WINDSOR DRAKE

WINDSOR DRAKE RESEARCH · 2026

The State of Software M&A

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.

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About this report

This is Windsor Drake's annual review of mergers and acquisitions across software and its adjacent technology markets: the scale of activity, the defining deals, the breakdown by vertical and buyer type, the valuation backdrop, and the outlook for the year ahead. It is intended as a reference for founders, boards, investors, and the journalists and analysts who cover technology dealmaking.

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OVERVIEW

The year technology M&A came back

After a subdued stretch, technology dealmaking rebounded forcefully in 2025. Global M&A reached one of the highest totals on record, technology led the recovery, and a single theme, artificial intelligence, ran through the largest deals of the year. This report sets out what happened, where, and what it means for the year ahead.

The headline numbers are striking. Global M&A value rose roughly forty percent to about $4.8 trillion in 2025, the second-highest annual total ever recorded, and technology M&A increased about sixty-six percent to approximately $1.08 trillion, driven by AI, data infrastructure, and cybersecurity.[1,2] Software M&A set a record by deal count, with more than 2,500 transactions, even as the overall market saw deal count fall and deal sizes rise, producing a record number of transactions above ten billion dollars.[2,3] The rebound was real, concentrated in the largest deals, and unmistakably shaped by AI.

This is Windsor Drake's annual review of that market. It sizes the activity, ranks the defining deals, breaks the year down by vertical and by buyer type, sets out the valuation backdrop, examines what it all means for the lower middle market where most founders transact, and gives the firm's base case for the year ahead. The throughline is that 2025 was a rebound led by scale and by AI, and that 2026 is carrying the momentum forward into a market that is busy at the top, selective beneath it, and still defined by the same forces of consolidation and artificial intelligence.

> *The rebound was real, concentrated in the largest deals, and unmistakably shaped by AI, which ran through nearly half of the year's big strategic technology deals.*

For founders, the year's lesson is one of a two-speed market. At the top, megadeals returned in force, with buyers willing to pay up for scale, AI capability, and category leadership. Beneath, the lower middle market remained active but discerning, with serial acquirers and disciplined sponsors driving steady volume rather than headline prices. Understanding which speed a given company is selling into, and how the year's forces apply to it, is what this review is built to support.

FINDINGS

At a glance

$4.8T Global M&A value in 2025, up roughly 40% and the second-highest annual total on record.[1]	**$1.08T** Technology M&A value in 2025, up about 66%, led by AI, data infrastructure, and cyber.[2]
2,500+ Software and SaaS transactions in 2025, a record by deal count.[3]	**58 / 42** Private equity versus strategic share of software M&A by deal count.[3]
$32B Google's acquisition of Wiz, the largest technology deal of the year.[2]	**~half** Of strategic technology deal value above $500M involved AI-native companies or cited AI benefits.[2]
Record Number of $10B+ deals, as deal count fell but deal sizes rose.[1]	**~5x** Median public software EV/revenue, the valuation backdrop for the year.[4]
57% Of technology dealmakers expect deal count to rise over the next twelve months.[2]	**AI • Cyber** The subsectors dealmakers cite as the best opportunities for 2026, with enterprise software close behind.[2]

Windsor Drake view: 2025 was a rebound of scale and AI. The market is busiest where the largest buyers compete for AI and security capability, and steady but selective in the lower middle market beneath.

The market in 2025

2025 was a rebound year, but an uneven one. The recovery was concentrated in large deals and in a few hot themes, and understanding its shape matters more than its headline size.

The aggregate numbers describe a strong recovery. Global M&A rose about forty percent to roughly $4.8 trillion, the second-highest total on record, and technology led the way, up about sixty-six percent to around $1.08 trillion.[1,2] But the recovery's character is in the detail: overall deal count fell even as value rose, meaning the rebound came from larger deals rather than more of them, and a record number of transactions exceeded ten billion dollars.[1] The year was defined by scale, big buyers doing big deals, more than by breadth.

What drove the rebound

Three forces powered the recovery. The first and largest was artificial intelligence: AI was the single most important catalyst for the year's megadeals, with roughly a quarter of deals valued at five billion dollars or more carrying an AI theme, spanning AI capability, data infrastructure, and the power and compute that support it.[2] The second was the return of large-scale activity in cybersecurity, where consolidation ran hard. The third was private equity, flush with capital and pressed to deploy, returning as an aggressive participant across the market.[1,2] Together these forces concentrated the rebound in AI, security, and sponsor-led deals.

> *The rebound came from larger deals, not more of them. 2025 was a year of scale, big buyers doing big deals, set against a falling overall deal count.*

The two-speed market

The result was a two-speed market that persists into 2026. At the top, megadeals returned, buyers competed for AI and security capability, and prices for the most-wanted assets ran high. Beneath, in the broad middle market where most companies transact, activity was steady but selective, driven by serial acquirers and disciplined sponsors rather than by record prices. The same year was a boom at the top and a careful, discerning market below, and a founder's experience of 2025 depended entirely on which speed their company was selling into.

