

Vertical SaaS Valuations: Q2 2026

Vertical SaaS entered Q2 2026 with a defensive premium intact. The broad public SaaS median EV/Revenue multiple compressed sharply through early 2026, falling to **3.3x** at 31 March 2026 from 4.9x at year-end 2025 (PitchBook), as agentic artificial intelligence repriced the durability of seat-based recurring revenue. Vertical SaaS held up materially better. Windsor Drake's working benchmark for the broad vertical SaaS market sits near **5.8x** EV/Revenue, a **~41%** premium to the **4.1x** horizontal median, and the category has emerged as the most defensible corner of the software market through the repricing.

The macro backdrop is stable. The Federal Reserve held the federal funds range at **3.50% to 3.75%** in April 2026, its third consecutive hold, on an 8 to 4 vote that was its widest dissent since 1992. With the discount rate stable, the software de-rating cannot be attributed to monetary tightening; it is a structural reset of the seat-priced, expansion-led model. Vertical SaaS sits on the right side of that reset. Workflow depth, proprietary industry data and embedded financial monetisation are the three moats agentic AI most struggles to displace, and they are the moats acquirers now pay up for.

The capital backdrop reinforces the premium. Private equity holds roughly **\$3.7 trillion** of global dry powder, of which Bain estimates **\$1.3 trillion** is buyout-specific, and the bulk is aging 2022-23 vintages. Vertical SaaS accounted for **55%** of all SaaS M&A in Q1 2026, up from 49% a year earlier, and sponsors led close to **57%** of those transactions. Embedded finance is now the principal monetisation lever: BCG and Bain size the North America and Europe revenue pool at roughly **\$185 billion**, of which only about **\$32 billion** has been captured. Toast, ServiceTitan, Procore and their peers are the public proof of what software-plus-finance economics deliver at maturity.

This report sets out institutional-grade analysis for navigating the vertical SaaS market that has emerged from the repricing, one in which industry depth, embedded monetisation and AI-native operations decide where a platform sits on a multiple range that runs from 2x to 12x EV/Revenue.

What multiples are vertical SaaS companies trading at?

The Q2 2026 vertical SaaS valuation picture is defined by industry, not by aggregate. Healthcare IT, construction and field-service platforms anchor the premium tier on workflow ownership and embedded billing rails; legal, restaurants and PropTech sit one or two turns below; and horizontal application SaaS clears a clear discount across the table. The median across vertical SaaS M&A and public benchmarks sits near **5.8x** EV/Revenue, with platforms that have layered embedded finance on top of subscription clearing **7x to 9.5x**.

The dispersion reflects what acquirers are paying for in 2026: deep workflow integration, proprietary data unique to an industry, and the embedded-finance attach that has reshaped revenue per customer. Regulated verticals carry a separate premium that compliance-by-design earns at the gate. The table below reflects Q2 2026 levels across the representative verticals the firm tracks.

Table 1. Vertical SaaS EV/Revenue Multiples, Q2 2026

Vertical	EV/Revenue Range	Median (WD est.)	Primary Driver
Healthcare IT	5.0x - 12.0x	8.5x	HIPAA moats, embedded billing
Construction Tech	4.0x - 9.0x	7.5x	Workflow ownership, payments attach
Field Services	6.0x - 9.0x	7.0x	Operating-system status, embedded fintech
Legal Tech	4.0x - 8.0x	7.0x	AI productivity, trust accounting
Embedded VS Platforms	7.0x - 9.5x	8.2x	Software-plus-finance economics
Restaurant / Hospitality	3.5x - 7.0x	6.5x	Embedded payments, cyclical
Real Estate / PropTech	3.5x - 6.5x	5.5x	Recovering with rates
Retail SaaS	3.0x - 6.0x	4.5x	Commerce-tech competition
Horizontal SaaS Application	2.2x - 4.0x	2.8x	Agentic AI exposure

Source: PitchBook; S&P Global Market Intelligence; McKinsey & Company; Windsor Drake analysis.

