WINDSOR DRAKE

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The Strategic vs. Sponsor Map

Windsor Drake is a sell-side M&A advisory firm focused on software, financial technology, artificial intelligence, cybersecurity, and other technology-enabled businesses in the lower middle market. The firm publishes research on transaction activity, deal structure, and valuation for founders, boards, and investors.

About this report

This report compares the two great buyer types in technology M&A, strategic acquirers and private equity sponsors, on price, terms, speed, and founder outcomes, and maps where each dominates by vertical. It documents a notable reversal in the current cycle, in which sponsors have been paying more than strategics, introduces the Windsor Drake Strategic-Sponsor Map, and sets out how a founder should think about which buyer to pursue and how to put the two in competition.

CONTENTS

Contents

OVERVIEW

The old rule about buyers has reversed

For a generation, the advice to founders was simple: strategic buyers pay more than private equity, because strategics can justify a synergy premium that financial buyers cannot. In the current cycle, that rule has reversed, and a founder who still believes it is misreading the market.

The data is striking. In 2025, private equity sponsors have been paying nearly three turns of EBITDA more than strategic buyers, an inversion of the long-held assumption that strategics reliably bid highest.[1] Sponsors, sitting on record dry powder and competing hard to deploy it, have become the aggressive buyers on an absolute basis, while many strategics, more disciplined after a period of expensive capital, have held back.[1,2] The number of mega-buyouts more than doubled in a year, and private equity now accounts for roughly forty percent of global M&A by value, even as strategics still make up the majority of transactions by count.[2] The buyer landscape is not what the old rule describes.

This report compares the two buyer types on the dimensions that matter to a seller, price, terms, speed, certainty, and the founder's role afterward, and maps where each dominates by vertical. It documents the reversal in pricing, introduces the Windsor Drake Strategic-Sponsor Map, and explains how a founder should choose between the two and, more importantly, how to put them in competition. The central argument is that buyer type is no longer a reliable proxy for price, and that the right buyer depends on the specific company, the specific moment, and the specific terms, not on a rule of thumb that no longer holds.

> *Strategics pay more was the rule for a generation. In this cycle, sponsors have paid nearly three turns of EBITDA more. The buyer landscape is not what the old rule describes.*

The reversal does not mean sponsors always pay more, any more than the old rule meant strategics always did. It means buyer type alone no longer predicts price, and that a founder must look past the label to the specific buyer's motivation, return math, and fit with the company. The report is built to help a founder do exactly that, and to use the competition between the two buyer types, sharper now than in years, to their advantage.

THE MARKET IN BRIEF

The market in numbers

~3x Turns of EBITDA more that private equity sponsors have paid than strategic buyers in the current cycle.[1]	**~40%** Private equity's share of global M&A by value.[2]	**~70%** Strategics' estimated share of U.S. transactions by count.[2]
6→13 Mega-buyouts above $10B more than doubled from 2024 to 2025.[2]	**$3.7T** Global private equity dry powder, fueling aggressive sponsor bidding.[2]	**Reversed** The long-held assumption that strategics pay a higher multiple than financial buyers.[1]

Windsor Drake view: the headline is the reversal. The premium a seller can command no longer follows from whether the buyer is strategic or financial; it follows from how well a specific buyer's value drivers align with the company, and from the competition a process creates between the two types.

The two buyers

Strategic acquirers and private equity sponsors make money in fundamentally different ways, and those different return models drive everything about how they bid, structure, and behave. Understanding the models is the foundation for everything that follows.

The strategic acquirer

A strategic buyer is an operating company acquiring another to advance its own business: to add a product, enter a market, acquire customers or technology, or eliminate a competitor. Its return comes from synergy, the value the target creates inside the acquirer that it could not create alone, through cross-selling, cost savings, or strategic positioning. Because synergy can be large, a strategic can justify paying a premium over the target's standalone value, the classic synergy premium. The strategic holds and integrates the company rather than reselling it, and prices the deal on what the asset is worth to its business, not on a financial return alone.[3]

The private equity sponsor

A sponsor is a financial buyer acquiring a company to generate a return for its investors, typically by improving the business, often using leverage, and selling it within several years at a higher value. Its return comes from a combination of operational improvement, multiple expansion, debt paydown, and, in buy-and-build strategies, multiple arbitrage across add-on acquisitions. Historically this disciplined, returns-focused model meant sponsors bid below strategics, unwilling to pay away the synergy premium they could not capture. The model still prizes discipline, but in the current cycle the weight of capital chasing deals has made sponsors the more aggressive bidders in absolute terms.[1,2]

