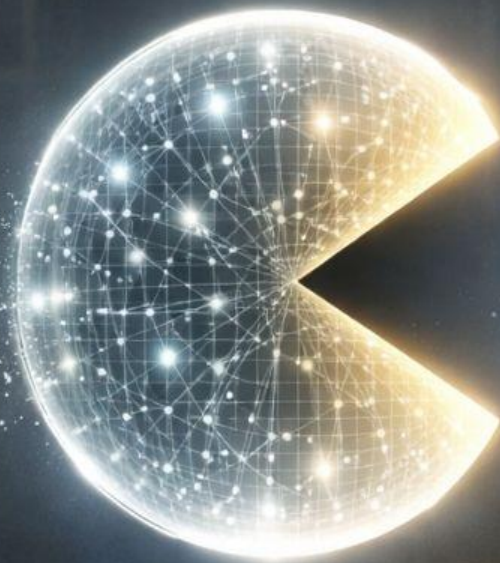


**EPISODE
405**



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AAPL META AMZN GOOGL

**AI IS DEVOURING THE
SOFTWARE SECTOR**



Disclaimer:

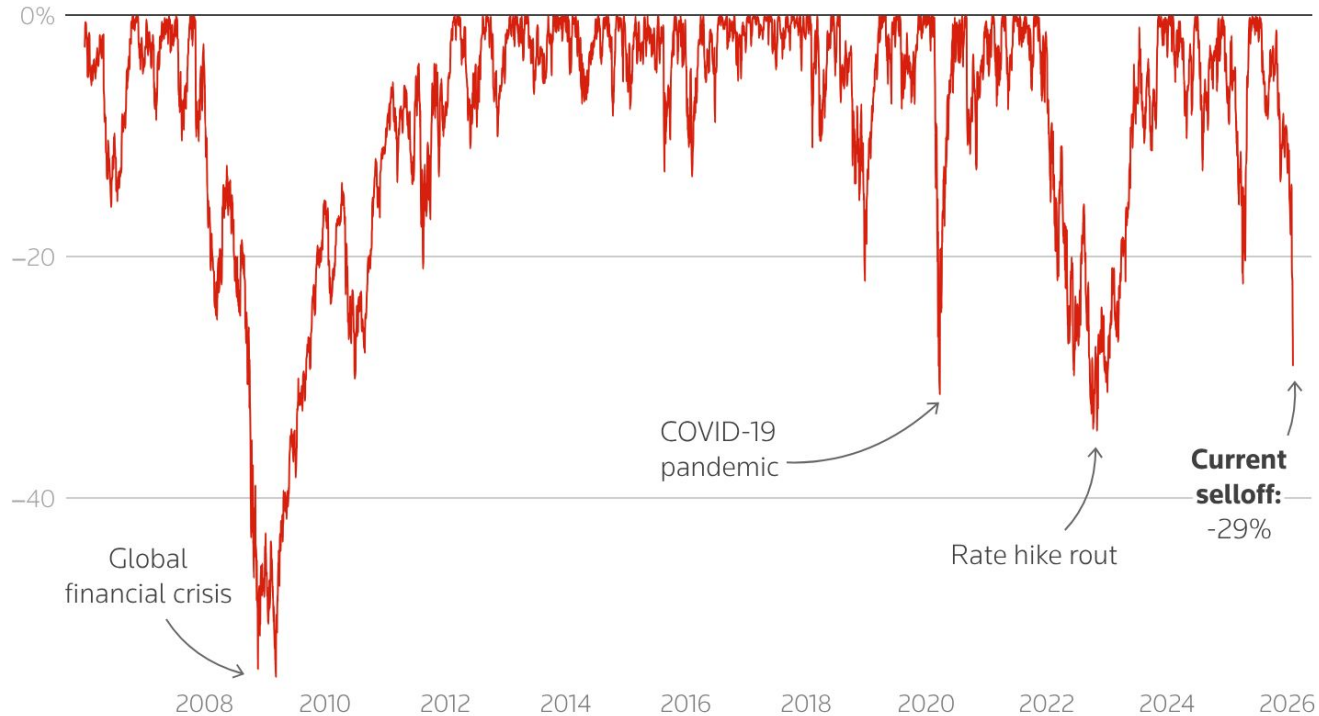
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Red wedding for software stocks:

