WINDSOR DRAKE

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The Vertical SaaS Roll-Up Report

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 examines the consolidation of vertical-market software: the multiple-arbitrage engine that drives it, why vertical SaaS commands a premium, who the consolidators are, and which niches are most ripe for roll-up. It introduces the Windsor Drake Roll-Up Readiness Map, a framework for assessing whether a niche, and a company within it, is a consolidation target, and sets out the choice every vertical SaaS founder faces between becoming a platform and becoming an add-on.

CONTENTS

Contents

The quiet consolidation of vertical software 4

The market in numbers 5

01 The roll-up engine 6

02 Why vertical SaaS 7

03 The consolidators 8

How a platform gets built 10

04 The Roll-Up Readiness Map 11

05 Platform or add-on 12

The founder's two paths 14

06 What it means for founders 15

Common mistakes in a consolidating niche 17

07 The risks of the roll-up 18

08 Outlook 19

Running a sale into a roll-up 20

Capture the arbitrage, or be it 21

Roll-up terms, defined 22

Into 2026: AI tests the roll-up 23

Methodology and sources 25

About Windsor Drake Research 26

The market in numbers5
01The roll-up engine6
02Why vertical SaaS10
03The consolidators13
Spotlight: how a platform gets built16
04The Roll-Up Readiness Map19
05Platform or add-on23
Worked example: the founder's two paths26
06What it means for founders28
Common mistakes in a consolidating niche31
07The risks of the roll-up33
08Outlook33
Running a sale into a roll-up35
Conclusion37
Roll-up terms, defined36
Into 2026: AI tests the roll-up0
Methodology and sources38
About Windsor Drake Research40

OVERVIEW

The quiet consolidation of vertical software

While the headlines track the megadeals, a quieter and more systematic consolidation has been reshaping software from the bottom up. Across hundreds of narrow industry niches, dental practices, marinas, funeral homes, auto dealers, private equity firms and perpetual holders are buying small vertical-market software companies and assembling them into platforms, one tuck-in at a time.

The activity is large and growing. Vertical SaaS accounted for roughly forty-six percent of all SaaS M&A by the middle of 2025, and a single firm, Vista Equity Partners, deployed more than twelve billion dollars into vertical SaaS roll-ups through 2024.[1] Add-on acquisitions, the tuck-ins that build these platforms, now make up more than three quarters of all private equity deal activity.[2] This is not a sideshow to the consolidation of software; in deal count, it is the main event.

The engine behind it is multiple arbitrage. A consolidator buys small companies at low multiples, folds them into a platform that commands a higher multiple, and captures the difference, repeating the trade dozens of times. Vertical SaaS is the ideal raw material for this engine because it carries the high retention, switching costs, and pricing power that make software valuable, while remaining fragmented enough that small, cheap targets are plentiful. This report explains the engine, identifies the consolidators, and introduces the Windsor

Drake Roll-Up Readiness Map, a framework for judging which niches, and which companies, are consolidation targets.

> *In deal count, the roll-up of vertical software is not a sideshow to consolidation. It is the main event, built one small tuck-in at a time.*

For a founder of a vertical software company, this dynamic frames a single, consequential choice: to be a platform, the consolidator that buys, or an add-on, the company that is bought. The report ends on that choice and on how to time it. The consolidation is coming to most fragmented niches; the question for a founder is which side of it to be on, and when.

THE MARKET IN BRIEF

The market in numbers

46% Share of SaaS M&A that was vertical SaaS by mid-2025, and rising.[1]	**25–30%** Premium vertical SaaS commands over horizontal SaaS at comparable performance.[1]	**75%+** Share of private equity deal activity that is now add-on acquisitions.[2]
$12.4B Deployed by Vista Equity into vertical SaaS roll-ups through 2024.[1]	**3–6x** EBITDA multiples at which add-ons are typically bought, versus 10–15x at platform exit.[2]	**$3.7T** Global private equity dry powder entering 2026, fueling the buying.[2]

Windsor Drake view: the single most important number here is the gap between the multiple at which small companies are bought and the multiple at which the assembled platform is sold. That gap is the entire business model, and it is why a founder's company can be worth far more inside a platform than alone.

01 · THE MECHANISM

The roll-up engine

The roll-up is a machine for manufacturing value out of multiple arbitrage. Understanding the math is the first step to understanding why a founder's small company is so attractive to a consolidator, and why it may be worth more sold than held.

The mechanism is straightforward. A consolidator acquires a platform company at a moderate multiple, then buys a series of smaller add-on companies at lower multiples, because small companies are cheaper, and folds them into the platform. The combined, larger entity commands a higher multiple than any of its parts, both because scale itself earns a premium and because the platform is more complete, more diversified, and more valuable to the next buyer. After several years of buying and integrating, the consolidator sells the enlarged platform at the higher multiple. The difference between the low multiples paid for the add-ons and the high multiple realized at exit is the arbitrage, and it is captured on every tuck-in.[2]

EXHIBIT 1

The arbitrage on a single add-on

STEP	MULTIPLE	VALUE OF $1M EBITDA
Buy the add-on	~4x EBITDA	$4M
Integrate into the platform	–	(cost synergies)
Value inside the platform at exit	~10x EBITDA	$10M
Arbitrage captured	~6x	$6M

Source: Windsor Drake illustration of standard roll-up economics.[2] Illustrative multiples; actual figures vary by niche and execution.

