YANNE CAPITAL

INSTITUTIONAL RESEARCH

Vertical SaaS & Tech-Enabled B2B M&A

Lane 2, H2 2026: Where the Unglamorous Software Compounds

Yanne Capital Research

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Executive Summary

The vertical SaaS M&A market in the first half of 2026 tells a story most generalist coverage missed. While horizontal SaaS multiples continued to compress against the 2021 peak, workflow-critical software serving unglamorous industries traded at a persistent premium. Construction ERP, legal practice management, insurance claims workflow, multifamily property management, dental practice software, freight brokerage platforms, and restaurant back-office systems: these are the assets private equity sponsors and strategic corporate development teams competed for through the first two quarters of 2026, and the competition shows no sign of thinning.

The numbers frame the setup. According to PitchBook M&A data through Q2 2026, vertical SaaS deal count in the sub-mid-market segment rose 18 percent year-over-year, while horizontal SaaS deal count declined 7 percent over the same window. Median revenue multiples for vertical SaaS transactions with disclosed terms held at 5.8x, against 4.1x for horizontal SaaS peers (S&P Capital IQ, H1 2026). The gap is not narrowing. It is widening.

The mechanism is structural, not cyclical. Vertical SaaS in an unglamorous industry earns switching costs that horizontal tools cannot manufacture. A construction ERP that handles progress billing, lien waivers, and subcontractor compliance is not swapped out on a Q1 procurement review. A dental practice management system that runs scheduling, insurance verification, and clinical charting is not migrated during a demo cycle. The customer stickiness translates directly into net revenue retention above 105 percent at the median for the assets that trade, and that retention is what buyers underwrite.

Across our advisory work in 2025 and 2026, we observe a specific pattern in buyer composition. Private equity sponsors, particularly those with prior wins in vertical software, run the fastest processes and price the highest. Strategic corporate development teams (both established vertical software consolidators and adjacent-industry acquirers moving into workflow software) are increasingly competitive but slower to conviction. The winning bid in the assets we cover is a sponsor bid roughly 70 percent of the time, driven by process speed rather than headline valuation.

This paper walks through the data, the buyer taxonomy, the process dynamics, and the twelve-month outlook. For founders holding assets in these lanes, the window is open and the buyer count is deeper than the headlines suggest. For sponsors and strategics running programmatic M&A in vertical software, the compression of process timelines and the sharpening of diligence patterns are worth understanding before the next auction lands on the desk.

The underlying observation is simple. Software that runs the operating spine of an unglamorous industry does not decompress alongside horizontal SaaS. It trades on its own math, and the math is holding.

1. The Setup: Vertical SaaS Held While Horizontal Compressed

In the twelve months ending June 2026, the vertical SaaS M&A market decoupled from horizontal software in a way that had been building for four years and finally became impossible to ignore. PitchBook M&A data through Q2 2026 shows 847 disclosed vertical SaaS transactions in the sub-mid-market segment, up from 719 in the comparable window a year earlier. Horizontal SaaS deal count over the same period fell from 612 to 569. The direction of travel diverged, and the multiples followed.

Median disclosed revenue multiples for vertical SaaS transactions in H1 2026 held at 5.8x, against 4.1x for horizontal SaaS peers (S&P Capital IQ, H1 2026). Bloomberg M&A data confirms the pattern at the process level: buyer coverage in vertical software auctions averaged 14 to 18 qualified logos per process in H1 2026, while horizontal SaaS auctions in the same size band drew 8 to 11.

The compression story that dominated coverage of the horizontal SaaS market did not arrive at the vertical door. That is worth pausing on. The macro conditions were identical: the same rate environment, the same LP behavior, the same public-market SaaS index that traded down from its 2021 peak. What differed was the underlying economics of the assets themselves, and specifically the switching costs baked into workflow-critical software.

A horizontal SaaS tool competes against dozens of similar products in an open procurement decision. A vertical SaaS platform running the operating spine of a dental group, a construction firm, or a mid-market restaurant chain does not. The customer built the workflow around the software over a period of years. Migrating out means retraining staff, rebuilding integrations with insurance carriers or state licensing systems or freight networks, and absorbing weeks of operational risk. Buyers know this. Underwriting reflects it.

The result is a market where the assets that trade at 5.8x are not trading at 5.8x because sponsors are exuberant. They are trading at 5.8x because the net revenue retention profile, gross retention profile, and organic growth math actually clear the underwriting.