EXHIBIT 1

Two buyers, two return models

DIMENSION	STRATEGIC ACQUIRER	PRIVATE EQUITY SPONSOR
Return from	Synergy and strategic value	Improvement, leverage, multiple, exit
Holds the company	Indefinitely; integrates it	Several years, then sells
Prices on	Value inside the acquirer	Standalone return and exit potential
Founder's role after	Often diminished by integration	Often retained to run and grow
Offers rollover	Rarely	Frequently

Source: Windsor Drake.[3]

The two models produce different deals for the same company, and the differences go well beyond price. A strategic integrates the company and may diminish the founder's role; a sponsor often retains the founder to run and grow the business, and offers rollover equity to align them with the eventual exit. A strategic prices on synergy; a sponsor on return. These structural differences mean that choosing between the two is not only about who bids highest, but about what kind of outcome, and what kind of future, the founder wants, a theme the report develops after establishing the pricing reversal.

02 · THE FINDING

The reversal: who pays more now

The most important development in the buyer landscape is the reversal of the old pricing rule. Sponsors, not strategics, have been the higher bidders in the current cycle, and understanding why tells a founder whether the reversal will last.

~3x

turns of EBITDA more that sponsors have paid than strategics, inverting the long-held rule.

The reversal has been documented directly: in the current market, private equity sponsors have paid nearly three turns of EBITDA more than strategic buyers, and the assumption that strategics reliably pay the higher multiple has become unreliable.[1] This is a meaningful inversion of decades of conventional wisdom, and it has a small number of clear causes.

Why sponsors are paying up

Three forces have pushed sponsors to the top of the bidding. The first is capital: private equity entered the cycle with record dry powder, roughly double its pre-pandemic level, and that capital must be deployed, which intensifies competition among sponsors and lifts the prices they will pay.[2] The second is the buy-and-build model: a sponsor pricing an asset as a platform or an add-on, with the multiple arbitrage and synergies of a roll-up in view, can justify a higher price than its standalone economics suggest, much as a strategic justifies a synergy premium. The third is the take-private wave: sponsors competing to take public companies private have bid aggressively to win them, pulling up the prices across the market.[2]

Why strategics have held back

At the same time, many strategics have become more disciplined. A period of expensive capital made boards cautious about large acquisitions, integration risk weighed more heavily, and strategics increasingly reserved their highest bids for the specific assets that fill a real and contested gap, paying up selectively rather than across the board. The result is a market in which the strategic's synergy premium still appears, but only where the fit is compelling, while the sponsor's capital-driven aggression appears more broadly.[1,3]

EXHIBIT 2

The old rule and the new reality

DIMENSION	THE OLD RULE	THE CURRENT CYCLE
Who pays more	Strategics, via synergy premium	Sponsors, by ~3 turns of EBITDA
Why	Synergies justify a premium	Dry powder and buy-and-build pressure
Sponsor posture	Disciplined; bids below strategics	Aggressive; deploying record capital
Strategic posture	Reliable top bidder	Selective; pays up only for true fit
What predicts price	Buyer type	Fit, motivation, and competition

Source: Windsor Drake, from current-cycle pricing analysis.[1,2]

Record dry powder, the buy-and-build model, and the take-private wave have made sponsors the aggressive bidders. Strategics now pay up selectively, where the fit is compelling.

The crucial implication is that buyer type no longer predicts price. The reversal does not mean sponsors always pay more; it means the relationship between buyer type and price has broken down, and that value now depends on how well a specific buyer's drivers align with the company. A strategic with a perfect fit will still outbid everyone for the right asset; a sponsor with dry powder and a platform thesis will outbid a cautious strategic for many others. A founder cannot know which without bringing both to the table, which is the practical heart of this report.

03 · THE FRAMEWORK

The Strategic-Sponsor Map

If buyer type no longer predicts price, a founder needs a better guide to which buyer will value their company most. The Strategic-Sponsor Map matches company characteristics to the buyer most likely to pay the premium, so a founder can target the process rather than guess.

