NOT ALL SOFTWARE IS THE SAME:

Understanding Consumer vs. Enterprise Models

The Growth of Software in Public and Private Markets

Software is the largest and fastest-growing segment of the global technology sector[1]. While technology includes hardware, semiconductors, IT services, devices and infrastructure, software is the layer that powers how organizations and individuals operate.

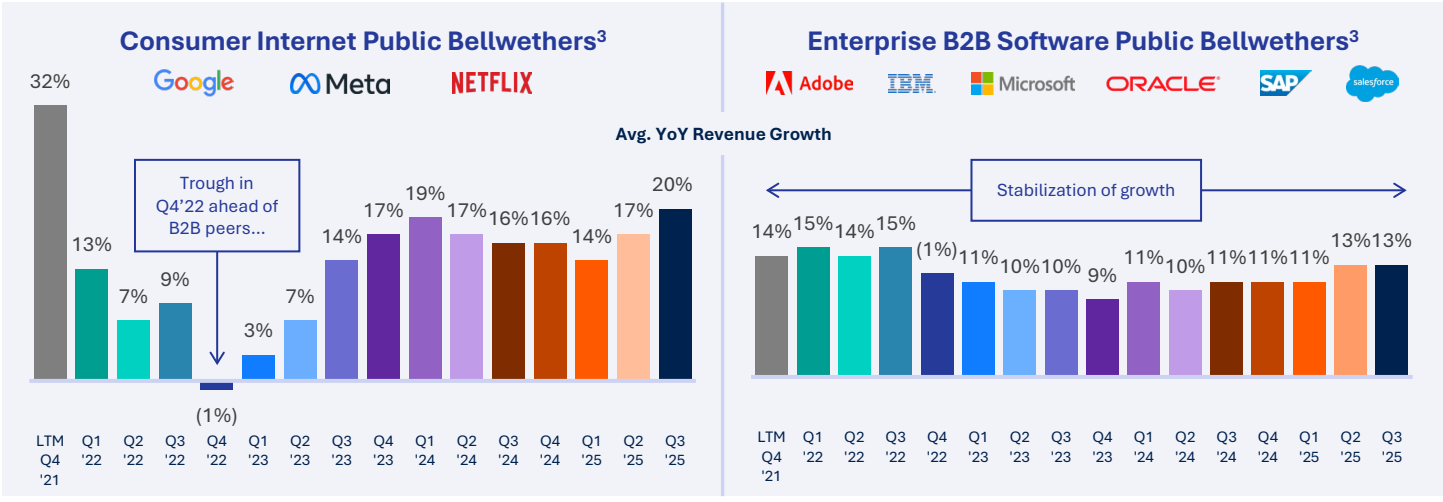
Software represents roughly 30% of the public Technology sector by market cap, but in the private markets, over half (56%) of the Technology deals that occurred over the past ten years were software. Over 91,000 software companies – or 96% of all companies – are private.[2]

Comparing Consumer and Enterprise Models

Within software, business models vary. Consumer software sells directly to the end customer, relying on advertising and individual subscriptions to generate revenue. Examples of these types of solutions include streaming platforms, messaging tools, and social media apps.

In contrast, enterprise software sells to corporations and businesses, providing solutions that businesses rely on to run their day-to-day operations. Examples here include the systems that underpin finance, HR, cybersecurity, logistics, and other business processes. These solutions tend to be "mission-critical" for corporate employees, making them less likely to cancel, and are often accompanied by multi-year subscriptions that provide visibility into future revenue streams.

These differences can translate into more volatile revenue profiles for consumer software compared with enterprise platforms. The below chart compares revenue growth between public consumer technology vs. public enterprise companies. Following the COVID-19 pandemic in 2022 and a dramatic rise in interest rates and inflation, demand from consumers for these solutions dropped significantly in line with the macroeconomic backdrop. Alternatively, enterprise revenue remained consistent due in part to the mission-critical nature of these solutions and multi-year contract cycles.



[1] Gartner, proprietary research, 03/31/2025. This information was prepared by a third party and Vista makes no representation regarding its accuracy. Actual results may differ materially from projections and there can be no assurance that any historical trends will continue.

[2] Gartner, proprietary research as of 03/31/2025. This information was prepared by a third party and Vista makes no representation regarding its accuracy.

[3] Source: Capital IQ and Company Filings as of 11/06/2025. Reflects simple average YoY revenue growth. Select Consumer names include Google, Meta, and Netflix. Select Enterprise Software names include Adobe, IBM, Microsoft, Oracle, SAP, and Salesforce. The names selected represent some of the largest constituents by market cap and are meant to be representative of the trends in each of the sub verticals. Certain information presented in this slide was prepared by a third party and Vista makes no representation regarding its accuracy. (2) Microsoft revenue shown for the Intelligent Cloud business. IBM revenue shown for software segment. Oracle revenue excludes hardware. Company logos do not represent Vista or Vista Fund investments and do not signify affiliation or endorsement.