Drawdown in software & services is worst since 2022's rate-driven rout

How far the sector fell from its previous all-time highs, over the past 20 years



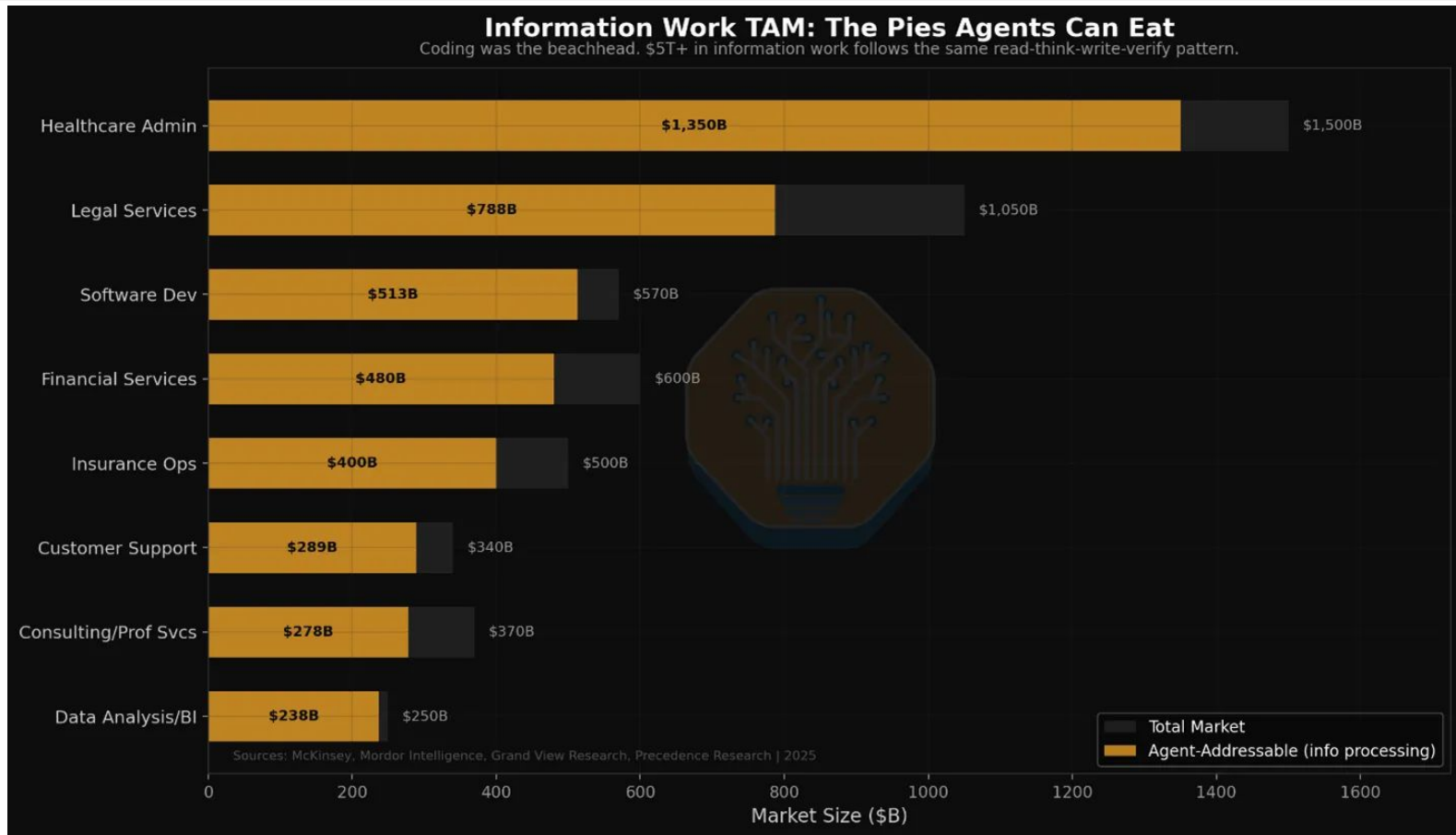
Note: Reuters calculations from daily data from the S&P 500's software and services index. Data as of Feb 5.

Source: LSEG | Saqib Ahmed

Why now?

- Anthropic's "Claude Cowork" & "Claude Code" released.
- The Capex Cannibalization: Big Tech announced hundreds of billions in combined AI infrastructure spending for 2026.