EXHIBIT 2

The Windsor Drake Strategic-Sponsor Map

IF THE COMPANY IS...	THE HIGHER BIDDER IS LIKELY...	BECAUSE
A precise fit for a specific strategic's gap	Strategic	Synergy and competitive denial justify a premium
A durable, profitable platform or add-on	Sponsor	Buy-and-build and dry powder drive aggressive bids
A category leader in a contested space	Strategic (or hyperscaler)	Multiple strategics compete to own the category
A strong standalone business, no obvious strategic fit	Sponsor	No strategic needs it; sponsors price the return
A growth asset needing capital to scale	Sponsor	Sponsor funds growth and shares the upside
A talent- or technology-defined asset	Strategic / hyperscaler	Strategic value of the people and IP

Source: Windsor Drake Strategic-Sponsor Map. A guide to the likely higher bidder; many companies fit more than one row, which is why competition matters.

The map's logic is that the premium follows fit and motivation, not buyer label. A company that precisely fills a gap in a particular strategic's platform, or that several strategics would compete to own, is most likely to draw its highest bid from a strategic, because synergy and competitive denial justify paying up. A durable, profitable business with no obvious strategic acquirer, or a platform or add-on suited to a roll-up, is most likely to draw its highest bid from a sponsor, because the sponsor's return model and dry powder drive aggressive pricing where strategics see no special value.

> *The premium follows fit and motivation, not the buyer's label. The map points to the likely higher bidder; competition confirms it.*

The map is a guide, not a guarantee, and its most important lesson is in the rows where a company could fit either side. Many good companies have both a plausible strategic fit and clear appeal to sponsors, and for those companies the map does not pick a winner; it identifies that both should be pursued, because the competition between them is what reveals and maximizes the price. The map tells a founder where to look; the process tells them who pays most.

04 · BEYOND PRICE

Price is not the only difference

Even when a founder knows which buyer will pay most, price is only one dimension of the decision. The two buyer types produce very different outcomes for the founder, the team, and the company, and those differences often matter as much as the number.

The founder's role and the company's future

A strategic integrates the acquired company into its own, which often means the founder's role diminishes after a transition and the company loses its independent identity. A sponsor typically retains the founder to keep running and growing the business, at least through the holding period, and preserves the company as a distinct entity. A founder who wants to stay and build will often prefer a sponsor; one who wants a clean exit may prefer the finality of a strategic sale. Neither is better in the abstract; they suit different goals.

Rollover and the second bite

Sponsors frequently offer rollover equity, the chance to reinvest part of the proceeds into the new entity and share in the eventual exit, which can be worth a great deal if the sponsor grows the business and sells it well. This second bite at the apple is largely a sponsor feature; strategics rarely offer comparable upside. For a founder who believes in the business's continued growth, rollover can make a sponsor's lower headline worth more than a strategic's higher one, a calculation the firm's companion report on deal structure develops.

The team and the culture

The two buyers treat the team differently. A strategic integration commonly involves eliminating redundant roles, the cost synergies that justify the premium often mean job losses, while a sponsor usually keeps the team intact to run the business it intends to grow. A founder who cares about the people they built the company with may weigh this heavily, and it can be decisive even when the strategic bids higher.

Speed and certainty

The buyers also differ on process. Experienced sponsors run fast, repeatable processes with high certainty of close; strategics can be slower and less certain, gated by internal priorities and integration review. A founder who values a fast, certain close may favor a sponsor even at a similar price, while one chasing a strategic premium accepts more process risk to get it. These differences in speed and certainty are part of the full comparison, not a footnote to the price.

> *The strategic premium can come with the founder's exit, the company's absorption, and the team's redundancies. The sponsor's offer can come with a second bite and a preserved company. Price is one dimension of several.*

The lesson is that a founder should compare offers across all of these dimensions, not only the headline. The right buyer is the one whose price, terms, treatment of the team, and vision for the company best match what the founder wants, and that buyer is not always the highest bidder. A clear-eyed founder decides what matters most, price, future role, the team, certainty, rollover, before the offers arrive, so the choice among them is made on purpose rather than in the rush of a process.

WORKED COMPARISON

One company, two offers

The differences between the buyers come alive when a founder holds two real-shaped offers for the same company. The comparison below shows why the higher headline does not always win, and why the choice is about more than price.

Consider a founder with a strong, growing software company and two final offers. A strategic offers a high headline, paid mostly in cash, but intends to integrate the company, fold the team into its own, retire the brand, and transition the founder out within a year. A sponsor offers a slightly lower headline, but retains the founder to keep running the business, keeps the team and the company intact, and includes meaningful rollover equity into a platform it plans to grow and sell in five years.

