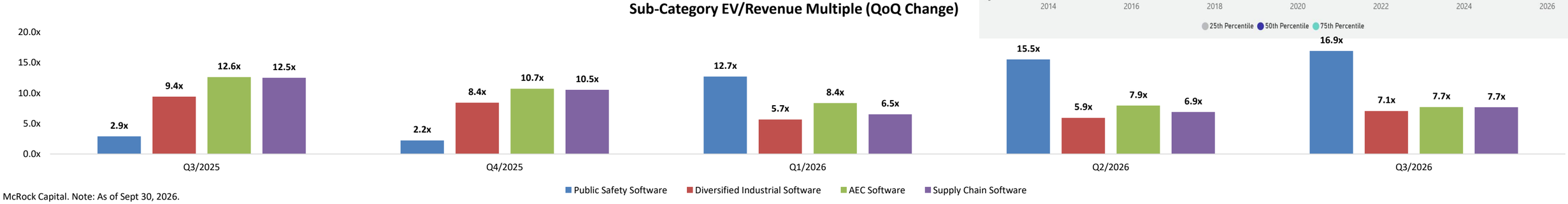
Sub-Category EV/Revenue Multiple:

- **Diversified Industrial Software:** The average rose to ~7.1x from ~5.9x, led by Snowflake (~17.5x to ~22.1x, +32.0% growth) and ServiceNow (~7.1x to ~9.7x). Fundamentals remain split. The bucket averages 7.8% revenue growth and a -3.4% Rule of 40, dragged by C3.ai (-37.5% growth, -192.1% net margin, -229.7% Rule of 40). Low-growth incumbents Dassault (3.9x, -1.7% growth) and Hexagon (4.9x, 0.6% growth) still trade at the bottom of the range.
- **AEC (Architecture, Engineering & Construction) Software:** The average eased to ~7.7x from ~7.9x. Compression at Cadence (~19.0x to ~15.8x) and Synopsys (~10.8x to ~9.6x) outweighed recovery at Procore (~4.1x to ~5.1x) and Nemetschek (~5.0x to ~5.6x). This remains the highest-quality bucket, with 79.6% gross margin, 19.0% net margin and a 38.9% Rule of 40. Synopsys (+46.3% growth) and PTC (60.9% Rule of 40) lead.
- **Supply Chain Software:** The average rose to ~7.7x from ~6.9x, and the bucket has the Index's highest growth (20.2%). Samsara (~10.5x to ~11.7x, +29.5% growth) and Descartes (~7.4x to ~8.5x) led. WiseTech fell to ~6.9x from ~9.1x despite +45.1% growth and a 60.3% Rule of 40, a valuation reset rather than a fundamental one.
- **Public Safety Software:** The average rose to ~16.9x from ~15.5x. Palo Alto re-rated again (~26.1x to ~28.3x, +24.5% growth), and Tyler Technologies moved to ~5.6x from ~4.9x. The bucket has only two names, so the average is effectively Palo Alto.

The Q3 rebound was uneven. The Index average of ~8.2x sits well above the 50th percentile multiple of ~5.6x, so a handful of high-multiple names (Palo Alto, Snowflake, Cadence, Samsara) are lifting the mean. Capital continued to reward growth and AI monetization, while low-growth or unprofitable names (Dassault, Hexagon, C3.ai, Trimble) stayed at the bottom of the range.







Source: McRock Capital. Note: As of Sept 30, 2026.

Theme Spotlight: Data Fabric

Data fabric is an architecture, not a single product, that connects and contextualizes data living across disparate systems (sensors, historians, SCADA, ERPs, cloud warehouses) so it can be accessed, governed, and used consistently without full centralization. Using active metadata and automated discovery, it serves both real-time operational and analytical workloads, making it foundational to industrial sectors sitting on decades of underused OT/sensor data and to the agentic AI layer increasingly built on top of it.