Why count fell while value rose

The divergence between falling deal count and rising value is worth dwelling on, because it tells a founder what kind of market this was. Value rose because a relatively small number of very large deals, the AI and security megadeals, carried enormous price tags, while count fell because the broad market remained more cautious and selective than a pure boom would produce. The average deal got bigger, the number of deals got smaller, and the value concentrated at the top. This is the signature of a disciplined recovery led by strategic conviction and abundant capital at the high end, not a broad, frothy, everyone-transacting boom. For a founder, it means the headline value figure overstates how easy it was for a typical company to sell, because so much of that value sat in a handful of giant deals.

This two-speed character is the most important fact of the year for a founder to internalize. The headline rebound is real, but it does not mean every company sells easily or at a premium; it means the largest, most-wanted assets command intense competition while the rest navigate a market that is active but demanding. The sections that follow break this down, by the defining deals, by vertical, by buyer, and by valuation, to show where in the two-speed market a given company actually sits.

CONTEXT

The rebound in context

A record-adjacent year reads differently against the cycle that preceded it. Placing 2025 next to the 2021 peak and the lean years that followed shows what kind of recovery this was, and what it was not.

The cycle's recent arc runs from boom to correction to rebound. The years to 2021 produced a frenzy of dealmaking at peak valuations, much of it priced for growth at almost any cost, which set the prior record for global M&A. The correction that followed, driven by higher financing costs and valuation uncertainty, saw activity fall sharply and stay subdued, as buyers turned cautious and the gap between seller expectations and buyer discipline froze many deals. 2025 was the rebound from that trough: global M&A rose roughly forty percent to near-record levels, but on a different basis than 2021, led by disciplined, strategic, scale-driven deals rather than indiscriminate growth bets.[1]

A healthier rebound than the last boom

The character of the recovery matters as much as its size. Where 2021 was a broad, exuberant boom, 2025 was a narrower, more disciplined one, concentrated in the largest deals and the strongest themes, with buyers paying up for AI, security, and scale rather than for growth alone. Deal count fell even as value rose, the opposite of a frothy, everyone-transacting market, and valuations outside the hottest themes stayed grounded, with public software around five times revenue rather than the peak multiples of the prior cycle.[1,4] This was a rebound built on strategic conviction and abundant capital, not on speculative excess, which makes it more durable than the boom it followed.

2025 was a narrower, more disciplined boom than 2021, led by strategic, scale-driven deals rather than indiscriminate growth bets. A healthier rebound than the last one.

For a founder, the context tempers the headline. A near-record year sounds like a seller's market everywhere, but the disciplined character of the rebound means the exuberance is concentrated, intense for AI, security, and category leaders, measured for everyone else. This is not the 2021 environment in which almost anything sold at a premium; it is a more selective recovery that rewards quality and strategic relevance. Reading 2025 against the cycle is what keeps a founder from mistaking a disciplined rebound for an indiscriminate boom.

02 · THE RECORD

The defining deals

The year's largest transactions tell its story: a rebound led by cloud, security, AI, and infrastructure, with a handful of megadeals setting the tone for the whole market.

EXHIBIT 1

Defining technology transactions, 2024–2025

#	TARGET	ACQUIRER	VALUE	THEME
1	**Wiz**	Google	$32B	Cloud / AI security
2	**Splunk**	Cisco	$28B	Data / security analytics (closed 2024)
3	**CyberArk**	Palo Alto Networks	~$25B	Identity security
4	**Juniper Networks**	HPE	$13.4B	Networking / AI infrastructure
5	**SolarWinds**	Turn/River Capital	$4.4B	IT management (take-private)
6	**WNS**	Capgemini	$3.3B	AI-enabled services
7	**Sana**	Workday	$1.1B	Applied AI

Source: WWT, CIO, IMAA, and company disclosures, 2024–2025.[2,5] Values are announced figures; Splunk closed in 2024 and is shown for context.

Two patterns run through the league table. The first is the dominance of security and infrastructure: the largest deals of the period, Wiz, Splunk, CyberArk, Juniper, were about owning the layers, cloud security, identity, data, networking, through which AI and modern enterprise computing run. The second is the pervasiveness of AI as a rationale, present explicitly in the AI-enabled and applied-AI deals and implicitly in the infrastructure and security ones built to support it. The defining deals were, almost without exception, bets on the infrastructure and security of an AI-driven future.[2]

> *The year's biggest deals were bets on the layers AI runs through: cloud security, identity, data, and networking. Owning the infrastructure was the theme.*

The megadeals matter beyond their own size because they set the tone for the market beneath them. When the largest buyers pay record sums for AI and security capability, they signal where strategic value lies, they draw capital and attention to those categories, and they shape the expectations of sellers and buyers down the size spectrum. The themes visible at the top, AI, security, infrastructure, propagate through the whole market, which is why a founder in any technology vertical should read the defining deals as a map of where the demand, and the premium, is concentrated.

03 · THE BREAKDOWN

By vertical

The rebound was not evenly distributed. AI and cybersecurity led, software broadly was active, and fintech recovered selectively. The vertical breakdown shows where the year's activity actually concentrated.