$4M → $10M

A million dollars of EBITDA bought at ~4x is worth ~10x inside a platform at exit. The $6M gap is the engine.

The power of the engine compounds with repetition. A platform that completes twenty or thirty such tuck-ins over a holding period captures the arbitrage many times over, and layers operational improvements, cost synergies, cross-selling, and pricing, on top. The result is a return that comes substantially from financial engineering, the multiple step-up, rather than only from growing the underlying businesses. This is why add-ons now dominate private equity activity, and why the consolidators are such persistent, motivated buyers of small software companies.[2]

The compounding is what makes the model so powerful and so persistent. A platform that captures six dollars of arbitrage on every dollar of acquired EBITDA, and does so across twenty or thirty tuck-ins, generates a return that dwarfs what organic growth alone could produce in the same period, and it does so with relatively predictable, repeatable mechanics rather than the uncertainty of building new products or entering new markets. This is why consolidators can pay disciplined but real prices for small companies and still earn strong returns, and why the supply of capital chasing the model keeps growing. For the founder of a small company, it means there is a well-funded, motivated, and patient buyer whose entire business is acquiring companies like theirs, which is a meaningfully better position than relying on a single strategic acquirer that may or may not be interested.

For a founder, the engine has a direct and useful implication. A small vertical software company that is worth four times its earnings as a standalone may be worth far more to a consolidator, because the consolidator is not pricing it as a standalone; it is pricing it as an add-on that will be revalued at the platform multiple. The founder who understands this can negotiate toward a share of the arbitrage rather than accepting the standalone price, particularly where the company is a desirable, hard-to-replace piece of the platform the consolidator is building.

02 · THE RAW MATERIAL

Why vertical SaaS

The roll-up engine needs raw material with two properties at once: the durability that earns a premium, and the fragmentation that keeps targets cheap and plentiful. Vertical SaaS has both, which is why it has become the favored hunting ground for consolidators.

Vertical SaaS, software built for the specific needs of a single industry niche, commands a premium of roughly twenty-five to thirty percent over horizontal software at comparable financial performance.[1] The premium is earned by genuine economic advantages. Switching costs are high, because the software is woven into the daily operations of the business it serves and replacing it is disruptive. Churn is correspondingly low, producing the durable, predictable revenue that buyers prize. Competition is limited, because each niche is too small to attract horizontal giants, which leaves the vertical leader with pricing power. And many vertical platforms can layer embedded financial services, payments, lending, insurance, onto their software, adding a high-margin revenue stream that deepens the moat further.[1]

The fragmentation that makes it buyable

The same niche focus that creates the moat also creates fragmentation. Because each vertical is small, it tends to be served by a handful of modest, often founder-owned software companies rather than one dominant platform. That fragmentation is what makes the niche a roll-up target: there are many small, profitable, cheap companies to acquire, and assembling them into a single platform creates a leader where none existed. The combination of durable economics and a fragmented field is precisely what a consolidator looks for, and it is rare enough that vertical SaaS stands out as the ideal raw material.

> *Vertical software has the rare combination the roll-up needs: the durable economics that earn a premium, and the fragmentation that keeps targets cheap and plentiful.*

The niches this describes

The pattern is visible across a long list of industries. Software for dental and veterinary practices, for law firms and accountants, for construction and field services, for auto dealers, for restaurants and fitness studios, for property managers and marinas and funeral homes, each is a niche too small to attract a horizontal giant, served by a handful of small specialist vendors, and essential to the daily operation of the businesses that use it. These are exactly the conditions the engine needs, which is why consolidators have moved through one such niche after another, and why a founder in any of them should assume their market is, or soon will be, a roll-up target. The list is long because the structure of vertical software, many small niches each with durable economics, produces these conditions again and again.

The embedded-finance dimension deserves emphasis because it is increasingly central to the thesis. A vertical software platform that already sits at the center of a customer's operations is well placed to process the customer's payments, extend credit, or offer insurance, and these financial services can come to rival or exceed the software itself as a source of revenue and margin. Consolidators increasingly underwrite vertical SaaS roll-ups with the embedded-finance upside in mind, which raises both the multiples they will pay and the strategic value of a platform that can credibly add financial services. A founder whose software could support embedded finance holds an asset worth more to a consolidator than the software alone suggests.

03 · THE BUYERS

The consolidators

Two kinds of consolidator dominate vertical SaaS roll-ups, and they run the play differently. Knowing which is buying shapes what a founder can expect on price, structure, and what happens to the company afterward.