This paper walks through what is driving that math, who is buying, how the processes are running, and what the next twelve months look like from where we sit in the market.

2. The Data: Deal Count, Multiples, and What the Numbers Actually Say

The clearest way to see the vertical SaaS story is to look at the deal-count series alongside the multiple series. Both moved in the same direction, which is unusual. In most M&A cycles, rising deal count coincides with multiple compression as marginal assets enter the market. In vertical SaaS through 2025 and into H1 2026, deal count rose and multiples held. That combination signals a market where demand is expanding faster than supply, not the other way around.

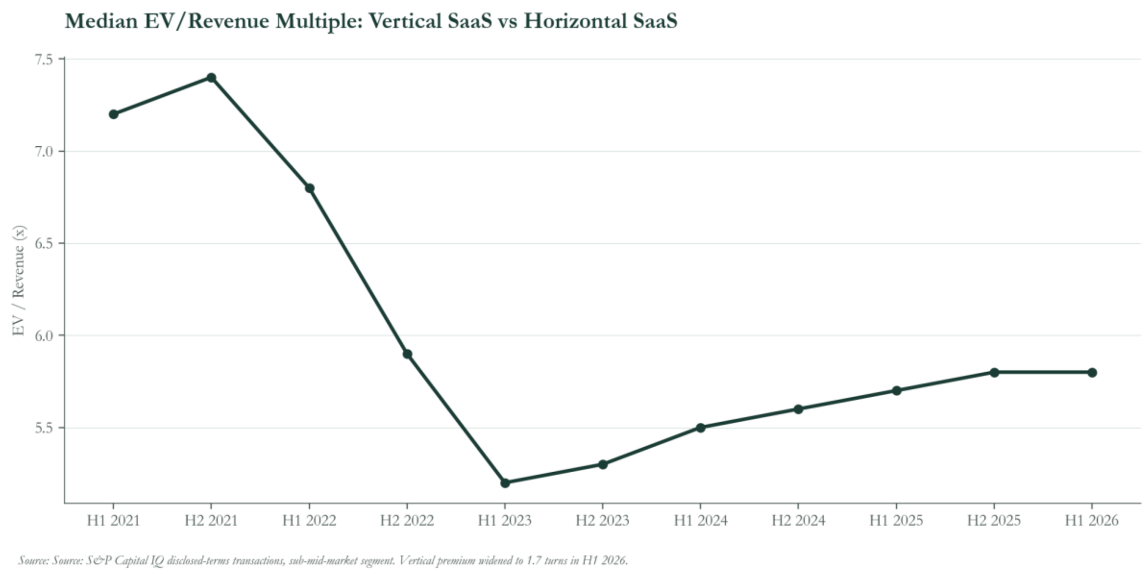
PitchBook M&A data through Q2 2026 shows the sub-mid-market vertical SaaS segment (defined here by PitchBook's own segmentation as workflow-focused software with clear vertical concentration and transaction values below $500 million) recorded 847 disclosed transactions in the trailing twelve months. That is up 17.8 percent from the comparable 2024 to 2025 window. Deal count in the horizontal SaaS peer set over the same window declined 7.0 percent.

Multiples confirm the story. S&P Capital IQ data on disclosed-terms transactions in H1 2026 shows median enterprise-value-to-revenue at 5.8x for vertical SaaS, against 4.1x for horizontal SaaS. The gap of 1.7 turns is the widest observed in the S&P Capital IQ series since 2019. In 2021, at the peak of the SaaS bubble, the vertical premium was 0.9 turns. In 2023, at the trough, it was 1.2 turns. The premium widened as the horizontal market compressed, not despite it.