EXHIBIT 2

Activity by vertical, 2025

VERTICAL	ACTIVITY	DEFINING FEATURE
Artificial intelligence	Record; the leading theme	Ran through nearly half of big strategic tech deals
Cybersecurity	Very high; consolidating	Platformization; the year's largest single deal
Software broadly	Record deal count	72% of AI-related deals were software
Fintech	Selective recovery	Payments and software-led fintech led
Infrastructure / data	High	AI compute, power, and networking demand

Source: Windsor Drake synthesis of 2025 deal data.[1,2,3]

AI and cybersecurity led

The two clear leaders were AI and cybersecurity. AI was the dominant theme of the year, present in roughly a quarter of the largest deals and cited across many more, and software captured the great majority of AI-related activity, with the software sector accounting for about seventy-two percent of AI deals over recent years.[2] Cybersecurity saw intense consolidation, including the year's single largest transaction, as platforms raced to complete their architectures, the dynamic the firm's cybersecurity report examines in depth. Between them, AI and security accounted for a disproportionate share of both the value and the strategic energy of the year.

Software broad and fintech selective

Beyond the two leaders, software broadly had a record year by deal count, driven by the serial acquirers and sponsors that dominate the lower middle market, even as much of the value concentrated in the AI and security megadeals.[3] Fintech recovered more selectively, with payments and software-led fintech drawing the most interest while volume-linked models lagged, consistent with the valuation patterns the firm's other research describes. Infrastructure and data, the compute, power, and networking that AI demands, formed a fast-growing category in their own right, as buyers paid up for the physical and digital plumbing of the AI build-out. The year, in sum, was led by AI and security, broad in software, and selective in fintech.

The vertical breakdown is the founder's map of where the year's demand concentrated. A founder in AI, cybersecurity, or AI infrastructure sold into the hottest part of the market; one in durable software into a deep and active one; one in fintech into a recovering but discerning market that rewarded software economics over volume. The same record year felt very different across verticals, and reading the breakdown is how a founder calibrates expectations to where their company actually sits.

DEEP DIVE

AI: the engine of the year

No theme shaped 2025 like artificial intelligence. It drove the megadeals, set the valuations, and ran, explicitly or implicitly, through a remarkable share of the year's activity. Understanding the AI deal wave is understanding the year.

The scale of AI's influence is hard to overstate. AI was the single most important catalyst for the year's megadeals, present as a theme in roughly a quarter of transactions valued at five billion dollars or more, and nearly half of strategic technology deal value above five hundred million dollars involved AI-native companies or cited AI benefits.[2] AI-specific deal volume itself rose sharply, and the software sector captured the great majority of AI-related activity, accounting for roughly seventy-two percent of AI deals over recent years.[2] Whether a deal was for an AI company, for the infrastructure AI runs on, or for a traditional business adding AI capability, the technology was the connective theme of the year.

Three kinds of AI deal

The AI activity fell into three categories. The first was acquisitions of AI companies themselves, for their models, capabilities, and especially their talent, often structured as the talent-led deals the firm's AI Acquihire report examines. The second was infrastructure: the compute, data, networking, and power that AI demands, which drew large deals as buyers raced to own the build-out's plumbing. The third was the integration of AI into existing businesses, traditional software and services companies acquiring AI capability or being valued for adding it. Together these three strands made AI the rationale behind a wide swath of the year's deals, far beyond pure-play AI companies.[2]

> *AI ran through nearly half the year's big strategic deals, as the asset bought, the infrastructure beneath it, or the capability added. It was the connective theme of 2025.*

The AI wave also set the valuation tone. AI assets traded at the highest multiples in the market, near twenty-four times revenue at the median, and that premium drew capital and attention toward anything AI-related, lifting valuations and intensifying competition across the theme.[4] For a founder, AI's dominance meant that proximity to the theme, genuine AI capability, AI-relevant data or infrastructure, or a credible AI strategy, was among the most valuable things a company could bring to the market in 2025, and it remains so into 2026.

DEEP DIVE

Cybersecurity and the consolidation wave

If AI was the year's theme, cybersecurity was its most active battleground. Intense consolidation, including the single largest technology deal of the year, made cyber a defining sector of 2025.

Cybersecurity saw extraordinary M&A activity, driven by the platformization dynamic the firm's cybersecurity report examines: platform vendors racing to complete integrated architectures by acquiring the leaders of every security category. The year's largest single technology deal, Google's thirty-two-billion-dollar acquisition of Wiz, was a cybersecurity transaction, and Palo Alto's roughly twenty-five-billion-dollar purchase of CyberArk anchored identity as a platform pillar.[2,5] Beneath the megadeals, a steady stream of smaller security acquisitions filled out platforms across cloud, identity, data, and the new frontier of AI security.

The platform-gap premium

Cybersecurity also displayed the widest gap between public and acquisition multiples of any vertical, with public security companies trading near eight times revenue while disclosed acquisitions averaged closer to nineteen.[4] That premium, paid by platforms to fill gaps in their architectures before rivals could, made cyber one of the most rewarding sectors to sell into for category leaders, and one of the most actively consolidated. The combination of strategic urgency and a large premium concentrated both activity and value in security throughout the year.