EXHIBIT 2

Two consolidator models

MODEL	EXAMPLES	APPROACH	HOLDING PERIOD
Perpetual holder	Constellation, Valsoft, Vitec	Buy, hold, and compound forever	Indefinite
Private equity buy-and-build	Vista, Thoma Bravo, Main Capital	Buy, improve, add on, and exit	4–7 years

Source: Windsor Drake.

The perpetual holders

The perpetual holders, Constellation Software, Valsoft, Vitec, and a growing field of imitators, acquire vertical software businesses and hold them indefinitely, funding the next acquisition from the cash flow of the last.[3] Their roll-up is not aimed at an exit; it is a compounding machine that grows by reinvesting cash into more acquisitions forever. They pay disciplined multiples, prize durable cash flow, and offer founders certainty and a permanent home. For a founder who wants their business and team to continue rather than be optimized for resale, the perpetual holder is a distinctive and attractive buyer, though rarely the highest bidder.

The private equity buy-and-build platforms

The private equity consolidators, Vista, Thoma Bravo, Main Capital, and many others, run the buy-and-build play with an exit in mind. They acquire a platform, improve its operations, add on a series of tuck-ins to capture the arbitrage and build scale, and sell the enlarged platform after several years.[1,2] They will pay more than the holders for a strong platform asset, often offer rollover equity that lets a founder share in the eventual exit, and bring operational resources to grow the business. The trade-off is that the company will be optimized for resale and sold again, a different proposition from the holder's permanence.

The choice between the two models matters for a founder on both sides of the roll-up. A founder selling into a roll-up should understand which model is buying, because it determines the structure, the likely price, and the company's future. A founder considering becoming a platform, the consolidator rather than the target, is effectively choosing to run one of these models themselves, with the capital and discipline that requires. The next sections turn to which niches support a roll-up at all, and to that platform-or-add-on choice.

SPOTLIGHT

How a platform gets built

The mechanism is easiest to see in motion. The illustrative sequence below traces how a consolidator assembles a vertical platform over a holding period, and where the value comes from at each step.

Consider a fragmented niche, software for a specific category of small business, served by a dozen modest, founder-owned vendors, none larger than a few million dollars in revenue. A consolidator identifies the niche as ready: fragmented, sticky, mission-critical, with room for embedded payments. It begins by acquiring the strongest of the vendors as a platform, paying a moderate multiple for a company with a good product and a capable team, and installs the leadership and systems that will absorb future acquisitions.

Over the next several years, the consolidator buys add-ons. Each is a smaller competitor or an adjacent product, bought at a lower multiple than the platform because it is smaller and has fewer options, and each is integrated onto the platform's systems, its costs trimmed, its customers cross-sold the platform's other products, and, increasingly, its payments routed through the platform's embedded-finance layer. The platform grows from a few million in revenue to many times that, not by building from scratch but by assembling and improving what already existed in the niche.

EXHIBIT 3

An illustrative platform, assembled over a hold period

STAGE	ACTION	EFFECT
Year 1	Acquire the platform company	Anchor at a moderate multiple
Years 1–4	Acquire and integrate add-ons	Arbitrage plus cost and cross-sell synergies
Throughout	Add embedded payments and services	Higher-margin revenue, deeper moat
Year 5+	Sell the enlarged platform	Exit at the platform multiple

Source: Windsor Drake illustration of a typical buy-and-build sequence. Stylized, not a specific deal.

At the end of the holding period, the consolidator sells the enlarged platform, now the clear leader of its niche, at a multiple well above what it paid for any individual piece. The return comes from three layers stacked together: the arbitrage between the low add-on multiples and the high platform multiple, the operational improvements made along the way, and the embedded-finance revenue layered onto the software. A founder who sold their company early in this sequence received a price; a founder who held and became the platform captured the whole stack.[1,2]

The platform's return comes in three layers: the multiple arbitrage, the operational gains, and the embedded finance. The founder who becomes the platform captures all three.

The sequence also shows why timing matters so much for a seller. The vendors acquired as the platform anchor, or as the first contested add-ons, command the best prices, because the consolidator needs them and competes for them. The vendors acquired late, once the platform is largely built, are marginal tuck-ins bought cheaply because they have nowhere else to go. The same company can be a prized early acquisition or a cheap late one depending only on when in this sequence it sells, which is the timing lesson the readiness map and the founder guidance build on.

04 · THE FRAMEWORK

The Roll-Up Readiness Map

Not every vertical supports a roll-up. The Roll-Up Readiness Map scores a niche on the five conditions that determine whether it can be consolidated profitably, and gives a founder a way to judge whether their niche is a target, and how far along the consolidation already is.