McRock Analysis: Understanding the Data Fabric Value Chain

1. IT/OT Integration & Connectivity

Bridging sensors, historians, SCADA & legacy OT to modern data layers

Examples: HighByte, Xentara

2. Data Orchestration & Pipelines

Movement, transformation & real-time streaming across systems

Examples: DEEPIO, Auger

3. Data Catalog, Governance & Metadata

Active metadata, cataloging & lineage the Gartner "data fabric" core

Examples: k2view, Orion

4. Unified Namespace / Semantic Layer

Single source of truth; virtualization & semantic access layer

Examples: COGNITE, Context Labs, Promethium

5. Vertical AI / Analytics Apps

Applied AI & analytics products built on top of the data layer

Examples: SHIPSIGMA, Intuigence AI

Amit Chaturvedi,
Global Head & Managing Partner
SE Ventures

> We see significant opportunity in companies that can combine industrial data, domain context, and AI to transform how work gets done. While data infrastructure remains foundational, the greatest value will come from reimagined workflows that generate productivity gains, create new operational insights, and continuously improve through real-world usage. The companies that establish this feedback loop have the potential to become core systems of intelligence for industrial operations.

McRock Analysis

Data Fabric Software Market Size

US$3.6B in 2025 → US$15B in 2032

~22% CAGR

Key Growth Drivers

IT/OT Convergence	Decades of industrial sensor, SCADA, and historian data have sat disconnected from modern IT/cloud systems. As manufacturers, energy operators, and logistics networks push toward real-time visibility, demand is surging for platforms that bridge OT and IT without a full rip-and-replace. McRock's own market mapping identified 361 North American companies building this layer, spanning five functional tiers from IT/OT connectivity through applied vertical AI.
Active Metadata & AI-Readiness	Agentic AI and industrial copilots are only as good as the data feeding them. Enterprises are investing in catalog, governance, and semantic/unified-namespace layers to make proprietary operational data AI-ready. We saw one of the largest acquisition in this space: Cognite, with a similar pitch (a unified industrial data model plus a knowledge graph for contextualization) is the category's clearest expression of this thesis, and the one that just commanded a $3.1B strategic price tag.
Strategic Validation via M&A	Incumbent industrial players are backing and now buying the data infrastructure layer directly rather than waiting. This strategic appetite gives financial sponsors a credible exit path that didn't exist a few years ago.

Disclaimer: All analysis in this report is the sole work of McRock Capital based on public data and does not represent the opinions and strategy of Schneider Electric.

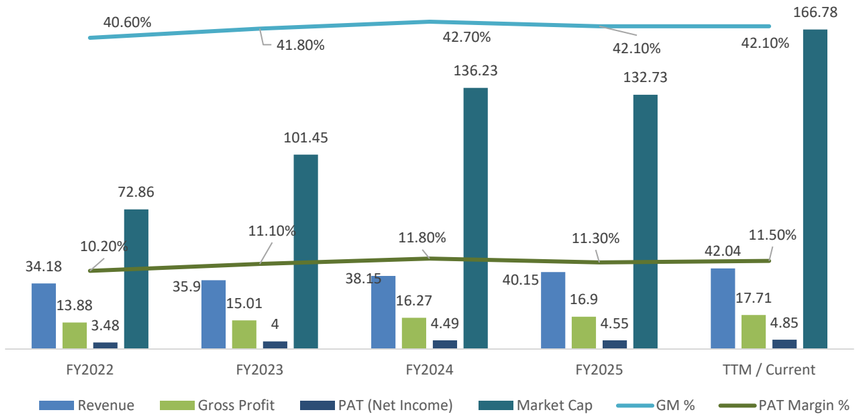
Source: McRock Proprietary Research; P&S Market Research; Schneider Electric, Cognite company disclosures.

Index Company Spotlight: Schneider Electric

Summary

Schneider Electric (Euronext: SU) is an energy management and industrial automation company, providing electrical distribution equipment, industrial automation systems, and through its wholly owned AVEVA subsidiary industrial design, engineering, and operations software. The group serves data centers, utilities, manufacturing, and infrastructure. Schneider, over the years, rather than defending its hardware base has spent two decades systematically re-platforming from electrical equipment toward a software-and-data stack, using disciplined M&A to acquire capability it couldn't build organically.