The vertical premium, decomposed

Vertical SaaS commands a **25% to 30% premium** over horizontal SaaS at comparable Rule of 40 levels. The premium decomposes cleanly into three sources. First, **workflow depth** drives net revenue retention 5 to 10 points above horizontal peers and churn rates that can be a fifth of those in horizontal CRM. Second, **proprietary industry data** powers AI features a horizontal agent cannot replicate. Third, **embedded financial monetisation** lifts revenue per customer by 2x to 5x. Platforms that combine all three trade at the top of the table.

Table 2. Vertical vs Horizontal SaaS Operating Metrics, Q2 2026

Metric	Vertical SaaS	Horizontal SaaS	Premium / Spread
Median EV/Revenue (M&A)	5.8x	4.1x	+41%
Median Annual Churn	2-3% (healthcare)	10-15% (horizontal CRM)	Roughly 5x lower
Net Revenue Retention	115-130%	100-115%	+5 to 10 points
Growth Rate (median)	2x horizontal	Baseline	McKinsey 2025 Tech Outlook
Embedded Finance Attach	Often >30% of revenue	Rare	Material valuation driver

Source: Bain Capital Ventures; McKinsey & Company; PitchBook; Windsor Drake analysis.

How are vertical SaaS companies valued in 2026?

The 2026 valuation framework for vertical SaaS rests on a multi-factor model in which the Rule of 40 is table stakes, NRR drives the premium, and embedded-finance attach reshapes the multiple. The growth-at-all-costs playbook is gone. In its place is an emphasis on durability of revenue, AI-native operations and the credible path to outcome-based pricing.

The Rule of 40 mandate

Roughly **20%** of public SaaS companies clear the Rule of 40 threshold, where revenue growth plus EBITDA margin reaches at least 40% (SaaS Metrics Standard Board). Those that do, with NRR above 120%, transact consistently at **7x and above** revenue against roughly 2x to 4x for the broader cohort. Each ten-point gain in the score is now worth close to an additional turn of revenue, and buyers weight a point of durable growth more heavily than a point of margin because growth is what agentic substitution most directly threatens.

Table 3. EV/Revenue by Rule of 40 Tier (Vertical SaaS), Q2 2026

Performance Tier	Rule of 40 Score	Avg EV/Revenue	Premium vs Median
Top Quartile	Above 50	7.5x and above	+50% to +100%
Rule of 40 Met	40 to 50	5.0x - 7.0x	Healthy premium
Near Miss	30 to 39	3.5x - 4.5x	Modest discount
Bottom Quartile	Below 30	2.0x - 3.0x	Deep discount

Source: PitchBook; McKinsey & Company; Bain & Company; Windsor Drake analysis.

Net revenue retention is the premium lever

Net revenue retention has become the defining metric of the cycle. A ten-point improvement in NRR can lift valuation by 20% to 30%. For vertical SaaS, NRR above **120%** has become essential, evidence of a working expansion engine in the form of pricing power, seat expansion and the cross-sell of embedded financial products. Healthcare practice software runs annual churn of **2% to 3%**, against 10% to 15% for horizontal CRM, a structural advantage that compounds in valuation conversations.

A credible path to outcome-based pricing

Acquirers and public investors are now underwriting a different revenue model. Seat-based pricing captured on the order of \$1,200 per user per year. Pricing the same workflow by completed outcome can capture an order of magnitude more. Vertical platforms have a natural advantage in that transition because the agent is inert without access to the proprietary workflow data and industry context the platform already owns. The strongest vertical assets are evidencing the move with cohort data, not slideware.

What is driving vertical SaaS valuations this quarter?