EXHIBIT 4

The five conditions of roll-up readiness

CONDITION	WHAT HIGH READINESS LOOKS LIKE	WHY IT MATTERS
Fragmentation	Many small, founder-owned vendors; no dominant platform	Provides cheap, plentiful targets
Recurring revenue	High retention, predictable subscription revenue	Earns the platform multiple at exit
Mission-criticality	Software embedded in daily operations; high switching costs	Durable revenue and pricing power
Embedded-finance potential	Ability to add payments, lending, or insurance	Adds high-margin revenue and moat
Consolidator interest	Active holders or sponsors already buying in the niche	Confirms a buyer pool and competition

Source: Windsor Drake Roll-Up Readiness Map. A niche scoring high on most conditions is a strong consolidation target.

The five conditions work together. Fragmentation without recurring revenue produces cheap targets that are not worth assembling; durable economics without fragmentation leave nothing cheap to buy. The niches that consolidate fastest are the ones that score high on all five: a fragmented field of small, sticky, mission-critical software vendors, with embedded-finance upside and consolidators already circling. A founder can locate their niche on these five axes to judge both whether a roll-up is likely and how much competition for assets, and therefore how much arbitrage to share, a seller can command.

EXHIBIT 5

Illustrative vertical niches by roll-up readiness

VERTICAL NICHE	READINESS	STATE OF CONSOLIDATION
Dental, veterinary, healthcare practice software	Very high	Active, advanced
Field services (HVAC, plumbing, landscaping)	Very high	Active
Legal, accounting, professional services	High	Active
Construction and real estate software	High	Active
Auto dealers, repair, dealerships	High	Active
Hospitality, restaurants, fitness, wellness	High	Active
Niche operations (marinas, funeral homes, clubs)	Moderate–high	Emerging
Agriculture, education, childcare software	Moderate	Emerging

Source: Windsor Drake assessment using the Readiness Map. Illustrative, not exhaustive; readiness and consolidation state vary by region and over time.

The map carries a timing lesson as well as a screening one. A niche in the early stages of consolidation offers a founder more options and more leverage: there are multiple consolidators competing for a still-plentiful field of targets, and a well-positioned company can command a strong price or even choose to become the platform itself. A niche in the advanced stages offers fewer: the leading platforms are largely assembled, the remaining targets are later and less contested, and a seller is more likely to be a minor add-on at a modest price. Reading where a niche sits on the consolidation curve is as important as reading whether it will consolidate at all.

05 · THE CHOICE

Platform or add-on

Every founder in a consolidating niche faces one strategic choice: to be the platform that buys, or the add-on that is bought. The right answer depends on the company, the capital available, and the founder's ambition, and getting it right is the difference between capturing the arbitrage and being the arbitrage.

EXHIBIT 6

Platform versus add-on

DIMENSION	PLATFORM	ADD-ON
Role	Acquires and consolidates the niche	Is acquired into a platform
Requires	Scale, capital, leadership, breadth	A focused, durable, well-run product
Captures	The multiple arbitrage	A share of it, if negotiated well
Risk	Execution, integration, leverage	Being a late, low-value tuck-in

Source: Windsor Drake.

Becoming the platform

The founder who chooses to be the platform commits to becoming a consolidator: raising or partnering for capital, acquiring competitors and adjacent products, and building the scale and breadth that earn the platform multiple. The reward is the arbitrage itself, the value created by assembling the niche, captured by the founder rather than a sponsor. The requirements are demanding: capital, the appetite and skill to acquire and integrate, and usually a partnership with a private equity backer or a perpetual holder to fund the buying. For a founder with the ambition and a strong position in a fragmented niche, becoming the platform is the path to the largest outcome, and the one that keeps the founder in control of the consolidation.

Becoming the add-on

The founder who chooses to be the add-on sells into someone else's platform, and the goal is to do so at the right time and for a share of the arbitrage. The strongest add-on is a focused, durable, well-run company that a consolidator needs to complete its platform, and the strongest time to sell is while the niche is still contested and the company is an early, valuable piece rather than a late, marginal one. A well-advised add-on sale can command far more than the company's standalone multiple, because the consolidator is pricing the company as part of the platform it is building. The risk is selling late or selling generically, as one of many similar tuck-ins, when the arbitrage accrues entirely to the buyer.

Capture the arbitrage, or be the arbitrage. Every founder in a consolidating niche is choosing one or the other, whether they realize it or not.

The choice is not always binary or permanent. A founder can build toward platform scale with the option to sell if a compelling offer arrives, or can sell as an add-on with rollover equity that provides a share of the platform's eventual upside, a hybrid that captures some of the arbitrage without the full burden of running the consolidation. What a founder should not do is drift, neither building toward platform scale nor positioning deliberately as a desirable early add-on, because drift leads to the worst outcome: selling late, generically, and cheaply into a niche someone else has consolidated.

WORKED EXAMPLE

The founder's two paths

The platform-or-add-on choice is easiest to weigh with numbers. Consider a founder whose vertical software company generates two million dollars of EBITDA in a fragmented, high-readiness niche, and trace the two paths.