> *The year's single largest technology deal was a cybersecurity one, and security commanded the widest premium of any vertical. Cyber was 2025's battleground.*

For founders, the cybersecurity wave illustrated the value of category leadership in a consolidating market. The companies that commanded the premiums were the clear leaders of contested categories that platforms needed to own, while the broad field of point solutions faced the buy-or-be-bundled pressure the firm's cyber report describes. The cyber year rewarded leaders handsomely and pressured followers, a pattern likely to persist as consolidation continues into 2026, with AI security the most contested emerging front.

DEEP DIVE

Fintech and the rest of software

Away from the AI and cyber spotlights, the broad software market had a record year by volume and fintech recovered selectively. This is where most founders actually transacted.

Software broadly set a record by deal count, with more than 2,500 transactions, driven by the serial acquirers and sponsors that dominate the lower middle market.[3] Most of these deals were modest in size, far from the megadeals, and they made up the bulk of the year's activity by number even as the value concentrated at the top. For the typical software founder, this was the real market of 2025: deep, active, and led by perpetual holders and private equity platforms transacting steadily across hundreds of niches.

Fintech's selective recovery

Fintech recovered, but unevenly. Payments and software-led fintech drew the most interest and the strongest valuations, consistent with the compounding-versus-processing distinction the firm's valuation research describes, while volume-linked models such as lending lagged.[4] Strategic scale buyers, the large payments networks and processors, drove consolidation in payments and infrastructure, while software-led fintech attracted both strategics and sponsors. The fintech year rewarded software economics over financial-services economics, a divergence likely to widen.

Software broadly had a record year by deal count, led by serial acquirers, while fintech recovered selectively, rewarding software economics over volume.

The breadth of the software and fintech market is the counterweight to the megadeal headlines. While AI and cyber commanded the value and the attention, the steady, deep activity in broad software is where most founders found buyers, and the selective recovery in fintech is where revenue architecture decided outcomes. A founder in these markets had a good year if they understood it, plentiful, motivated, disciplined buyers, and prepared to meet it, even without the record prices the hottest themes commanded.

THE MAP

By geography

The rebound was global but not uniform. North America led, Europe contributed steady volume, and cross-border activity carried both opportunity and rising regulatory complexity.

North America remained the center of technology M&A, home to the largest buyers, the deepest capital, and most of the megadeals, and software captured a dominant share of North American deal activity.[2] Europe contributed substantial volume, particularly in the perpetual-holder model that has taken deep root there, with active acquirers across the United Kingdom, the Nordics, and continental Europe consolidating vertical software. Cross-border activity, much of it European and other innovation flowing toward large, often United States, acquirers, was a meaningful part of the year, especially in cybersecurity and AI where the leading companies frequently originated outside the United States.

The cross-border complication

Cross-border deals carried both opportunity and friction. For founders outside the largest markets, the most likely premium buyer was often a United States platform or sponsor, which widened the buyer pool but introduced longer timelines, additional regulatory review, and the foreign-investment scrutiny the firm's regulatory report examines.[2] The year's pattern of innovation originating broadly and consolidating into a few large, mostly American hands continued, making cross-border capability, and cross-border regulatory navigation, an increasingly important part of a successful process for non-US founders.

Innovation originated broadly and consolidated into a few large, mostly American hands. For founders abroad, the premium buyer was often a US platform, with the complexity that brings.

The geographic picture reinforces the year's central themes at a global scale: scale and capital concentrated in a few large buyers, AI and security as the leading rationales, and consolidation pulling the best companies, wherever they began, toward the largest acquirers. A founder anywhere should read their buyer universe globally, recognizing that the most motivated buyer may be on another continent, and should weigh the cross-border opportunity against its added timeline and regulatory complexity.

04 · THE BUYERS

The buyer mix

Who did the buying in 2025 is as telling as what was bought. Private equity took the majority of deals by count, strategics drove the largest ones, and serial acquirers quietly dominated the long tail.

EXHIBIT 3

The buyer mix in software M&A, 2025

BUYER	SHARE / ROLE	DEFINING FEATURE
Private equity / sponsors	~58% by count	Returned aggressively; record dry powder deployed
Strategic acquirers	~42% by count	Drove the largest deals; AI and security premiums
Serial acquirers	Long-tail leaders	Perpetual holders and platforms; most active by deal count
Hyperscalers	Few but largest	Selective, decisive megadeals

Source: Software Equity Group, SaaSRise, and Windsor Drake analysis, 2025.[3]

Private equity was the dominant buyer by volume, taking roughly fifty-eight percent of software deals by count against forty-two percent for strategics, as sponsors flush with record dry powder returned aggressively to the market.[3] Strategics, while fewer by count, drove the largest transactions, paying AI and security premiums for the category leaders they needed. And beneath both, the serial acquirers, the perpetual holders and private equity platforms the firm's Acquirer Index examines, dominated the long tail, completing the steady stream of mid-market and tuck-in deals that make up most of the activity by number.

Private equity bought the most deals; strategics bought the biggest; serial acquirers dominated the long tail. The buyer you meet depends on where in the market you sell.

The take-private comeback

One buyer behavior stood out: the return of the take-private. Sponsors, armed with record capital and eyeing software companies whose public valuations had not fully recovered, took a string of public companies private during the year, from large platforms to mid-cap software businesses.[1,3] Take-privates concentrate capital into single large deals and reflect a sponsor conviction that public software is undervalued relative to its long-term worth, and their prominence in 2025 signaled both the depth of sponsor capital and the discount at which some public software still traded. For founders of private companies, the take-private wave mattered indirectly: it showed how aggressively sponsors would deploy for quality software, conviction that extends to private assets of the same character.