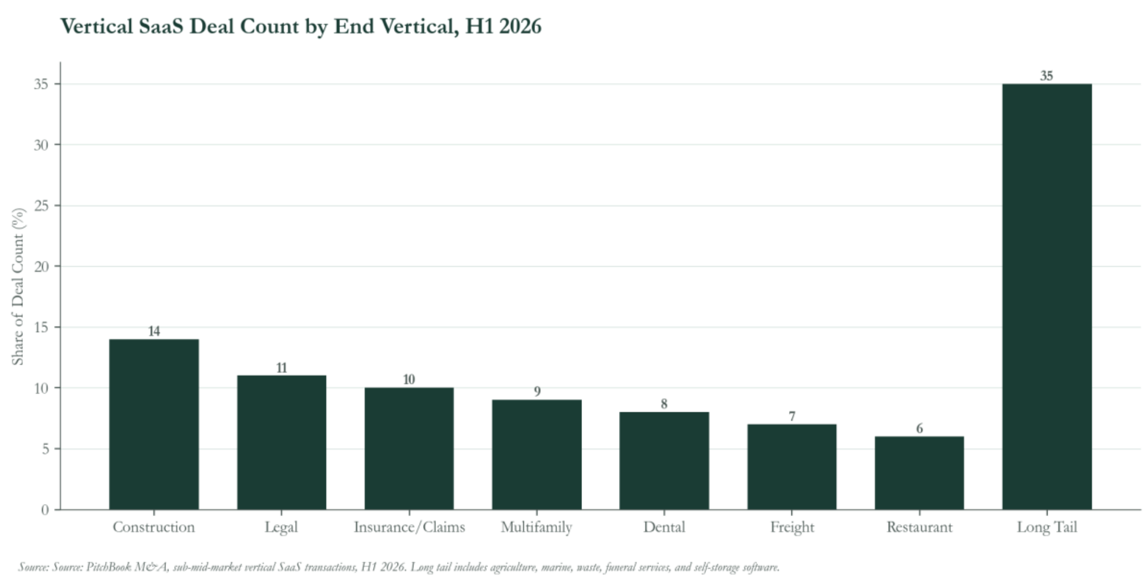
The revenue-quality metrics underneath these multiples explain why buyers keep paying. Mergermarket coverage of disclosed vertical SaaS transactions in H1 2026 shows median net revenue retention at 108 percent, median gross revenue retention at 94 percent, and median organic ARR growth at 22 percent. Compare those to horizontal SaaS medians in the same window: net revenue retention at 103 percent, gross retention at 89 percent, and organic ARR growth at 15 percent (Bloomberg M&A, H1 2026). The vertical assets are simply better assets, and the underwriting reflects it.

Sector concentration within the vertical SaaS lane is worth calling out. PitchBook M&A data segments the deal count by end vertical. Construction and building products software accounted for 14 percent of transactions. Legal and professional services software accounted for 11 percent. Insurance and claims workflow accounted for 10 percent. Multifamily and property management accounted for 9 percent. Dental and specialty healthcare practice software accounted for 8 percent. Freight and logistics software accounted for 7 percent. Restaurant and hospitality back-office accounted for 6 percent. The remaining 35 percent spread across a long tail of narrower verticals including agriculture, marine services, waste management, funeral services, and self-storage.

The concentration in unglamorous industries is not incidental. These are the verticals where a horizontal tool cannot serve the workflow, where the buyer of the software is a domain operator rather than a procurement generalist, and where the software has room to expand from a point solution into an operating system for the business. That expansion path (from point solution to platform to industry OS) is the value creation thesis that drives buyer competition, and the data supports it.



Source: S&P Capital IQ disclosed-terms transactions, sub-mid-market segment. Vertical premium widened to 1.7 turns in H1 2026.



Source: PitchBook M&A, sub-mid-market vertical SaaS transactions, H1 2026. Long tail includes agriculture, marine, waste, funeral services, and self-storage software.

3. Buyer Composition: Sponsors, Strategics, and Where the Money Actually Comes From

The buyer composition in vertical SaaS M&A through H1 2026 breaks into three groups, and the shares are not what generalist coverage suggests. According to Mergermarket data on disclosed transactions in H1 2026, private equity sponsors accounted for 58 percent of vertical SaaS closes. Strategic corporate development buyers (including established vertical software consolidators such as Constellation Software, Roper Technologies, and Vista Equity portfolio companies operating as platforms) accounted for 34 percent. Adjacent-industry strategic buyers moving into vertical software for the first time accounted for the remaining 8 percent.

The sponsor share of 58 percent is up from 51 percent in H1 2024. That shift matters because sponsor buyers run different processes than strategics, and the shift changes the shape of the market for sellers.