Path one: sell early as an add-on. The niche is consolidating, and a platform wants the company as an early, contested acquisition. As a standalone, the company might fetch a modest multiple, but because the consolidator is pricing it as a piece of the platform it is building, and because the process is competitive, the founder negotiates a price well above standalone value, plus an option to roll a portion of equity into the platform. The founder exits now, with certainty, at a strong price for a company of this size, and retains a small share of the platform's eventual upside through the rollover.

Path two: become the platform. Instead of selling, the founder partners with a private equity backer and becomes the consolidator. Over five years, the company acquires a series of competitors at low multiples, integrates them, adds embedded payments, and grows from two million of EBITDA to, say, fifteen or twenty million as the niche leader. At exit, the enlarged platform sells at a substantially higher multiple than the founder's original company would ever have commanded alone, and the founder, having retained meaningful equity through the build, captures a multiple of the path-one outcome, having taken on the execution risk to get there.

EXHIBIT 7

Two paths for a $2M EBITDA vertical software company

PATH	WHAT HAPPENS	OUTCOME FOR THE FOUNDER
Sell early as an add-on	Contested sale into a platform, with rollover	Strong price now, certainty, small share of upside
Become the platform	Partner, consolidate the niche, exit at scale in 5+ years	Much larger outcome, with execution risk and a longer horizon
Drift (the path to avoid)	Neither builds nor sells early; sells late	A cheap, generic, late tuck-in; minimal arbitrage

Source: Windsor Drake illustration. Outcomes are directional and depend on niche, execution, and market conditions.

Neither of the first two paths is wrong. Selling early suits a founder who values certainty and a clean exit; becoming the platform suits one with the ambition, appetite for risk, and access to capital to lead the consolidation. The numbers favor the platform path in expected value, but only for a founder able to execute it, and the certainty of the early sale is worth a great deal to one who is not. The path that is always wrong is the third, drift, which forfeits both the certainty of the early sale and the upside of the platform and leaves the founder as a late, cheap tuck-in. The choice is real, the stakes are large, and it should be made deliberately and early.

06 · APPLICATION

What it means for founders

The roll-up dynamic gives a vertical SaaS founder a clear set of moves. The guidance below follows from the engine, the readiness map, and the platform-or-add-on choice.

Locate your niche on the curve

Use the Readiness Map to judge whether your niche will consolidate and how far along it is. A high-readiness niche in early consolidation offers the most options and leverage; an advanced one demands faster action. The position on the curve should drive the timing and the strategy, and it is the first thing to assess.

Decide platform or add-on, deliberately

Choose the role rather than drifting into it. If the company has the scale, capital access, and ambition to consolidate, build toward being the platform and capture the arbitrage. If it is a focused niche product, position deliberately as a desirable early add-on. Both are good outcomes; drift is the bad one.

Sell as an early add-on, not a late one

If the path is to sell, timing is decisive. An early, contested add-on in a still-fragmented niche commands competition and a share of the arbitrage; a late add-on into a largely assembled platform is a price taker. The window to sell well opens when consolidators begin circling and closes as the platforms fill out, and a founder should aim to transact while the niche is still contested.

Build the traits consolidators pay for

Whether selling or buying, the company is worth more if it has the traits the engine rewards: high retention and recurring revenue, mission-critical positioning, a clean and integrable product, and credible embedded-finance potential. These raise both the price as an add-on and the platform multiple if the founder consolidates, and they are built well before any transaction.

Negotiate for a share of the arbitrage

A founder selling into a roll-up should not accept the standalone multiple when the company will be revalued at the platform multiple. Where the company is a desirable, hard-to-replace piece, the founder has leverage to negotiate a price above standalone value, or rollover equity that captures part of the platform's eventual exit. The arbitrage is large; a well-advised seller claims a share of it rather than handing all of it to the buyer.

WORKSHEET

Five questions before you choose

QUESTION	WHAT THE ANSWER POINTS TO
Is my niche fragmented and consolidating?	If yes, the roll-up dynamic applies and the clock is running.
How far along is the consolidation?	Early means options and leverage; late means act fast or expect less.
Do I have the ambition and capital to lead it?	If yes, the platform path is open; if not, position as an early add-on.
Is my company a must-have early piece?	If yes, a contested sale can command a share of the arbitrage.
Can my software support embedded finance and AI?	If yes, the company is worth more to a consolidator than the software alone.

Source: Windsor Drake. Use with the Roll-Up Readiness Map in Section 04.

The unifying message is that the roll-up is a known, mechanical process, and a founder who understands it can position deliberately within it, choosing the role, timing the move, building the traits, and claiming a share of the value the consolidation creates, rather than being swept up as a generic, late, cheap tuck-in. The consolidation will reach most fragmented niches. The founders who do best are the ones who decide in advance how they want to meet it.

PITFALLS

Common mistakes in a consolidating niche

Founders in roll-up niches make a handful of recurring errors, each of which forfeits value the consolidation was creating. All are avoidable with awareness and timing.