EXHIBIT 4

A strategic and a sponsor offer for the same company

DIMENSION	STRATEGIC OFFER	SPONSOR OFFER
Headline price	Higher	Slightly lower
Form	Mostly cash	Cash plus rollover
Founder's role	Transition out within a year	Retained to run and grow
The team	Integrated; redundancies likely	Kept intact
The company	Absorbed; brand retired	Preserved as a platform
Upside after close	None	Second bite via rollover

Source: Windsor Drake illustration. A stylized comparison of the typical trade-offs, not a specific deal.

Which offer is better depends entirely on what the founder wants, and there is no universal answer. A founder ready for a clean exit, who values certainty and the highest number today, may rightly take the strategic offer and its higher cash headline. A founder who believes in the business's growth, wants to keep building, and cares about the team may find the sponsor offer worth more, both in expected total value, once the rollover is counted, and in the outcome it produces for the people and the company. The headline favors the strategic; the full picture may favor the sponsor.

> *The strategic offers more cash and a clean exit. The sponsor offers a second bite and a preserved company. The higher headline does not decide it; the founder's priorities do.*

The comparison underscores the report's argument that price is one dimension of several, and that the reversal has made the choice richer rather than simpler. Because sponsors now compete on price, a founder is more often choosing between two strong offers of different kinds, rather than simply taking the strategic's higher number. That is a better position to be in, and it rewards a founder who has decided in advance what matters most and who runs a process that produces both kinds of offer to choose between.

Where each dominates, by vertical

The balance between strategic and sponsor buyers differs by sector, and a founder should know which type is likely to lead the bidding in their market, while pursuing both wherever possible.

EXHIBIT 3

Buyer balance by vertical

VERTICAL	LEANS TOWARD	WHY
Vertical SaaS	Sponsors / holders	Durable cash flow; roll-up and buy-and-build appeal
Cybersecurity (leaders)	Strategics	Platformization; competitive denial in contested categories
Fintech (networks, payments)	Strategics	Scale and infrastructure synergies; large incumbents
Fintech (software-led)	Mixed	Both strategics and sponsors compete
Artificial intelligence	Strategics / hyperscalers	Talent and strategic position; often talent-led deals
Horizontal / infrastructure software	Mixed	Strategic fit varies; sponsors active across the board

Source: Windsor Drake, from the firm's sector research and the 2024–2026 transaction record.

The pattern reflects where synergy and strategic value are concentrated versus where durable cash flow and roll-up potential dominate. In cybersecurity, the platformization wave means strategics compete intensely for category leaders, often outbidding sponsors for the assets they must own; the same is true in AI, where strategic and talent value drives the largest deals. In vertical SaaS, by contrast, the durable, fragmented, cash-generative nature of the market makes it the natural hunting ground of sponsors and perpetual holders, who price it on the buy-and-build and compounding logic their companion reports describe. Fintech splits, with networks and payments drawing strategic scale buyers and software-led fintech drawing both.

Strategics lead where synergy and competitive denial concentrate, in cyber and AI. Sponsors lead where durable cash flow and roll-up potential dominate, in vertical software.

The sector lean is a starting point, not a constraint. Even in a sponsor-dominated vertical, a company with a compelling strategic fit can draw a strategic premium, and even in a strategic-dominated one, a durable asset can attract aggressive sponsor bids in a cycle awash with capital. The founder's task is to know the likely lean, and then to test it by bringing both buyer types into the process rather than assuming the sector dictates the outcome. Which is exactly the subject of the next section.

06 · THE LEVERAGE

Playing the two against each other

The single most valuable consequence of the reversal is that strategics and sponsors now compete more evenly than in years, and a founder who brings both into one process can use their competition to maximize both price and terms.

When strategics reliably outbid sponsors, the contest was lopsided, and a founder's best move was often simply to find the strategic with the strongest fit. Now that sponsors compete on price, the two buyer types are genuine rivals for the same assets, and that rivalry is the founder's opportunity. A process that runs strategics and sponsors in parallel pits two different return models against each other, the strategic's synergy premium against the sponsor's capital-driven aggression, and the tension between them is what drives the price to its true ceiling.[1,2]

How the competition works for the seller

Each buyer type pressures the other in a useful way. A credible sponsor bid forces a strategic to pay closer to its full synergy value rather than a comfortable discount, because the strategic can no longer assume it is the only serious buyer. A credible strategic bid forces a sponsor to bid toward the top of its return discipline, because it knows a strategic could pay a synergy premium it cannot match. Neither buyer can hold back when the other is at the table, and the founder captures the difference. A process with only one buyer type forfeits this tension; a process with both manufactures it.