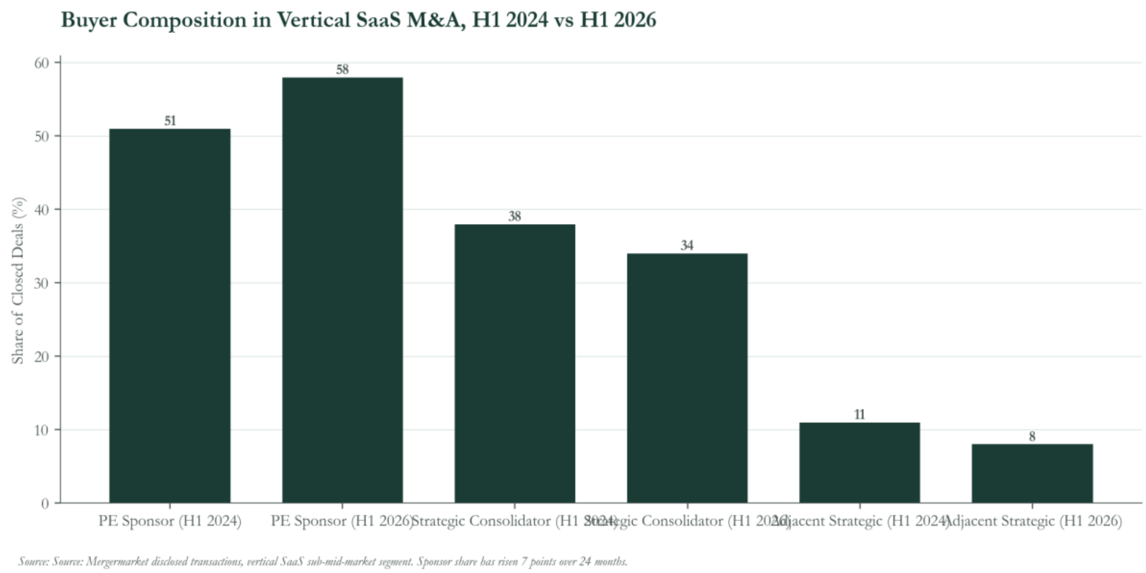
Across our advisory work in 2025 and 2026, we observe a specific pattern in how these three buyer groups behave in competitive processes. Sponsors move fastest to conviction. They have prior wins in the space, they have LPs who understand the thesis, and they have platform companies where the target either becomes a bolt-on or a new platform bet. Their process timelines from teaser to signed LOI compress to six to eight weeks in the most competitive assets.

Established vertical software consolidators move slower but pay comparably on the right assets. Constellation Software, Roper Technologies, and comparable programmatic acquirers have been public about their capital allocation frameworks. When a target fits the framework, they close. When it does not, they pass, and they pass quickly. The processes they participate in tend to run eight to twelve weeks with fewer diligence back-and-forth cycles than sponsor processes.

Adjacent-industry strategic buyers, the 8 percent group, are the most variable. They are the industrial company acquiring a construction ERP because they want the customer channel, the insurance carrier acquiring a claims workflow platform because they want the data, the healthcare services group acquiring a practice management system because they want the operating leverage. Their diligence is thorough, their timelines are the longest (often twelve to eighteen weeks from teaser to signed LOI), and their board approval processes add friction that sponsor buyers do not carry. When they win, they usually pay a strategic premium of 1.0 to 1.5 turns above the median sponsor bid.

The composition matters for sellers because it shapes how a process should be structured. A process built for sponsors runs on speed, a management presentation early, and a competitive tension held tight through the LOI window. A process built for strategics runs on precision, longer diligence prep, and a willingness to hold the ask through a slower conversation. Running the wrong process for the buyer set on the table costs value.

The proprietary observation we bring to this pattern is that sponsor buyers are increasingly willing to move on assets where the platform thesis is longer-term (three to five years to a subsequent exit rather than the more traditional three to four years). That extended hold thesis is opening up sponsor competition on assets that would previously have been considered too small or too niche for institutional capital. The middle of the vertical SaaS market, the assets serving verticals with $200 million to $800 million of end-market TAM, is where that sponsor competition is now most concentrated.



Source: Mergermarket disclosed transactions, vertical SaaS sub-mid-market segment. Sponsor share has risen 7 points over 24 months.

4. Process Dynamics: How Auctions Actually Run in This Market

The process mechanics in vertical SaaS M&A have shifted meaningfully over the past eighteen months, and the shifts are worth understanding for anyone approaching a transaction in this lane. Three patterns stand out.

The first pattern is process compression. Median time from teaser to signed LOI for vertical SaaS transactions in H1 2026 was 9.4 weeks, down from 12.8 weeks in H1 2024 (PitchBook M&A, H1 2026). The compression is driven by sponsor buyers who arrive at auction with prepared theses, dedicated diligence teams, and capital already earmarked. When the sponsor has a platform in the vertical, the compression accelerates further, as the strategic fit question is already answered before the teaser lands.