Schneider Electric Financials EUR Bn



Market cap converted to US$ using period ending exchange rates

Key Investments & Acquisitions

Grid Energy Mgmt, Data Center Infra	AI, Data & cybersecurity	Advanced manufacturing & emerging tech	Electrification & e-mobility	Industrial & real estate software

Schneider Electric Acquisitions & Investments

Zeigo, energysage, motivair, AutoGrid, COGNITE, AIDASH, STELLARIA ENERGY FOR CENTURIES, sense, OKRA, inno2fleet, Qmerit, evconnect, AVEVA, Planon Building Connections

● Originally SE Ventures Portfolio

SE Ventures Investments (Note: companies below is a sample of SE Ventures' full portfolio of 60+ startups)

Hammerhead, CLAROTY, DEXORY, VERKOR, Makersite, ostrom, SKILD AI, Elecbits, Higharc, AUGURY, AEREM, together.ai, UNITX, BUILD OPS

McRock Analysis: A Look At Schneider's Re-platforming Strategy

- **Re-platforming, not defending:** Two decades of M&A have shifted Schneider from an electrical-equipment manufacturer toward a software-and-data company. 62% of revenue now comes from connected products, software, and services (the "digital flywheel").
- **Buy vs Build:** Each major platform capability, industrial software (AVEVA), the operational-data historian (OSIsoft), and now contextualized industrial AI (Cognite), was acquired rather than built organically, on a roughly 3-year cadence of landmark deals.
- **Big checks are reserved for platform-defining plays:** Schneider's two largest checks, the $4.4B buyout of the remaining ~40% of AVEVA (it already owned ~60%) and the $3.1B acquisition of Cognite, each filled a missing layer of the software stack, applications and the semantic data layer, rather than extending the existing base.
- **A constant drip of small bolt-ons defends the core:** Grid/DERMS and electrification see the highest deal count but the smallest checks, mostly undisclosed, sub-$100M acquisitions extending existing categories rather than opening new ones.

SE Ventures (independent of Schneider Electric): SE Ventures operates independently of Schneider Electric and invests as a minority investor across energy & industrial AI.

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Source: Pitchbook, AVEVA reverse takeover, deal reporting on Schneider's acquisition of the remaining ~40% of AVEVA, Schneider Electric/Cognite/AVEVA press releases, Schneider Electric FY2025 results

Quarterly Highlight: Schneider's Acquisition of Cognite

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McRock Analysis, Independent of Schneider Electric

Schneider Before The Acquisition

Vertical AI

AVEVA

AVEVA's portfolio already spanned engineering, visualization and operational workflows, and the PI System's Asset Framework added asset context and analytics to time-series data. The limit was reach as context sat inside the historian and individual applications, not in one model linking operational, engineering and enterprise data for AI to reason over.

Semantic Layer

The missing layer: a cross-source semantic layer: Asset Framework contextualizes data within the historian. Cognite's knowledge graph relates assets, time-series, engineering models and documents across systems, and gives AI agents a foundation to act on.

IT/OT Integration & Connectivity

OSIsoft.

Schneider already had the operation data platform through the acquisition of OSIsoft's PI System, giving AVEVA the plumbing to capture time-series data at scale as it sits closest to sensors.

COGNITE

Intended Outcomes Of Cognite Acquisition by Schneider

- Cognite folds into AVEVA CONNECT, pairing its unified industrial data model and knowledge graph (80T+ time-series data points in context) with OSIsoft's historian and AVEVA's engineering software.
- Additionally, Atlas AI, Cognite's agentic layer, already running in production for a majority of Cognite's ARR. The intended result: a genuinely complete stack, hardware to contextualized AI, rather than software that merely stores and displays data.

Why Cognite, Specifically

- Architecture-first: Cognite's value prop. is the data layer itself, matching exactly the gap in AVEVA's stack rather than another point application.
- Proven at industrial scale: 80T+ time-series data points in context, growing 48% YoY.
- Atlas AI traction: 59% of customers by ARR have operationalized it; included in Cognite's 70%+ of 2025 bookings.
- Customer overlap: Aker BP, BP, Saudi Aramco, TotalEnergies, Mitsubishi Heavy Industries sit squarely in Schneider's own industrial base
- Operator pedigree: founded out of Aker BP, an actual operator, not a generic enterprise SaaS team.