The information advantage

A two-sided process also gives the founder better information, which is itself a source of leverage. Running strategics and sponsors together, a founder learns what each type genuinely values about the company, the strategic revealing which capabilities matter to its platform, the sponsor revealing how it sizes the growth and the return, and that knowledge sharpens the negotiation with both. A founder who has heard a sponsor articulate the company's standalone value can press a strategic to pay above it for the synergies; a founder who has heard a strategic describe the strategic fit can press a sponsor on the growth potential it implies. The competing bids are not just numbers; they are a stream of information about what the company is worth and to whom, and a founder running both sides captures that information as well as the price tension. A one-sided process yields neither.

Running the parallel process

Capturing the benefit requires running the process deliberately. The founder, with advisers, builds a buyer list that includes the strongest strategic candidates and the most relevant sponsors, markets to both in parallel, and keeps both engaged and competitive as long as possible, ideally to and through the final rounds. The goal is to arrive at the decision with at least one credible bidder of each type still in contention, so the final negotiation is a genuine contest rather than a bilateral discussion. This is harder than running to a single obvious buyer, and it is where the value of the reversal is realized.

> *A credible sponsor forces the strategic to pay its full synergy value; a credible strategic forces the sponsor to its return ceiling. The founder captures the difference.*

The reversal, in other words, is not only a fact to understand but a tool to use. By making sponsors and strategics genuine competitors, it has handed founders a more contested market than they have seen in years, and the founders who run a true two-sided process will capture both the price the competition produces and the freedom to choose the terms and the future that suit them best. The next section turns that into specific guidance.

07 · APPLICATION

What it means for founders

The reversal and the map translate into a clear set of moves for a founder deciding whom to sell to and how to run the process.

Abandon the old rule

Stop assuming strategics pay more. Buyer type no longer predicts price, and a founder who pursues only strategics, expecting them to bid highest, may leave the most aggressive bidder, a sponsor, out of the process entirely. Treat both buyer types as serious candidates for the highest bid until the process proves otherwise.

Use the map to target, then test it

Use the Strategic-Sponsor Map to identify which buyer is likely to value the company most, and build the buyer list accordingly. But treat the map as a hypothesis to be tested in the process, not a conclusion, especially for companies that could fit either side. Where the map is ambiguous, pursue both.

Decide what matters beyond price

Before the offers arrive, decide what the founder wants from the outcome, the highest price, a continued role, the best treatment of the team, rollover and a second bite, or a fast and certain close, and weigh those against each other. Because the two buyer types deliver very different outcomes on these dimensions, knowing the priorities in advance is what lets a founder choose well when the offers differ.

Run a genuine two-sided process

Bring both strategics and sponsors into one competitive process and keep both engaged as long as possible. The competition between the two return models is, in this cycle, the most reliable way to drive the price to its ceiling, and it also gives the founder real choice among different kinds of outcome. A bilateral process with one buyer type surrenders both the price and the choice.

Look through the headline to the full deal

When comparing a strategic and a sponsor offer, compare the full economics and the full outcome, not the headline. A sponsor's lower headline with strong rollover into a growing platform may be worth more than a strategic's higher headline that absorbs the company and the founder, or it may not. The comparison must be made deliberately, across price, structure, role, team, and certainty, with the founder's priorities as the measure.

The unifying message is that the buyer landscape has changed in the founder's favor. The reversal has made the two great buyer types genuine competitors, and a founder who abandons the old assumptions, targets with the map, decides their priorities, and runs a true two-sided process will capture a more contested market than founders have faced in years. The right buyer is no longer the one a rule of thumb names; it is the one a well-run, two-sided process reveals.

PITFALLS

Common mistakes about buyers

Founders carry a set of outdated or incomplete beliefs about buyers that lead them to run worse processes and make worse choices. Each is correctable.

Assuming strategics always pay more

The most consequential error is the one this report is built around: pursuing strategics on the assumption that they bid highest, and treating sponsors as a fallback. In the current cycle that assumption is wrong, and a founder who under-weights sponsors may exclude the most aggressive bidder from the process. Both types should be pursued as serious candidates for the top bid.