Waiting too long to sell

The most expensive mistake is selling late. A founder who watches the consolidators acquire competitor after competitor, assuming their turn will come at the same prices, often finds that by the time they engage, the platforms are largely built and their company is a marginal tuck-in bought cheaply. The best prices go to early, contested acquisitions, and the window narrows as the niche consolidates. Waiting for a higher offer in a consolidating niche frequently produces a lower one.

Accepting the standalone multiple

Founders who do not understand the arbitrage accept a price based on their company's standalone value, handing the entire multiple step-up to the buyer. The company is worth more to the consolidator than as a standalone, and a founder who recognizes this can negotiate a price above standalone value or rollover that captures part of the platform's upside. Accepting the standalone number leaves the arbitrage on the table.

Selling generically instead of strategically

A founder who runs no process and sells to the first inbound consolidator forgoes the competition that lifts price. Even in a roll-up, multiple consolidators are often building competing platforms in the same niche, and putting them in competition, or adding a perpetual holder against a sponsor, can materially improve both price and terms. A bilateral sale to a single disciplined buyer almost always clears low.

Neglecting the traits that earn the premium

Founders sometimes run the business for short-term profit ahead of a sale in ways that erode the very traits, retention, recurring revenue, clean architecture, that make the company valuable to a consolidator. A platform pays for durable, integrable, sticky revenue, and a company optimized superficially for a sale while weakening its fundamentals will be diligenced and discounted. The premium is earned by building the right business, not by dressing one up.

In a consolidating niche, waiting for a better offer usually produces a worse one. The best prices go to early, contested acquisitions, not patient late ones.

The thread through these mistakes is passivity: treating the roll-up as something that happens to the company rather than something the founder can position within. The consolidation is mechanical and predictable, and a founder who engages it deliberately, selling early and competitively, claiming a share of the arbitrage, and building the traits consolidators pay for, captures value that a passive founder watches flow to the buyer.

07 · THE OTHER SIDE

The risks of the roll-up

The roll-up engine is powerful but not foolproof, and its risks matter to founders on both sides. A seller should understand where roll-ups fail, because a failing platform is a poor home and a risky source of contingent consideration.

Integration debt

The most common failure is integration that never happens. A platform that buys quickly but integrates slowly accumulates a collection of separate products, teams, and systems that were promised to become one and did not, and the platform multiple it counts on at exit depends on an integration it has not achieved. For a founder who has rolled equity into such a platform, or whose earnout depends on it, integration debt is a direct risk to realized value.

Leverage and multiple compression

Roll-ups are often funded with debt, and the arbitrage assumes the platform sells at a higher multiple than was paid. Both assumptions can fail. Rising rates raise the cost of the debt that funds the buying, and a softening market can compress the exit multiple toward the entry multiple, collapsing the arbitrage the whole model depends on.[2] A founder evaluating rollover into a platform should understand its leverage and the multiple assumptions underpinning its plan.

Buying revenue instead of building it

A roll-up can flatter its growth by acquisition while the underlying businesses stagnate, and a platform whose growth is entirely bought rather than organic is more fragile than its headline numbers suggest. Acquirers and the eventual exit buyer discount bought growth relative to organic growth, which can cap the platform multiple the consolidator is counting on. For a seller, this is a reason to assess whether a platform is genuinely building value or merely assembling it.

> *A failing roll-up is a poor home and a risky source of contingent pay. A founder rolling equity into a platform is underwriting its execution, not just its thesis.*

What it means for a seller

These risks translate into practical caution for a founder selling into a roll-up. Cash at close is insulated from the platform's execution; rollover and earnouts are not. A founder who takes significant rollover is, in effect, investing in the consolidator's ability to execute the roll-up, and should diligence the platform, its integration track record, its leverage, and its growth quality, as carefully as the consolidator diligences the founder's company. The arbitrage is real, but capturing a share of it through rollover means sharing the execution risk, and that risk should be understood and priced.

08 · OUTLOOK

Outlook

The conditions driving vertical SaaS roll-ups are intensifying, and the consolidation is likely to spread to more niches and deepen in those already active.

More capital, more niches

With record private equity dry powder and a proven, repeatable model, consolidators have both the means and the motive to keep buying, and the share of M&A flowing to vertical SaaS roll-ups is likely to rise further.[1,2] As the most consolidated niches fill out, capital will move to the next tier of fragmented verticals, bringing the engine to niches that have so far escaped it. For founders in those emerging niches, the window of options and leverage that early consolidation provides is opening.

Embedded finance raises the stakes

The embedded-finance opportunity is increasingly central to how consolidators value vertical platforms, and it is likely to raise both the multiples paid and the strategic intensity of the buying. Platforms that can layer payments and other financial services onto their software are worth materially more, and consolidators will compete harder for the vertical leaders best positioned to do so.[1] A founder whose software can support embedded finance sits in an increasingly valuable position.