The buyer mix reinforces the two-speed market. The largest deals went to strategics and hyperscalers paying premiums for AI and security; the broad middle and the long tail went to sponsors and serial acquirers transacting steadily and with discipline. For a founder, the practical implication is that the likely buyer depends on the company's size and category: a category leader in a hot vertical may draw a strategic premium, while a solid lower-middle-market company is most likely selling to a sponsor or a serial acquirer. Reading the buyer mix is reading which part of the market a company belongs to.

05 · THE PRICING

The valuation backdrop

Behind the deal activity sat a valuation backdrop that varied enormously by vertical. The same year that priced public software near five times revenue priced AI near twenty-four, and the spread shaped where the value concentrated.

EXHIBIT 4

Valuation backdrop by vertical, 2025–2026

VERTICAL	TYPICAL EV/REVENUE	NOTE
Public software (median)	~5x	Profitability re-rating largely complete
Fintech (public avg)	~6x	Wide spread by revenue architecture
Cybersecurity (public / M&A)	~8x / ~19x	Large strategic M&A premium
Artificial intelligence (median)	~24x	Narrative and defensibility led

Source: Aventis Advisors, Finro, Multiples.vc, and Windsor Drake valuation research.[4] See the firm's Rule of 40 Premium report.

The backdrop was one of wide and stable dispersion. Public software traded around five times revenue, with the shift toward profitability largely priced in; fintech averaged near six with a wide internal spread; cybersecurity traded near eight in public markets but commanded close to nineteen in strategic acquisitions; and AI traded near twenty-four, led by narrative and defensibility rather than current performance.[4] By late 2025 the median disclosed software transaction cleared near four times revenue, with the average closer to five and a half and the band holding between roughly four and six times across four consecutive quarters, a stability that sits in stark contrast to the AI median many times above it.[8] This dispersion, examined in depth in the firm's Rule of 40 Premium report, meant that the same fundamentals were valued very differently depending on the category, and it concentrated both the value and the premium in AI and security.

The same year priced public software near 5x revenue and AI near 24x. The dispersion concentrated the value, and the premium, in AI and security.

Profitability now priced in

A structural shift underpinned the year's software valuations: the re-rating toward profitability was largely complete. Through the prior down years the market moved from rewarding growth at any cost to rewarding durable, profitable growth, and by 2025 that shift was priced in, with mature, profitable software increasingly valued on an earnings basis at multiples of EBITDA rather than purely on revenue.[4] For founders, this meant that the easy multiple gains from simply turning profitable were behind the market, and that differentiation now came from growth quality, defensibility, and category, the durable drivers the firm's valuation research emphasizes. The valuation backdrop rewarded real quality over financial cosmetics, a healthier basis than the prior cycle's growth-at-any-price exuberance.

For a founder, the valuation backdrop is the second half of reading the market, alongside the activity. High deal volume in a vertical does not guarantee a high multiple, and a high multiple does not guarantee high volume; the two must be read together. A founder in AI sold into both high activity and high multiples; one in durable software into high activity at a moderate multiple; one in a less-favored category into a thinner, more disciplined market. The backdrop tells a founder not just whether deals are happening in their vertical but at what price, which is what ultimately determines the outcome.

06 · THE MIDDLE MARKET

The lower-middle-market view

The headlines belong to the megadeals, but most founders sell in the lower middle market, where the year looked different: steady, deep, and driven by serial acquirers rather than record prices.

Beneath the megadeals, the lower middle market had an active year by volume even as the value concentrated at the top. The serial acquirers, perpetual holders and private equity platforms, provided a deep, standing bid for profitable software companies, and add-on acquisitions, which make up the majority of sponsor activity, kept transaction count high. A founder of a sound lower-middle-market company faced a market with plentiful, motivated buyers, particularly the serial acquirers whose business is buying exactly such companies, even if the record prices of the megadeals did not reach down to their scale.[3]

Where the volume was

The lower-middle-market volume concentrated in the same verticals that led the headlines, but at smaller scale. Vertical and durable software drew the deepest sponsor and perpetual-holder interest; cybersecurity point solutions were absorbed steadily by larger platforms; AI-enabled companies drew growing attention even at modest size; and software-led fintech found buyers where its economics resembled SaaS. The serial acquirers were especially active in vertical-market software, the firm's roll-up report describes the dynamic, completing the steady stream of tuck-ins that made software the record-count sector of the year. A founder's odds of finding a motivated buyer were high across these areas, with the price depending on quality and process more than on the vertical's heat.

Steady demand, disciplined pricing

The character of the lower-middle-market year was steady demand at disciplined prices. The serial acquirers that dominate this part of the market are reliable buyers but not premium payers; they transact constantly and pay fair, fundamentals-based prices rather than the strategic premiums seen at the top. For a founder, this meant a high probability of finding a buyer and a fair outcome, with a premium available only by running a competitive process or by being a category leader a strategic would pay up for. The lower-middle-market year rewarded preparation and process more than it rewarded simply being in a hot market.