Who is at risk:



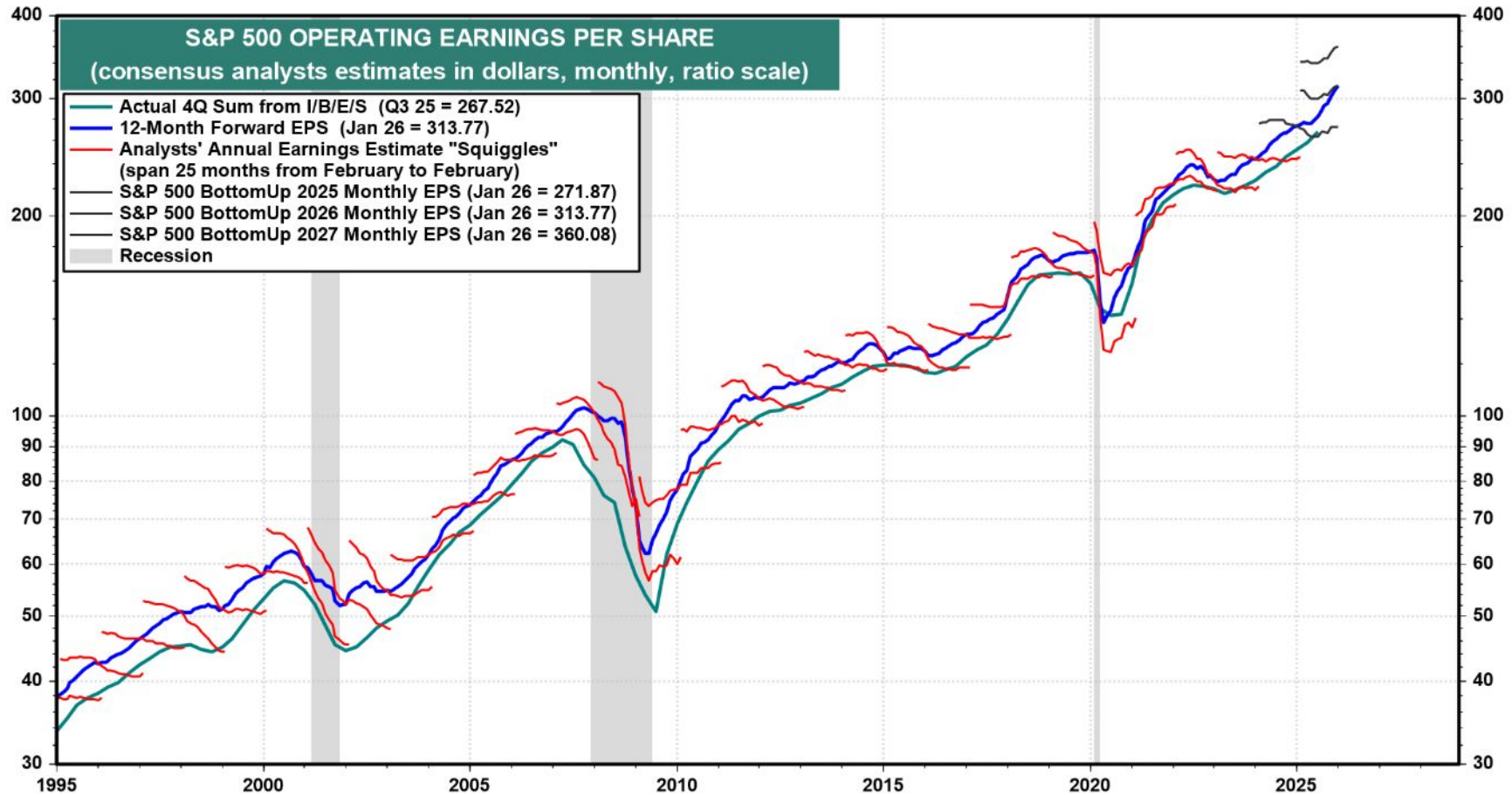
Software:

- Summary about what it does
- Claude code
- Level of abstraction
- Who has value
- Ease of connection no longer a core feature
- Doing “stuff” to produce output no longer as useful
 - Adobe / Canva: design
 - Excel / Office: producing charts and slides
 - Salesforce / [monday.com](https://www.monday.com) / Hubspot: all-in-one systems
 - Legal: RELX, Thomson Reuters
 - IT backend seats: Datadog, Crowdstrike, Palo Alto, ServiceNow
- Commoditisation
- Data more valuable?
- Barriers to entry much lower

Software:

- Oversold/Capitulation: Some analysts believe the sell-off is emotional and indiscriminate. "Good" companies with deep data moats (Systems of Record) are being thrown out with the "bad" wrapper companies.
-
- The Pivot: The surviving companies will be those that switch from selling "seats" to selling "outcomes" (e.g., charging \$10 per resolved customer service ticket, rather than \$50 per agent seat)
-

Earnings:



Investment View:

- Quality companies. Need to re-examine
- Agents can waste a lot of time... who benefits
- What is the core competency.
- What do they do - Microsoft
- AI companies benefit

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