Two forces dominate Q2 2026. On the expansion side, embedded finance attach, workflow depth and rate normalisation lift the multiple. On the compression side, agentic AI risk, seat-pricing pressure and slower core software growth weigh on the headline. Vertical SaaS has compressed roughly **0.2 of a multiple turn** year-on-year, against close to 1.0 turn for horizontal SaaS, the clearest evidence of the defensive premium at work.

Table 4. Vertical SaaS Multiple Drivers, Expansion vs Compression, Q2 2026

Factor	Driver	Effect on Multiples	Notable Examples
Expansion	Embedded finance attach	Software-plus-finance re-rating	Toast, Shopify, ServiceTitan
Expansion	Workflow depth and NRR	Multiple-turn premium	Healthcare IT, construction
Expansion	Vertical AI agents	Productivity uplift, ARPU lift	Legal tech, healthcare
Expansion	Rate normalisation	Lower discount rate for growth	All long-duration assets
Compression	Agentic AI substitution risk	Seat-priced revenue de-rated	Horizontal application SaaS
Compression	Slower core software growth	Headline multiple tempered	Mature platforms
Compression	Cyclical end-market risk	Affects SMB-exposed verticals	Restaurants, retail

Source: Windsor Drake analysis of PitchBook, McKinsey, BCG and CB Insights research.

Embedded finance: the principal multiple lever

Embedded finance is the clearest valuation lever a vertical platform controls. Andreessen Horowitz research finds that embedded financial products lift revenue per customer by **2x to 5x**, and BCG with Adyen find that platforms with embedded payments retain customers at **2.5x** the rate of standalone providers. At maturity, financial services revenue overtakes the subscription line entirely: Toast generates roughly **84%** of revenue from financial services, and Shopify's Merchant Solutions segment now sits at about **79%** of revenue. BCG and Bain size the North America and Europe embedded-finance revenue pool at **~\$185B**, of which only about **\$32B** has been captured.

Table 5. Embedded Finance Impact on Vertical SaaS Multiples, Q2 2026

Embed Status	Typical EV/ Revenue	Revenue per Customer Lift	Retention Lift
No embed (vertical SaaS only)	4.8x - 6.2x	Baseline	Baseline
Payments-embedded	6.0x - 8.0x	+50% to +200%	+50% to +100%
Payments + lending or capital	7.0x - 9.5x	+200% to +400%	+150%+
Financial services as majority	8.0x+ (Toast tier)	2-5x ARPU lift	Mature economics platform

Source: Andreessen Horowitz; BCG / Adyen Embedded Finance Report 2025; PitchBook; Windsor Drake analysis.

Public vs private convergence: an inverted gap

Public software repriced almost overnight on agentic AI risk. Private valuations, set in negotiated rounds and carried at sticky marks, have reset more slowly. The consequence is an unusual inversion: average private vertical SaaS multiples now screen above public comparables, the reverse of an orderly convergence. Through 2023 and 2024 the private market carried a premium that reflected scarcity and growth optionality; today the same nominal premium reflects marks that have simply not yet absorbed the public repricing. Public comparables now anchor late-stage private rounds and pre-LOI conversations.

Table 6. Public vs Private Vertical SaaS EV/Revenue, by Year

Period	Public Avg	Private Avg	Spread
2023	5.8x	8.5x	Private +2.7x
2024	6.2x	7.0x	Private +0.8x
2025	4.9x	5.8x	Private +0.9x
Q2 2026	3.5x	4.7x	Private +1.2x (inverted)

Source: PitchBook; S&P Global Market Intelligence; Windsor Drake analysis.

Geographic variation

Location still matters. North America commands the innovation premium on the strength of deep capital markets, embedded-finance maturity and AI leadership; it represents about **48%** of the global vertical SaaS market. Europe trades at a fragmentation discount but holds defensible regulatory moats. APAC remains the fastest-growing region, led by super-app ecosystems that have integrated SMB workflows in payments-first markets. Cross-border deals continue, with US acquirers leveraging a strong dollar to buy discounted European vertical assets.

Who is buying vertical SaaS companies, and why?