Dismissing sponsors as cost-cutters

Some founders avoid private equity, believing sponsors will load the company with debt and strip it for a quick return. This caricature misreads the modern sponsor, many of which retain founders, fund growth, and offer rollover that shares the upside. A founder who dismisses sponsors on reputation may pass up both a higher price and a better outcome for the team and the company.

Overvaluing the strategic premium

Conversely, founders sometimes assume a strategic will pay a large synergy premium simply because it is a strategic. The premium is real only where the fit is genuine and the competition forces it out; absent both, a strategic has no special reason to pay up, and may bid below a motivated sponsor. The premium must be earned in the process, not assumed from the buyer's type.

Choosing on headline alone

Because the two buyers deliver different outcomes, choosing on the headline number ignores the dimensions, rollover, role, team, certainty, that often matter as much. A founder who compares only the top-line figures may take a strategic's higher headline and forgo a sponsor's greater total value, or accept a sponsor's preserved company without noticing the strategic's cleaner exit was what they actually wanted.

Running a one-sided process

Finally, founders often run to a single obvious buyer or a single buyer type, surrendering the competition that the reversal has made so valuable. A one-sided process leaves both price and choice on the table. The whole advantage of the current market is the genuine rivalry between strategics and sponsors, and a process that engages only one type forfeits it.

The caricatures, strategics always pay more, sponsors only cut costs, cut both ways. The market rewards the founder who tests the buyers rather than assuming them.

The mistakes share a root in outdated assumptions about who buyers are and how they behave. A founder who updates those assumptions, treating both buyer types as serious, judging the premium by fit rather than label, comparing the full deal rather than the headline, and running a two-sided process, avoids the errors and captures the contested market the reversal has produced.

Outlook

Whether the reversal persists depends on the forces that produced it, and a founder timing a sale should watch them. The likeliest path keeps the two buyer types in close competition for some time.

Will sponsors keep paying up?

The sponsor aggression rests on record dry powder and the pressure to deploy it, and as long as both persist, sponsors are likely to remain forceful bidders.[2] If capital eases or financing costs rise sharply, sponsor pricing could moderate, and the old pattern of strategics leading on price could partly return. The reversal is a feature of the current cycle's capital conditions, not a permanent law, and a founder should read it as such. For now, the conditions that produced it remain largely in place.

Will strategics re-engage?

Strategics have held back selectively rather than withdrawn, and a more confident market or cheaper capital could bring them back to the top of the bidding for a broader set of assets. In sectors where strategic consolidation is intense, cybersecurity and AI in particular, strategics already lead for the assets they must own. A broad strategic re-engagement would sharpen the competition with sponsors further, which would be good for sellers regardless of which type ultimately wins.[3]

The contested market is the durable feature

The specific direction of the reversal may shift, but the deeper development, that strategics and sponsors are genuine competitors for the same assets, is likely to persist. Private equity is now too large a share of the market to be a secondary buyer, and strategics remain the natural homes for assets with real synergy. A founder should expect a contested, two-sided buyer market to be the durable condition, even as the question of which type bids highest moves with the cycle. The competition, more than the direction, is the feature to build a process around.

> *The direction of the reversal may shift with the cycle. The contested, two-sided buyer market it created is the durable feature, and the one to build a process around.*

The conclusion for a founder is to build for competition rather than bet on a buyer type. Whoever is paying more this quarter, the reliable strategy is a process that puts strategics and sponsors in genuine contention, because that competition captures the best of whichever model is most aggressive at the moment of sale. The reversal is a reminder that rules of thumb about buyers expire; the discipline of a contested process does not.

IN PRACTICE

Building a two-sided buyer list

A two-sided process is only as good as the buyer list behind it. The practice below is how a founder, with advisers, assembles a list that puts strategics and sponsors in genuine competition rather than nominal contention.

The strategic side of the list starts from the company's gaps-filled, not its competitors-named. The most valuable strategic buyer is the one for whom the company closes a real gap or denies an asset to a rival, and identifying those buyers means mapping the platforms and their needs, as the firm's companion Acquirer Index describes, rather than listing the obvious names. A short list of strategics with genuine, specific reasons to want the company is worth more than a long list of plausible logos, because only genuine fit produces a synergy premium worth competing for.