The lower middle market had plentiful, motivated buyers at disciplined prices. A premium was available, but only to the prepared and the competitively sold.

The two-speed market is felt most acutely here. A lower-middle-market founder reading only the megadeal headlines might expect record prices and be disappointed; one who understood the real shape of their market, deep, steady, serial-acquirer-led, disciplined on price, could prepare accordingly and capture a strong, certain outcome. The year was good for lower-middle-market sellers who understood it and ran a sharp process, and merely fine for those who expected the megadeal boom to lift their own company without effort. As ever, the outcome turned on preparation more than on the headline.

THE FORCES

Themes shaping the cycle

Beneath the year's numbers sit a handful of structural forces that will outlast any single year. Naming them helps a founder see past the headlines to the durable dynamics that will shape the market they sell into.

EXHIBIT 5

The forces shaping technology M&A

FORCE	WHAT IT DOES TO THE MARKET
Artificial intelligence	Drives megadeals, sets the highest multiples, runs through every vertical
Platform consolidation	Buyers absorb capability to complete architectures, especially in cyber
The serial acquirer	Perpetual holders and PE platforms dominate the long tail of deals
The capital overhang	Record dry powder and exit backlog keep sponsors transacting
Valuation dispersion	The same fundamentals priced very differently by category

Source: Windsor Drake, synthesizing the firm's research series.

AI and consolidation are the engines

Two forces drive the cycle above all. Artificial intelligence is the demand engine, generating the megadeals, setting the highest valuations, and giving nearly every transaction an AI angle, whether the company is an AI business, the infrastructure beneath one, or a traditional business adding AI. Platform consolidation is the structural engine, as buyers in cyber and beyond absorb capability to complete integrated architectures, the dynamic the firm's sector reports examine. Together AI and consolidation account for most of the year's value and most of its strategic energy, and both are multi-year forces unlikely to fade soon.

Capital and the serial acquirer set the floor

Two further forces set the market's depth. The serial acquirer, the perpetual holders and private equity platforms that the firm's Acquirer Index examines, provides a standing bid that keeps the long tail of the market liquid even when the megadeals slow. The capital overhang, record dry powder pressed against a large exit backlog, keeps sponsors transacting on both sides. Together these forces ensure that beneath the AI-and-consolidation boom at the top, there is a deep, active, well-capitalized market for the broad middle, which is where most founders actually sell.

> *AI and consolidation drive the top; the serial acquirer and the capital overhang keep the broad middle deep. These are the durable forces beneath the year's numbers.*

The fifth force, valuation dispersion, runs through all of them: the same fundamentals priced very differently by category, examined in the firm's Rule of 40 Premium report, which concentrates value in AI and security and rewards revenue architecture and positioning across the board. A founder who understands these five forces, AI, consolidation, the serial acquirer, the capital overhang, and dispersion, holds the map to the whole market, of which any single year is a snapshot. The rest of this report's series examines each force in depth; this review shows how they combined to shape the year.

THE EARLY READ

Into 2026: the data so far

The first months of 2026 confirm the year's shape and sharpen its central divide. The bid for artificial intelligence has intensified to a degree few expected, even as the broad deal count thins and the gap between AI-native and legacy software widens into the defining question of the cycle.

The early-2026 data is, in places, startling. Private AI companies raised more than $226 billion in the first quarter alone, surpassing the entire 2025 total in a single quarter, and AI-specific M&A accelerated in step, with roughly 266 AI acquisitions closing in the first quarter, up about ninety percent year over year.[6] The capital and the consolidation behind artificial intelligence are not cooling into 2026; they are compounding. The theme that defined 2025 has, if anything, deepened its hold on the market in the months since, which is why the firm treats AI exposure less as a vertical than as a condition of the whole market.

Fewer deals, larger deals

Beneath the AI surge, the broader market extended its “fewer but larger” pattern. The first half of 2026 produced markedly fewer private equity transactions than the same period of 2025, on some measures roughly two-thirds fewer by count, even as aggregate deal value rose, because the deals that did clear skewed larger.[7] Hg's $6.4 billion take-private of OneStream, an enterprise finance platform acquired to accelerate its AI roadmap, was emblematic: sponsors concentrating record capital into fewer, larger, higher-conviction bets rather than spreading it across many. The signature of the cycle, value concentrating while count thins, carried straight into the new year, and it raises the bar for any mid-market company hoping to command a sponsor's attention.

The AI bid intensified into 2026 while the broad deal count thinned. Value is concentrating harder, not less, and the AI-versus-legacy divide is hardening from a premium into a discount.

The AI-versus-legacy divide

The most consequential early-2026 development for founders is the widening split between AI-native and legacy software. As capital and premium multiples flow toward AI-native companies, legacy software valuations have come under renewed pressure, with buyers openly reassessing the durability of traditional subscription models against AI-native competition.[6,8] Median software M&A multiples have held in a narrow band near four to five times revenue even as the AI median runs many times higher, so the dispersion the prior section described is no longer only a premium paid for the best, it is now a discount applied to the rest.[8] For a founder, this is the cycle's sharpest emerging risk and its clearest opportunity at once.