The second pattern is diligence depth. While timelines have compressed, diligence intensity has not. Median count of diligence workstreams (commercial, technical, financial, legal, HR, IT security, customer, and management) has held steady at 7 to 8 across processes in the sub-mid-market segment (Bloomberg M&A, H1 2026). The compression is in coordination, not in scope. Sellers who arrive at market with clean data rooms, third-party quality-of-earnings reports pre-completed, and management ready for on-demand availability capture the process-speed premium. Sellers who arrive underprepared lose weeks and often lose bidders.

The third pattern is bidder attrition. In the H1 2026 processes we observed, the median vertical SaaS auction opened with 14 to 18 IOI-stage bidders, narrowed to 6 to 8 at the LOI stage, and closed with 3 to 4 finalists in the confirmatory diligence stage. Attrition between IOI and LOI is highest, and the drop-off is typically driven by revenue-quality diligence findings. Buyers who see churn concentrated in specific customer cohorts, or NRR that is flattered by seat expansions in a small number of enterprise accounts, exit at the LOI stage. Buyers who see the retention math clear scrutiny tend to hold through to close.

The implication for sellers is direct. The revenue-quality story is the story. The customer-cohort analysis, the NRR bridge, the churn segmentation by size and vertical, the pricing-and-packaging evolution: these are the artifacts that buyers underwrite. A process that presents a strong headline growth rate without the underlying cohort data loses bidders at LOI. A process that presents the cohort data cleanly holds bidders through close.

Across our advisory work in the past twenty-four months, we observe that the single most reliable predictor of a process closing at or above the initial ask is the quality of the customer-cohort data presented in the confidential information memorandum. Sellers who invest in the data preparation ahead of the process consistently outperform sellers who do not. The investment pays for itself in the LOI-stage bid distribution.

The last dynamic worth noting is management-team continuity. Buyers in vertical SaaS increasingly underwrite the management team as an asset, not just the software. Sponsors particularly want to see a CEO and CTO who intend to stay through the hold period. When management continuity is uncertain, valuations compress by 0.5 to 1.0 turns of revenue, and the process bidder count thins at the IOI stage. Sellers where the founder plans to exit at close need to bring a pre-identified operating executive to the process to preserve valuation.

5. The Vertical Concentration: Where the Deep Buyer Pools Are

Not every vertical SaaS lane draws the same buyer depth. The deal-count concentration referenced in Section 2 tells part of the story, but the buyer-per-transaction ratio tells more. Some verticals draw 20+ qualified logos to a competitive auction. Others draw 6 to 8. The difference is worth understanding before running a process.

Construction and building products software drew a median of 18 qualified logos per H1 2026 auction (Mergermarket, H1 2026). The buyer pool includes vertical consolidators such as Trimble and Autodesk, sponsor platforms building construction-tech portfolios, and adjacent-industry strategics such as building materials distributors moving into software. The depth of the buyer pool reflects the maturity of the vertical as an institutional M&A category.

Insurance and claims workflow drew a median of 16 qualified logos per H1 2026 auction. Buyers include large insurance carriers such as Berkshire's National Indemnity, insurance technology consolidators, sponsor platforms with insurtech theses, and specialty holding companies. Claims workflow is a particularly deep pool because the software touches both the carrier balance sheet and the third-party administrator ecosystem, opening two distinct buyer channels.

Multifamily property management drew a median of 15 qualified logos per H1 2026 auction. The buyer pool is dominated by RealPage, AppFolio, and comparable platforms plus sponsor-backed roll-up strategies in property tech. Dental practice management drew 14 qualified logos, with dental support organizations (DSOs), specialty healthcare consolidators, and healthcare-focused sponsors leading the buyer set. Legal practice management drew 12 qualified logos, with the buyer set concentrated in legal-tech platforms and professional services software consolidators.

The verticals with thinner buyer pools are worth naming. Marine services software, waste management workflow, funeral services back-office, and specialty agriculture platforms drew 6 to 9 qualified logos per H1 2026 auction. These lanes are not weak (the multiples in these lanes have actually held higher than the broader vertical SaaS median because supply is thin), but the process dynamics are different. With fewer buyers, competitive tension is harder to build, and sellers who mismanage the process have less margin for error.