The sponsor side starts from the company's profile against active mandates. The most relevant sponsors are those with a thesis the company fits, a platform it could anchor or extend, a sector focus, a size range, and identifying them means matching the company to current sponsor activity rather than approaching private equity generically. A list built this way reaches the sponsors most likely to bid aggressively, because their existing strategy makes the company valuable to them specifically. Assembled together, the two sides produce a process in which strategics with real fit compete against sponsors with real mandates, and that is the competition that, in the current cycle, drives the best outcome a founder can achieve.

> *The strategic side starts from gaps filled, the sponsor side from mandates matched. A list built that way produces real competition, not nominal contention.*

FOR BOARDS

A note for boards and investors

The choice between strategic and sponsor buyers is not the founder's alone. Boards and investors have their own stakes in it, and their interests do not always align with one another or with the founder.

For a board, the reversal means the old default, steer toward the strategic for the highest price, is no longer reliable, and the duty to seek the best outcome now requires running a genuine two-sided process rather than assuming a buyer type. A board that pursues only strategics, or only sponsors, on outdated assumptions may fail to test the market properly. The board's role is to insist on a process that brings both types into competition and to weigh the full outcome, price, terms, certainty, and the consequences for the company, rather than the headline alone.

Investors have their own considerations, and they can diverge. A financial investor focused on its return and fund timeline may favor the highest cash price and a clean exit, while a founder may prefer a sponsor's rollover and continued role, and employees may be best served by the buyer that preserves the team. These interests can pull in different directions, and the choice between a strategic and a sponsor often surfaces them. A board that recognizes the divergence in advance, and manages it openly, reaches a better-supported decision than one that discovers the conflict only when competing offers are on the table. The reversal has made the buyer choice richer and more contested, and that makes deliberate governance of the decision more valuable, not less.

> *The reversal retires the board's old default. Seeking the best outcome now means running a genuine two-sided process and weighing the full deal, not the headline.*

CONCLUSION

Forget the rule, run the contest

The old certainty, that strategics pay more, has given way to a more useful truth: the two great buyer types are now genuine rivals, and the founder who makes them compete wins.

The reversal is real and well-documented. Sponsors, flush with capital and armed with the buy-and-build model, have been paying more than strategics in the current cycle, inverting a rule that guided founders for a generation. But the deeper lesson is not that sponsors now pay more; it is that buyer type no longer predicts price at all. Value follows fit and motivation, a strategic's synergy where the fit is precise, a sponsor's aggression where the return math and the capital align, and a founder cannot know which applies to their company without bringing both to the table.

The map in this report points to the likely higher bidder; the process confirms it. And because the two buyer types deliver very different outcomes, on the founder's role, the team, rollover, and certainty, the choice among them is about more than price. The founder who abandons the old rule, targets with the map, decides what matters beyond the headline, and runs a genuine two-sided process captures both the best price the market will pay and the outcome that best fits what they want. Forget the rule. Run the contest, and let the competition between strategics and sponsors, sharper now than in years, work for you.

Buyer type no longer predicts price. Run a contest between strategics and sponsors, and let the competition reveal who values your company most.

REFERENCE

Buyer terms, defined

The terms below recur throughout this report and across the market for company sales.

Strategic buyer	An operating company acquiring another to advance its own business through synergy.
Private equity sponsor	A financial buyer acquiring a company to generate an investor return, usually selling within several years.
Synergy premium	The amount a strategic will pay above standalone value for the synergies the target creates inside it.
Dry powder	Committed but undeployed private equity capital that must be invested.
Buy-and-build	A sponsor strategy of acquiring a platform and adding on to it before exit.
Take-private	A sponsor's acquisition of a public company, removing it from the public market.
Rollover equity	Equity a founder reinvests into the buyer's entity, common with sponsors.
Mega-buyout	A buyout of $10 billion or more; the count more than doubled in 2025.
Two-sided process	A sale process that brings strategic and sponsor buyers into direct competition.

Source: Windsor Drake. Definitions are for general orientation.

THE EARLY READ

Into 2026: the buyers cross over

The old rule that strategics outbid sponsors kept breaking down in 2026, and in a new way. Under pressure to deploy record capital and return cash, sponsors paid up for platforms; under pressure to own AI and security, strategics paid up for capability; and the line between which buyer type pays more blurred further, making the two-sided contest this report advocates more valuable than ever.