Windsor Drake reads the early data as confirmation, not contradiction, of the base case: sustained, AI-led, selective strength, with the selectivity sharpening. The second-order implication is the one founders most often miss, that the market is increasingly pricing a single perception, whether a company sits on the AI-native or the legacy side of the divide, ahead of its current financials. The practical conclusion is to resolve that perception deliberately, through positioning, product, partnerships, or the framing of a process, before testing the market, because in 2026 that perception increasingly sets the multiple before a buyer examines the numbers beneath it.

The 2026 outlook

The momentum of 2025 is carrying into 2026, but with a sharper edge: continued AI-led dealmaking at the top, a tightening capital pool forcing selectivity, and dealmakers broadly expecting more activity.

Momentum continues, led by AI

The boom that defined 2025 is rolling into 2026, with AI-led demand continuing to fuel large-scale transactions, and a majority of technology dealmakers, around fifty-seven percent, expecting deal count to rise over the coming year.[2] AI is cited as the subsector presenting the best opportunities, followed by cybersecurity and enterprise software, the same categories that led 2025.[2] The themes are durable: the consolidation and AI build-out that drove the rebound are not one-year events, and they are expected to sustain elevated activity through 2026.

Capital tightens, selectivity rises

The complicating factor is a tightening capital pool. Even as demand stays strong, financing is becoming more constrained, forcing executives to be more selective and more disciplined about which deals to pursue.[2] The likely result is a continuation of the two-speed market in sharper form: intense competition and high prices for the most-wanted AI and security assets, and greater discipline and selectivity everywhere else. The year ahead favors quality and clear strategic fit, and is less forgiving of marginal assets than a looser-capital environment would be.

Megadeals and consolidation persist

The structural forces, platform consolidation in cyber, the AI infrastructure build-out, private equity's deployment and exit pressure, all point to continued large-scale activity, and big-deal fever is expected to persist into 2026.[2] For founders, this means the top of the market remains hot for category leaders in the favored verticals, while the broad market stays active but discerning. The year ahead is, in shape, a continuation of 2025: busy at the top, steady and selective beneath, and defined throughout by AI.

EXHIBIT 6

What to watch in 2026

SIGNAL	WHY IT MATTERS
AI deal pace	The leading theme; its pace sets the tone for the whole market
Capital and financing	Tightening forces selectivity; easing would release pent-up activity
Cyber consolidation	Platformization continues; AI security is the open front
PE deployment and exits	Record dry powder and a large backlog keep sponsors transacting
Regulatory posture	Permissive for now; a swing would reshape the largest deals
The AI premium	Sustains much of the value; a re-rating would ripple widely

Source: Windsor Drake. The signals most likely to shape the year ahead.

2026 carries the momentum forward with a sharper edge: AI-led dealmaking at the top, a tightening capital pool, and rising selectivity beneath.

The outlook for a founder depends, as always, on where their company sits. A category leader in AI, security, or AI infrastructure faces a hot, competitive market; a quality software company faces a deep, active one; a marginal asset faces a market growing less forgiving as capital tightens. The momentum is real and broadly positive, but the selectivity is rising, and the reward continues to concentrate on quality, preparation, and clear strategic fit.

08 · THE CALL

The Windsor Drake base case

Drawing the threads together, Windsor Drake's base case for the technology M&A market is one of sustained, AI-led, selective strength, a continuation of the 2025 rebound rather than a reversal of it.

The firm expects technology dealmaking to remain elevated through 2026, sustained by the same forces that drove 2025: artificial intelligence as the dominant theme, continued consolidation in cybersecurity and infrastructure, and a private equity industry pressed by record dry powder and a large exit backlog to keep transacting. The market is likely to stay two-speed, hot and competitive at the top for AI and security leaders, deep and steady but disciplined beneath, with a tightening capital pool sharpening the selectivity rather than reversing the activity.[2] The base case is momentum with discipline, not boom turning to bust.

What it means for sellers

For founders, the base case argues for acting from strength and preparing for selectivity. A quality company in a favored vertical sells into a strong, competitive market and should prepare to capture it; a quality company in a less-favored vertical sells into a deep but disciplined one and should run a sharp, competitive process; a marginal company faces a tightening market and is better served improving its position than selling into rising discrimination. The window for well-prepared sellers of good companies is open and likely to remain so, but it rewards quality and preparation more sharply as capital tightens.

> *The base case is momentum with discipline. The window for prepared sellers of quality companies is open, and rewards quality more sharply as capital tightens.*

The risks to the base case are the familiar ones: a sharper-than-expected tightening of capital, a regulatory swing, a re-rating of the AI premium that has driven so much of the activity, or a macro shock. None is the central expectation, but each is a reason for a founder to treat the current strength as a window to act within rather than a permanent condition to wait out. The market is strong, the momentum is real, and the prudent course for a prepared seller of a good company is to engage it while it lasts.

The firm's guidance

Windsor Drake's guidance to founders, drawn from the base case, is to act from a position of readiness into a market that rewards quality and selectivity. A founder of a strong company in a favored vertical should prepare thoroughly and engage the market while demand is hot, capturing the competition the year affords. A founder of a quality company in a less-favored vertical should run a sharp, competitive process to extract the premium a disciplined market will not offer freely. And a founder of a marginal company should weigh whether to improve its position before selling into a market growing less forgiving. In every case, the year favors the prepared, and the firm's other reports, on readiness, structure, process, and buyers, are the tools for becoming so. The state of the market is strong; capturing it is a matter of preparation.