VISTA

For investors, understanding the distinction between consumer and enterprise software is essential for evaluating durability, risk and long-term investment potential. The below table summarizes these distinctions:

Core Differences Between Consumer and Enterprise Software[4]

	Consumer Software (B2C)	Enterprise Software (B2B)
Example Companies	NETFLIX Spotify	workday. salesforce
Primary End User	Individuals, households	Businesses, institutions
Problem Solved	Entertainment, communication, personal productivity	Core business functions including finance, sales, operations, HR, cyber security, compliance, logistics, marketing
Economic Profile	Large user base, lower average revenue per user, revenue from advertising	Higher annual contract value from fewer customers, high gross margins, high retention rates
Revenue Sources	Subscriptions, advertising, in-app purchases	Contracted recurring revenue over multi-year terms
Most Expensive Areas of Business Model	Product development, user experience, content acquisition, marketing	Product development, sales, implementation, customer support
Data Capture and Ownership	Heavily reliant on publicly accessible, behavioral or third-party data to optimize advertising and revenue.	Built around proprietary, permissioned datasets that sit within an organization's secure environment.
Common Performance Metrics	Monthly active users, churn rate, lifetime value, user engagement	Annual recurring revenue, net and gross revenue retention, gross margin, customer acquisition cost
Business Risks	Shifts in consumer preferences, higher risk of churn, higher correlation with macroeconomic environment	Customer renewals, depth of integration, data/security requirements

[4] Source: Vista analysis, 01/2026. Company logos do not represent Vista or Vista Fund investments and do no signify affiliation or endorsement.

VISTA

Understanding Enterprise Software Fundamentals

01

Mission-critical nature drives retention and stability

Enterprise software runs essential business functions, which makes it costly and risky to replace. While some enterprise software solutions integrate multiple functions, many are more specialized or vertically focused to drive efficiency and optimize critical workflows that are specific to certain sectors. This contributes to high customer retention, low churn and visibility into forward revenue.

02

Recurring revenue creates predictability

Multi-year contracts are the backbone of the enterprise software revenue model. This structure supports predictable, non-cyclical revenue and has contributed to resiliency through economic cycles. Software revenues can also grow as client businesses expand, adding more users over time.

03

High margins and capital efficiency support long-term growth

Software business models rely on human capital, software and cloud infrastructure rather than large-scale physical assets, making it easier to scale rapidly. This allows them to operate with high gross margins with limited capital-intensive requirements which in turn enables sustained reinvestment and faster recovery after downturns.

04

Private and permissioned data may be a differentiated AI advantage

Only a small fraction of enterprise data is publicly accessible to large language AI models. Because enterprise software operates on private, secure datasets, providers with access to the data may be well-positioned to deliver AI solutions tailored to complex business workflows.

Looking Ahead: Potential Implications for Technology and AI Adoption

As technology continues to evolve, these differences between consumer and enterprise software may shape how new innovations like artificial intelligence are adopted and monetized. Understanding where software sits within the economy, and how these models differ, provides a useful foundation for evaluating future opportunities across the technology landscape.

VISTA

IMPORTANT DISCLOSURES

This document does not constitute an offer to sell any securities or the solicitation of an offer to purchase any securities. This document discusses broad market, industry or sector trends, or other general economic, market or political conditions and should not be construed as research, investment advice, or any investment recommendation.

Statements contained in this document (including those relating to current and future market conditions and trends in respect thereof) that are not historical facts are based on current expectations, estimates, projections, targets, opinions, beliefs, and/or assumptions Vista considers reasonable. Such statements involve known and unknown risks, uncertainties and other factors, and undue reliance should not be placed thereon. In addition, no representation or warranty is made with respect to the reasonableness of any estimates, forecasts, illustrations, prospects or returns, which should be regarded as illustrative only, or that any profits will be realized. Certain information contained herein constitutes "forward-looking statements," which can be identified by the use of terms such as "may", "will", "should", "expect", "project", "estimate", "intend", "continue", "target" or "believe" (or the negatives thereof) or other variations thereon or comparable terminology. Due to various risks and uncertainties actual events or results may differ materially from those reflected or contemplated in such forward-looking statements. No representation or warranty is made as to future performance or such forward-looking statements.

Certain information contained in this document has been obtained from published and non-published sources prepared by other parties, which in certain cases have not been updated through the date hereof. While such information is believed to be reliable, Vista does not assume any responsibility for the accuracy or completeness of such information and such information has not been independently verified by it. Except where otherwise indicated herein, the information provided in this document is based on matters as they exist as of the date of preparation of this document and not as of any future date and will not be updated or otherwise revised to reflect information that subsequently becomes available, or circumstances existing or changes occurring after the date hereof, or for any other reason.

No representation or warranty, either express or implied, is provided in relation to the accuracy or completeness of the information contained herein.

The use of artificial intelligence ("AI") is increasing rapidly, which presents both significant opportunities for growth and competitive advantage, but also introduces substantial risks to Vista and its investments. The field of AI is characterized by rapid and ongoing technological innovation. While this presents significant opportunities for growth and competitive advantage, it also introduces a substantial risk of technological obsolescence. Even if the AI-related initiative described herein is successfully implemented, Vista could be outpaced by competitors who develop more advanced, efficient, or cost-effective technologies. Additionally, breakthroughs in areas such as quantum computing, machine learning algorithms, or data analytics could rapidly render existing technologies and business models obsolete. Accordingly, any direct or indirect investment in Artificial Intelligence carries a significant risk of depreciation due to technological obsolescence and the value of such investment could decline if the investment failed to stay at the forefront of technological advancements.

Additional important disclosures can be found here.