The 2026 evidence shows both buyer types behaving out of their stereotypes. Sponsors, pressed by a record exit backlog and the need to show realized returns, concentrated their now-larger deals on the durable, cash-generative software they could hold and improve, paying full prices for the right platforms even as their overall count fell. Strategics, meanwhile, dominated the value in hot categories, accounting for more than ninety percent of cybersecurity deal value, as they paid premiums for AI and security capability they could not build fast enough.

> *In 2026 sponsors paid up for platforms and strategics for capability; the high bidder depends on the asset, not the buyer type. The two-sided contest is how a founder captures it.*

Crossover, not convergence

The result is not that the two buyer types became the same, but that their willingness to pay crossed over depending on the asset. For a durable platform with compounding economics, a sponsor under deployment and DPI pressure may now be the high bidder; for a category-leading capability in AI or security, a strategic racing to complete a platform almost certainly is. Buyer type alone no longer predicts the winner; the asset, and the specific pressure each buyer is under in 2026, does.

What it means for founders

The conclusion this report draws is reinforced by the new year's data: run a process that puts both buyer types in genuine competition. A founder who assumes a strategic will pay most, or that sponsors only lowball, may leave the high bid on the table, because in 2026 either could be the premium buyer depending on the company. The map of who pays more has been redrawn, and the way to capture the redrawing is a deliberately two-sided contest.

Sources for this section: PwC, "Private capital 2026 mid-year outlook" (sponsor behavior, fewer/larger deals); SecurityWeek and FinancialContent (strategics >90% of cyber deal value); Bain 2026 private equity outlook; Windsor Drake analysis.

Methodology and sources

This report draws on published research into buyer behavior and pricing, on private equity and M&A market data, and on Windsor Drake analysis, covering 2024 through mid-2026. The central finding, that sponsors have paid more than strategics in the current cycle, is drawn from market analysis of buyer pricing; like all such findings, it describes a cycle and a sample, and the magnitude, nearly three turns of EBITDA, should be read as a directional characterization of the current market rather than a fixed or universal figure. Market-share and deal-count figures are drawn from published 2025 reviews and reflect their methodologies and definitions.

The Strategic-Sponsor Map, the buyer-balance-by-vertical assessment, and the two-sided process framework are Windsor Drake analytical tools developed to help founders target and run a sale. The vertical assignments reflect the firm's judgment from its sector research and the transaction record, and individual deals frequently depart from the typical lean. Nothing in this report is investment, legal, tax, or accounting advice.

Endnotes and sources

1. The pricing reversal (sponsors paying ~3 turns of EBITDA more than strategics; the strategic-premium assumption now unreliable): IB Interview Questions, "Current M&A Multiples Across Sectors: 2025–2026"; Bloom VP, "Dissecting the Strategic Buyer Premium."

2. Private equity scale and activity (PE ~40% of global M&A by value; mega-buyouts 6→13 from 2024 to 2025; ~$3.7T dry powder; take-privates): Bain & Company Global Private Equity Report 2026; Cherry Bekaert, "Private Equity Report: 2025 Trends and 2026 Outlook"; DealRoom, "Private Equity Statistics."

3. Strategic versus financial buyer differences and synergy: Offit Kurman, "Comparing Strategic Buyers vs. Private Equity"; Software Equity Group, "Strategic vs Financial Buyers"; INSEAD, "Strategic Buyers vs. Private Equity Buyers in an Investment Process."

ABOUT

About Windsor Drake Research

Windsor Drake is a sell-side M&A advisory firm for founders and boards of software, financial technology, artificial intelligence, and cybersecurity companies in the lower middle market.

The firm advises technology founders through the full arc of a sale, from positioning the company and building a two-sided buyer universe to running a competitive process and negotiating terms. Its research program exists to make the dynamics that decide outcomes legible to the people on the selling side, who face these transactions once or twice in a career against buyers who do them constantly.

This report is part of the Windsor Drake Research series, a set of independent studies on valuation, deal structure, process, and consolidation across the firm's sectors. Companion titles examine the most active acquirers of software companies, the structure of private deals, why deals die, the sale timeline, the cross-sector valuation premium captured by the Rule of 40, the talent-led acquisition of AI companies, the consolidation of the cybersecurity industry, and the roll-up of vertical software. The series is intended to be read by founders, boards, investors, and the journalists and analysts who cover these markets.

Contact

Windsor Drake maintains offices in Toronto and New York. Founders considering a transaction, and members of the press citing this research, can reach the firm through windsordrake.com.

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