Three buyer cohorts dominate vertical SaaS M&A in 2026, each underwriting a different thesis. Software incumbents and vertical platforms acquire workflow depth and embedded-finance capability. Private equity runs buy-and-build platforms across fragmented end markets. And industry strategics in regulated verticals such as healthcare buy data and analytics depth to defend incumbency.

Private equity: the deployment cycle

Sponsors led close to **57%** of Q1 2026 SaaS transactions, near a record share, and vertical SaaS accounted for **55%** of all SaaS M&A in the quarter, up from 49% a year earlier. Vista Equity alone has deployed roughly **\$12.4 billion** into vertical SaaS roll-ups through 2024. Add-on acquisitions account for about **72%** of PE software volume, a clear indication that the buy-and-build model is the dominant value-creation strategy. The current dry-powder dynamic intensifies the pressure: roughly **\$3.7 trillion** of global capital is seeking deployment, of which Bain estimates **\$1.3 trillion** is buyout-specific, and the bulk is aging 2022-23 vintages.

Strategic software acquirers

Strategic buyers represent close to **92%** of all software M&A by volume. Software incumbents and vertical platforms run the most active M&A programmes: Procore, Toast, ServiceTitan and Autodesk all treat acquisition as the primary mechanism for extending the operating system into adjacent workflows and embedded finance. AI now appears in close to **half** of all 2025 software M&A, up from one in four a year earlier; vertical incumbents are concentrating capital on agentic workflow tooling that compresses the internal build cycle. Industry strategics, particularly in healthcare, continue to acquire data and analytics depth.

Comparable transactions for historical context

Calibration draws on Windsor Drake's proprietary transaction index, the firm's database of **55 verified and reported software and fintech transactions** spanning 2019 to 2026. The selection below illustrates the long-running strategic and sponsor appetite for vertical workflow software with embedded payments rails, the asset class that has proven most defensible through the current repricing.

Table 7. Selected Comparable Vertical SaaS Transactions, Windsor Drake Proprietary Transaction Index

Transaction	Year	Deal Value	Vertical	Confidence
Thoma Bravo / Olo	2025	~\$2.0B	Restaurant tech (take-private)	Verified
Cotiviti / Edifecs	2025	~\$3.1B	Healthcare IT	Verified
Bill.com / Divvy	2021	\$2.5B	SMB financial software	Verified
Procore / Levelset	2021	\$500M	Construction payments	Verified
Bill.com / Invoice2go	2021	\$625M	SMB invoicing	Verified
Lightspeed / Vend	2021	\$350M	Retail POS	Verified
Shopify / Deliverr	2022	\$2.1B	Commerce vertical SaaS	Verified
Toast / xtraCHEF	2021	\$60M	Restaurant back-office	Reported
Sumeru / JobNimbus	2024	~\$330M	Construction trades	Reported

Source: Windsor Drake proprietary transaction index (55 verified and reported software and fintech transactions, 2019-2026).

Is the IPO window a realistic alternative?

Selectively open

The public listing window reopened across 2024 and 2025 and remains open, but it is selective. **ServiceTitan** listed in December 2024 at \$71 per share for roughly a **\$9 billion** valuation, demonstrating dominant appetite for category-leader vertical software. **Figma** listed in July 2025 at a roughly **\$68 billion** valuation, the standout of the class even after a sharp pullback. The 2026 pipeline is among the deepest in a decade, with more than **800 unicorns** that have used the down cycle to build balance-sheet discipline. Vertical software issuers with embedded finance are positioned for late-2026 windows.

The tape, however, rewards a narrow profile: scale, demonstrated profitability above roughly \$200M ARR, and a credible AI position. Only **3 of 13** 2025 software IPOs sit above water (SaaStr aggregation), evidence of how discriminating the window has become. For most vertical assets, a dual-track process prepared toward both a sale and a listing preserves optionality and manufactures the competitive tension a single path cannot.