The supply of consolidators keeps growing

Just as important as the capital is the growing number of consolidators deploying it. The perpetual-holder model that Constellation Software pioneered has been adopted by a widening field of newer holders, in North America and especially in Europe, and private equity firms continue to launch vertical-software platforms across new niches.[3] Each new consolidator adds a standing bid to a niche, which is good for sellers: more competition for assets means a better chance of a contested process and a share of the arbitrage. For a founder, the practical effect is that the buyer pool in a consolidating niche is wider and deeper than it appears, and a process that reaches the full set of active and emerging consolidators, rather than the one obvious acquirer, is the one most likely to capture value.

AI reshapes the targets

Artificial intelligence is beginning to change what a valuable vertical software company looks like, favoring those that embed AI into the workflows they own and raising questions about those that do not. Consolidators will increasingly assess targets on their ability to deploy AI within the niche, and over time this will reshape which companies command the premium. A founder building durable AI capability into a vertical product is building toward the traits the next phase of consolidation will reward.

The engine is moving to the next tier of fragmented niches, and embedded finance and AI are raising what the best vertical companies are worth. The window is opening where it has not already closed.

The conclusion for founders is to act on the position their niche is in. Where consolidation is advanced, move deliberately and soon. Where it is emerging, decide whether to lead it or to position as an early, valuable add-on, and build the traits, recurring revenue, mission-criticality, embedded-finance and AI potential, that the consolidators reward. The roll-up of vertical software is one of the most durable dynamics in the market, and the founders who understand it will meet it on their own terms.

PROCESS

Running a sale into a roll-up

A founder who has decided to sell as an add-on still has to run the sale well, and a roll-up sale has features that differ from a conventional one. A few principles make the difference between a contested premium and a quiet, cheap tuck-in.

The first principle is to map the consolidators before approaching any of them. In a consolidating niche there is rarely a single buyer; there are competing platforms, perpetual holders, and sponsors building portfolios, and the strongest process reaches the full set rather than responding to the first inbound. Knowing which consolidators are active, which gaps each is trying to fill, and which would value the company most is the foundation of a competitive process, and it is work best done well before the company is ready to sell.

The second principle is to frame the company as the piece the platform needs. A consolidator pays the premium for an add-on that completes or strengthens its platform, not for a generic competitor, and a founder should position the company around what makes it valuable to the specific platforms being approached: a strong position in a sub-niche, a clean and integrable product, a desirable customer base, or embedded-finance potential. The framing determines whether the company is priced as a must-have or a nice-to-have.

The third principle is to negotiate structure as deliberately as price, the theme of the firm's companion report on deal structure. Roll-up sales frequently involve rollover equity and earnouts, and the terms of those components, the quality of the platform behind the rollover, the protections on the earnout, decide how much of the headline a founder actually realizes. A roll-up sale evaluated on headline alone is a roll-up sale poorly run.

In a roll-up niche there is rarely one buyer. The founder who maps the consolidators and makes them compete turns a quiet tuck-in into a contested premium.

Run this way, with a mapped buyer pool, a sharp strategic framing, and disciplined attention to structure, a sale into a roll-up captures a real share of the value the consolidation creates. Run passively, as a response to a single inbound at a standalone price, it hands that value to the buyer. The roll-up is a competitive market dressed as a quiet one, and a founder who treats it competitively is rewarded accordingly.

CONCLUSION

Capture the arbitrage, or be it

The roll-up of vertical software is a quiet, mechanical, and relentless process, and it is reshaping the market for small software companies from the bottom up. For the founder of such a company, it is not a distant trend; it is the most likely shape of their eventual exit.

The engine is simple and powerful: buy small and cheap, assemble into a platform, and sell large and dear, capturing the multiple arbitrage on every tuck-in. Vertical SaaS is the ideal fuel because it pairs durable, sticky economics with a fragmented field of small targets, and the embedded-finance and AI opportunities are raising the value of the best platforms further. Consolidators, both perpetual holders and private equity buy-and-build platforms, are sitting on record capital and bringing the engine to one fragmented niche after another.

The choice this leaves a founder is the one the report returns to: capture the arbitrage by becoming the platform, or claim a share of it by selling deliberately as an early, valuable add-on. Either is a good outcome, reached on purpose. The poor outcome is drift, ending up a late, generic, cheap tuck-in in a niche someone else consolidated, handing the entire arbitrage to a buyer who saw the dynamic the founder did not. The consolidation is coming. The founders who understand the engine decide which side of it to be on, and meet it with a plan rather than a surprise.

> *The consolidation will reach your niche. The only question is whether you meet it as the platform, as a well-chosen add-on, or as a surprise.*

REFERENCE

Roll-up terms, defined

The terms below recur throughout this report and across the market for vertical software consolidation.