Cognite Before The Acquisition (2025)

$170M+

FY2025 revenue, with ARR bookings growth of 36% year over year

150%

net revenue retention among newer customers

+26%

monthly active user growth year over year

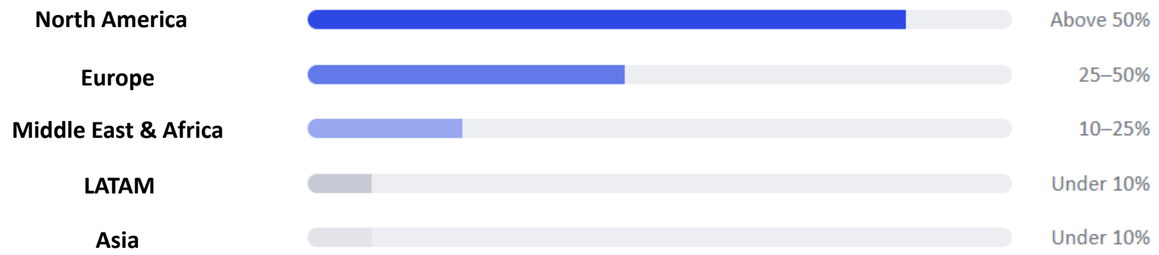
Top Three Industries

01 Oil & Gas

02 Manufacturing

03 Utilities

Customer Base By Region



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Source: ARC Advisory, Verdantix, Yahoo Finance

Market Activity Highlights

Strategic-led M&A Transactions

Date	Buyer	Target	Price
2026-07-29	PROCORE	DroneDeploy	845
2026-07-31	Schneider Electric	AiDASH	350
2026-08-24	DESCARTES	Tai	100
2026-08-06	EMERSON	Glue	NA
2026-07-07	CATERPILLAR®	SKYCATCH	NA

Strategic-led Financing Transactions

Date	Investor	Company	Raised	Valuation
2026-08-08	Nvidia	LANCIUM BALANCING ENERGY	3,000	NA
2026-08-24	Nvidia, Bezos Expeditions, Alpha Partners, & Others	Generalist	200	3,000
2026-08-25	Energize Capital, Siemens, Aramco Ventures, & Others	emeraldai	150	1,050
2026-08-10	Bosch Ventures, Tigris Investment, TKG Ventures, & Others	POINT 2	136	560
2026-09-02	Hitachi, Mitsubishi, Scottish Equity Partners, and Others	IntelliSense.io®	NA	NA

PE-sponsored M&A/Buyout Transactions

Date	Buyer	Target	Price
2026-09-10	Accel - KKR	ELECO®	281
2026-09-09	Kiteworks (Sixth Street Partners)	bonfy.ai	NA
2026-08-05	Prometheus Group (Blackstone, Genstar Capital ,& Others)	VisualAIM	NA

Financial-led Financing Transactions

Date	Investor	Company	Raised	Valuation
2026-08-04	Prysm Capital and Eurazeo, Orange Ventures and Y Combinator & Others	HappyRobot	150	1200
2026-07-08	Canapi Ventures, S32, Alumni Ventures and Sequoia Capital	empirik	21	NA
2026-09-01	Accel, Fortino Ventures, & Others	Atira	15	18

Prices are in US $ M, Valuation is Post Money
Source: Pitchbook, McRock Capital

YTD 2026: Skewed Towards High Value M&A

2012

McRock Capital Founded

2015

IoT devices surpass people

2023

8 Years 15 transactions> US$1B

2025

80+ Transactions totaling US$65B + in 2025

2026

123+ Transactions totaling US$40B+ in YTD 2026

* Values are based on disclosed transactions.

McRock Capital – Industrial Software Pioneer

McRock Capital is the first dedicated Digital Industrial venture capital fund manager focused on the intersection of data and software in large industrial markets and smart cities.

McRock's track record in industrial technology spans more than 10 years. With the close of Fund III in December 2025, we are actively investing in Industrial AI and software companies.

Today, McRock invests in leading Industrial Software companies across Canada, the US and Europe. The McRock team has a unique background of building high-growth Industrial SaaS companies while having deep domain experience in the energy, manufacturing, infrastructure, and logistics sectors.

Our Investors

Backed by world-class corporate and institutional investors including:

AUTODESK · aspentech* · CATERPILLAR · Bell · cisco investments · HarbourVest · TERALYS CAPITAL · Mitsubishi Corporation · EDC · FONDS de solidarité FTQ · Shell · CPP Investments · CIBC · Venture Ontario · bdc · KENSINGTON

Our Active Portfolio

MIOVISION · SKYSPECS · samdesk · PLUS ONE ROBOTICS · INVIXIUM · dott · eip TECHNOLOGIES · PREVU3D · LandingAI · WORLD SENSING · Axya · ONELAYER · FOUNDATION EGI

* AspenTech is a wholly owned subsidiary of EMERSON

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