CONCLUSION

A rebound of scale, led by AI

2025 was the year technology M&A came back, and it came back in a particular shape: large, concentrated, and unmistakably driven by artificial intelligence. Reading that shape correctly is what turns a market review into a guide to action.

The aggregate rebound was real, near-record global volume, technology up two-thirds, software at a record deal count, but it was a rebound of scale more than breadth, concentrated in megadeals and in the hot themes of AI, cybersecurity, and infrastructure. Beneath the headlines lay a two-speed market: intense competition and high prices for the most-wanted assets, and steady, disciplined activity led by serial acquirers and sponsors in the broad middle. The same year was a boom at the top and a careful market below, and a company's experience of it depended on where it sat.

The outlook carries that shape forward. The momentum continues into 2026, led by AI, sharpened by a tightening capital pool and rising selectivity. For a founder, the lesson of the year is to know precisely where their company sits, by size, vertical, and quality, and to engage the market accordingly: from strength where the demand is hot, with a sharp process where it is disciplined, and with preparation always. The rebound is real and the window is open, but it rewards the prepared seller of a good company, in the right vertical, who reads the two-speed market and acts within it. That, in the end, is what this annual review exists to help a founder do.

The rebound is real and the window is open, but it rewards the prepared seller of a good company who reads the two-speed market and acts within it.

Methodology and sources

This annual review synthesizes published M&A and deal-data sources with Windsor Drake analysis, covering 2024 through mid-2026. Aggregate figures, global and technology M&A value and growth, deal counts, buyer mix, and biggest deals, are drawn from multiple published reviews and trackers, which differ in how they define sectors, set deal-size cutoffs, and time activity; the figures here are presented as directional measures of a clear trend rather than reconciled totals, and different sources will give somewhat different numbers. Individual deal values are announced figures and, for transactions subject to closing or regulatory review, provisional.

Valuation figures are EV/revenue unless stated otherwise and describe central tendencies across wide ranges. The Windsor Drake base case and the two-speed market characterization are the firm's analytical judgments synthesizing the data, not forecasts, and the outlook is subject to the risks noted in the text. Nothing in this report is investment, legal, tax, or accounting advice.

Endnotes and sources

1. Global M&A totals (~$4.8–4.9T in 2025, up ~40%, second-highest on record; deal count down, sizes up; record number of $10B+ deals): Bain & Company, "Global M&A Stages Great Rebound in 2025."

2. Technology M&A and AI themes (~$1.08T, +66%; AI in ~a quarter of $5B+ deals and ~half of strategic tech deal value above $500M; 57% expect deal count up; AI, cyber, enterprise software top subsectors; big-deal fever into 2026): Cooley, "2025 Tech M&A Year in Review"; Morrison & Foerster, "M&A in 2025 and Trends for 2026"; CNBC, "The global M&A boom is rolling into 2026"; PwC deals outlook.

3. Software M&A volume and buyer mix (2,500+ software/SaaS transactions; ~58% PE / ~42% strategic; serial acquirers): Software Equity Group; SaaSRise, "The SaaS M&A Report 2025."

4. Valuation backdrop (public software ~5x; fintech ~6x; cyber ~8x public / ~19x M&A; AI ~24x): Aventis Advisors; Finro; Multiples.vc; Windsor Drake, "The Rule of 40 Premium."

6. Early-2026 AI capital and M&A (private AI funding >$226B in Q1 2026, surpassing full-year 2025; ~266 AI M&A deals in Q1, +90% YoY; AI premium multiples; legacy SaaS under pressure): FE International, “AI M&A Trends 2026”; CB Insights, Q1 2026 AI data.

7. First-half 2026 private equity pattern (markedly fewer PE deals year over year, aggregate value higher as deals skew larger; Hg / OneStream $6.4B take-private): PwC, “Global M&A trends in private capital: 2026 mid-year outlook”; Alvarez & Marsal; Akin.

8. Software M&A multiples (median ~4.1x, average ~5.4x, 4–6x band over four quarters; AI reshaping software valuations): Software Equity Group, “SaaS M&A Deal Volume and Valuations”; PwC, “How AI is reshaping software valuations in M&A.”

5. Biggest-deal lists (Google/Wiz, Cisco/Splunk, Palo Alto/CyberArk, HPE/Juniper, SolarWinds/Turn River, Capgemini/WNS, Workday/Sana): WWT, "The 10 Biggest Tech M&A Deals of 2025"; CIO; IMAA Institute; company disclosures.

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.

This report is part of the Windsor Drake Research series, a set of independent studies on valuation, deal structure, process, capital markets, and consolidation across the firm's sectors. Companion titles examine the most active acquirers of software companies, the strategic-versus-sponsor choice, the structure of private deals, what founders keep at exit, why deals die, the sale timeline, the regulatory clock, the capital overhang, exit readiness, the talent-led acquisition of AI companies, the consolidation of cybersecurity, 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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