Roll-up	The strategy of acquiring many small companies in a niche and combining them into a larger platform.
Multiple arbitrage	Buying companies at low valuation multiples and realizing value at a higher multiple inside a larger platform.
Platform	The anchor company a consolidator builds around and adds to.
Add-on (tuck-in)	A smaller company acquired and folded into a platform.
Vertical SaaS	Software built for a single industry niche, with high switching costs and low churn.
Embedded finance	Financial services, payments, lending, insurance, layered onto vertical software.
Buy-and-build	The private equity strategy of acquiring a platform and growing it through add-ons before exit.
Perpetual holder	A consolidator that holds acquired businesses indefinitely rather than selling.
Roll-Up Readiness	Windsor Drake's measure of whether a niche can be consolidated profitably, across five conditions.

Source: Windsor Drake. Definitions are for general orientation.

THE EARLY READ

Into 2026: AI tests the roll-up

The vertical-software roll-up entered 2026 as one of private equity's most reliable machines, and met its first real test of the cycle: an AI wave that simultaneously threatens the durability of legacy vertical applications and hands the disciplined consolidator a powerful new value-creation lever.

The buy-and-build engine kept running into 2026, with private equity continuing to assemble vertical-software platforms out of niche applications, but it ran into a sharper question about which verticals compound and which erode. Investors openly reassessed the durability of legacy software against AI-native competition in early 2026, and the sub-segments judged most defensible, those where workflow depth, proprietary data, and switching costs insulate the incumbent, drew the strongest interest and the firmest multiples.

The roll-up machine kept running into 2026, but AI repriced its inputs: durable, data-rich verticals command the premium, and a credible AI roadmap now separates the winning consolidators.

AI as lever, not only threat

For the operator running a roll-up, AI is now both risk and opportunity. The risk is that an AI-native entrant collapses the cost of replicating a vertical application's core function; the opportunity is that AI lets a consolidator extract far more from an acquired base, automating service, deepening product, and lifting margins across a platform faster than before. The roll-ups winning in 2026 are those pairing the familiar multiple-arbitrage with a credible AI roadmap, turning the same acquired revenue into a more defensible and more profitable whole.

What it means for founders

For a founder of a vertical-software company weighing whether to be a platform or an add-on, the AI test sharpens the choice. A company with deep workflow ownership and proprietary data is a more valuable add-on than ever, because it gives a consolidator exactly the defensible base AI rewards; a company whose function an AI-native tool could replicate faces a narrowing window. The roll-up arbitrage this report describes is intact in 2026, but the premium within it has tilted decisively toward durability, and a founder's task is to demonstrate which side of that line the company sits on.

Sources for this section: PwC and Bain & Company 2026 private equity outlooks (buy-and-build, legacy-software durability reassessed); Alvarez & Marsal, “Software and tech private equity 2026”; Windsor Drake analysis of vertical-software consolidation.

Methodology and sources

This report draws on public data on software M&A and private equity activity, industry studies of vertical SaaS and roll-up economics, and Windsor Drake analysis, covering 2024 through mid-2026. Aggregate figures, such as the vertical SaaS share of M&A, the add-on share of private equity activity, and dry powder, are drawn from published industry sources and reflect their methodologies; different trackers measure these differently, and the figures should be read as directional. Roll-up economics, including the entry and exit multiples used in the worked example, are illustrative of typical patterns and vary widely by niche, scale, and execution; the worked example is built on round numbers to demonstrate the mechanism, not as a benchmark for any specific deal.

The Roll-Up Readiness Map and the platform-or-add-on framework are Windsor Drake analytical tools developed to help founders assess their position. The readiness scores and consolidation states assigned to specific niches in Exhibit 4 are the firm's judgments, intended to illustrate the framework, and they vary by region and change over time. Nothing in this report is investment, legal, tax, or accounting advice.

Endnotes and sources

1. Vertical SaaS share and premium (46% of SaaS M&A vertical by mid-2025; Vista ~$12.4B into vertical SaaS roll-ups through 2024; 25–30% premium over horizontal; embedded finance): SaaS Magazine, "SaaS Consolidation Wave: 2026 M&A Trends and Data."
2. Roll-up economics and private equity activity (platform 6–10x, add-on 3–6x, exit 10–15x; add-ons 75%+ of PE deal activity; ~$3.7T dry powder; multiple arbitrage): CT Acquisitions, "What Is a PE Roll-Up?"; GF Data; Bain & Company Global Private Equity Report 2026; "Multiples Arbitrage in U.S. Private Equity."
3. Perpetual holders of vertical-market software (Constellation Software, Valsoft, Vitec): Tracxn; Quartr; SaaSRise, "The SaaS M&A Report 2025."
4. EBITDA multiples by size and industry (size premium; H1 2025 platform and add-on multiples): GF Data; Praxis Rock, "Average EBITDA Multiples by Industry."

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 the 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. Each report is built from public sources and the firm's transaction experience, and is written to be useful before a process begins, when the decisions that determine price are still open.

This report is part of the Windsor Drake Research series, a set of independent studies on valuation, deal structure, and consolidation across the firm's sectors. Companion titles examine the most active acquirers of software companies, the structure of private deals, the cross-sector valuation premium captured by the Rule of 40, the talent-led acquisition of AI companies, and the consolidation of the cybersecurity industry. 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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