What does the macro and capital backdrop signal?

Rates are stable; the shock is idiosyncratic

The monetary backdrop is neutral. The federal funds range holds at **3.50% to 3.75%** after the April 2026 hold, on an 8 to 4 FOMC dissent that is the widest since 1992. The Summary of Economic Projections and market pricing both imply little change through year-end. A stable discount rate is important context: it confirms that

the SaaS de-rating is sector-specific, not a cost-of-capital event, and it means recovery in software multiples depends on the sector's own adaptation rather than monetary easing. Vertical SaaS is the corner of software where that adaptation is happening fastest, through embedded finance, AI-native operations and workflow consolidation.

M&A momentum and record dry powder

The broader deal environment is constructive. Global M&A rose roughly 40% to **\$4.9 trillion** in 2025, the second-highest annual total on record (Bain). Software contributes the largest single share of deal value among the high-activity industry groups, and vertical SaaS is now the dominant subsector within software M&A. Set against record private-equity dry powder and a thin supply of genuinely defensible vertical assets, the backdrop favours sellers that arrive prepared.

Where are vertical SaaS valuations heading?

Forecast scenarios for 2026

With the vertical SaaS median near 5.8x, the forward path depends on two variables: how quickly platforms convert the move to outcome-based pricing and embedded-finance attach into revenue, and how durable workflow ownership proves as agentic alternatives mature. Windsor Drake frames three scenarios as its own house view, not third-party consensus. In the base case, the market stabilises and recovers slowly, embedded finance continues to lift platform economics, and sponsor-led consolidation sustains deal volume.

Table 8. 2026 Vertical SaaS Valuation Forecast Scenarios, Windsor Drake House View

Scenario	2026 EV/ Revenue	Key Conditions
Bull	7.0x	Embedded finance attach lifts platform economics; vertical AI agents accelerate adoption; sponsor exits prove premium pricing; the IPO window stays open
Base	6.0x	Stable rate path with one further cut; mid-single-digit M&A volume growth; selective IPO window for category leaders; embedded finance continues to compound
Bear	4.5x	Agentic AI substitution outruns the re-pivot; public marks compress further below trough; cyclical end-market weakness hits SMB-exposed verticals

Source: Windsor Drake analysis; PitchBook; Federal Reserve projections.

Which valuation metric should apply?

Selecting the right metric separates a professional valuation from a careless one. Vertical SaaS spans business models, profitability profiles and embedded-finance attach rates that demand different lenses. Leaning too hard

on a generic EV/Revenue multiple can badly misprice mature, embedded-payments-heavy platforms or capital-intensive verticals.

EV/Revenue: the growth metric

EV/Revenue suits high-growth vertical platforms with recurring revenue that are reinvesting ahead of profitability. The essential adjustment is for gross margin: a dollar of software revenue at 80% margin is not comparable to a dollar of payments revenue earned on a thin take rate. Best suited to healthcare IT, field services and embedded vertical platforms in the 5x to 12x range.

EV/EBITDA: the profitability metric

EV/EBITDA fits mature, profitable vertical platforms where cash flow is the primary value driver. A notable shift in 2026 is that many companies once valued on revenue are now assessed on EBITDA as growth rates moderate. Typical ranges run 10x to 22x for cash-generative vertical leaders.

Decompose software vs payments revenue

For embedded-finance-heavy platforms, decomposing the revenue line is essential. Software revenue at 80% gross margin warrants software multiples; payments revenue at lower margin warrants a separate, lower multiple. Toast and Shopify illustrate the point: their headline multiples reflect a blend that acquirers price on its components rather than as a single number.

What should founders do now?

The 12 to 18 month process

A full sale process runs 12 to 18 months from preparation to close. Founders who begin preparation in the current cycle, with a readiness and hygiene phase covering audit quality, AI governance, data rights and an embedded-finance attach diagnostic, position the asset to meet the market while record dry powder and acquirer urgency are still chasing a thin supply of defensible vertical assets. The work that most directly protects a multiple is the demonstration of revenue durability: NRR sustained above 120%, documented switching costs, a credible embedded-finance roadmap, and cohort evidence of AI-driven margin expansion. Expect earn-outs to bridge valuation gaps on AI-exposed revenue; they are now standard structure, typically paid over 12 to 24 months.

Case study: the Thoma Bravo take-private of Olo

The defining vertical SaaS take-private of the cycle is Thoma Bravo's acquisition of **Olo** at **\$10.25 per share** in cash (roughly **\$2.0 billion**), struck at a **65% premium** to the unaffected price in mid-2025. Its lessons for vertical SaaS founders are threefold. First, a market-wide de-rating draws the best-prepared sponsors in rather than deterring them; record capital is actively hunting scaled, defensible vertical assets at repriced multiples. Second, the deal underwrote a clear embedded-finance roadmap as a primary value-creation lever, and

founders who can evidence payments attach pre-LOI materially move headline pricing. Third, with process lead times of 12 to 18 months, the alignment of buyer demand, capital availability and pricing that a founder ultimately meets is the one that exists when preparation begins, not when it ends.

Key takeaways for founders

Translating the market picture into strategy means concentrating on six areas that consistently move valuation in the current vertical SaaS environment.

1. Own your vertical

Workflow depth and proprietary industry data are the moats acquirers will pay for in 2026, and they are the moats agentic AI most struggles to displace. Position as the system of record for an entire industry, not a point tool. Vertical platforms command a 25% to 30% premium over horizontal peers at comparable Rule of 40 levels.

2. Attach embedded finance

Embedded financial products lift revenue per customer by 2x to 5x and retain customers at 2.5x the rate of standalone providers. The progression is sequential: payments first, then lending, then capital products. Mature platforms now earn the majority of revenue from financial services.

3. Sustain NRR above 120%

Net revenue retention is the single biggest driver of multiple expansion in 2026; a ten-point gain can lift valuation by 20% to 30%. Healthcare practice software runs 2% to 3% annual churn against 10% to 15% for horizontal CRM. Make the metric a board-level priority with monthly tracking.

4. Clear the Rule of 40

Only about 20% of public SaaS companies clear the threshold. Those that do, with NRR above 120%, transact at 7x+ revenue against roughly 2x to 4x for the broader cohort. Each ten-point gain in the score is now worth close to an additional turn of revenue.

5. Make the AI case concrete

AI integration is now a measurable driver of value, not a talking point. Present specific use cases across product and operations, and quantify efficiency gains with hard return-on-investment numbers. Vertical AI agents are projected to be 40%+ of enterprise AI deployments in 2026.

6. Prepare for the process

A full process runs 12 to 18 months end to end, so a founder who intends to engage the market while today's alignment of record dry powder, vertical SaaS demand and pricing discipline still holds is, in practice, preparing in the current cycle. Audit-ready financials, documented APIs and a defensible data room are gating.

Sources

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Methodology Note

Source standard. Inputs are restricted to top-tier institutions: bulge-bracket banks, the major consultancies, elite data houses, and primary regulatory and filing sources. Boutique and market-report vendors are excluded.

Peer set and normalisation. Peers are filtered on vertical, embedded-finance attach, recurring-revenue mix (above 80%) and Rule of 40 profile. Financials are adjusted to a pro-forma basis excluding one-time items and stock-based compensation.

Structural adjustments. Private-market valuations are adjusted for earn-outs, liquidation-preference overhang and lack-of-marketability discounts, typically in the 20% to 30% range.

Synthesis and attribution. Figures labelled as firm analysis or house estimate, including the roughly 5.8x vertical SaaS median and the 2026 forecast scenarios, are Windsor Drake's own synthesis of the cited institutional data, presented as a house view rather than third-party consensus. Where current-quarter data was not yet published, the most recent available data is used.