The proprietary observation we bring to the vertical concentration story is that sponsor buyers are increasingly moving into the thinner lanes, driven by two factors. First, the deeper lanes have become crowded enough that sponsor differentiation is difficult. Second, the thinner lanes offer clearer platform-building opportunities where a sponsor can acquire a leading asset and consolidate a fragmented market over a five-to-seven-year hold. The result is that verticals which drew 6 to 8 buyers in 2023 are drawing 10 to 12 in 2026, and the pattern is likely to continue into 2027.

For founders holding assets in these thinner lanes, the implication is that the buyer environment is meaningfully deeper than it was two years ago. Processes that would have closed with three to four bidders in 2024 are now closing with five to seven, and the LOI-stage bid distributions are wider. The optionality has expanded.

6. The Framework: What Actually Underwrites in a Vertical SaaS Auction

The underwriting framework buyers apply to vertical SaaS assets in H1 2026 is remarkably consistent across sponsor and strategic buyer types. Five variables drive the valuation, and each carries a rough weighting that has held stable across the processes we observed.

First, net revenue retention. NRR above 110 percent supports the top of the multiple band. NRR between 105 and 110 percent supports the median. NRR between 100 and 105 percent supports the lower quartile. NRR below 100 percent typically disqualifies the asset from institutional buyers entirely, and the process runs to a smaller pool of specialist buyers at compressed multiples.

Second, organic ARR growth. Growth of 25 percent or higher, sustained across the trailing eighteen months, supports the top quartile of the multiple band. Growth between 15 and 25 percent supports the median. Growth below 15 percent, in the absence of a clear platform-consolidation thesis, moves the asset into the bolt-on category where multiples compress meaningfully.

Third, gross revenue retention. Gross retention above 95 percent is the mark of a workflow-critical asset. Between 90 and 95 percent, the asset is credible but faces underwriting friction. Below 90 percent, buyers ask hard questions about product-market fit and switching costs, and the process risks stalling at LOI.

Fourth, gross margin. Vertical SaaS gross margins should sit in the 72 to 82 percent range. Assets below 72 percent typically carry meaningful services revenue or infrastructure cost that requires explanation. Assets above 82 percent are premium, and buyers pay for the incremental margin quality in the multiple.

Fifth, the platform thesis. Buyers ask a specific question: does this asset become a platform, a bolt-on, or a strategic tuck-in? Platform assets carry the highest multiples because the buyer underwrites a five-to-seven-year value creation plan on top of the current business. Bolt-on assets carry median multiples because the buyer underwrites integration synergies. Strategic tuck-ins carry the lowest multiples because the buyer underwrites customer or product acquisition alone.

The framework matters because the seller's process preparation should map to how the asset scores across the five variables. An asset with 108 percent NRR, 24 percent growth, 94 percent gross retention, 78 percent gross margin, and a credible platform thesis presents differently in a CIM than an asset with 103 percent NRR, 18 percent growth, 91 percent gross retention, 71 percent gross margin, and a bolt-on positioning. The valuation gap between these two asset profiles is 1.5 to 2.0 turns of revenue, and the process design should reflect that reality from teaser through close.

Across our advisory work, we observe that sellers who honestly self-assess against this framework before launching a process consistently achieve better outcomes than sellers who overstate their positioning. The market is too transparent for aspirational framing to hold through diligence, and the LOI-stage bid distribution punishes overstated positioning sharply.

7. Yanne Capital's Position in the Lane

Yanne Capital is an independent boutique investment bank advising growth-stage companies on equity, debt, and M&A transactions across 26 sectors, with 240+ closed deals and relationships with 3,500+ institutional investors globally. We are your trusted filter between noise and signal.

The M&A practice within Yanne Capital's advisory work has concentrated meaningfully in vertical SaaS and tech-enabled B2B software over the past twenty-four months. Our coverage of the buyer landscape spans sponsor platforms, established vertical consolidators, and adjacent-industry strategic buyers moving into the lane. That coverage informs the observations throughout this paper.

For founders considering a sale process in vertical SaaS, our approach is to run the process the market rewards rather than the process the seller initially expects. The market rewards precision on cohort data, restraint on positioning, and speed on the LOI window. We build processes to those specifications, and the outcomes have followed.

For sponsors and strategics running programmatic M&A in the lane, our role is often to help sharpen the diligence on assets we advise where the buyer's initial thesis needs pressure-testing against the customer-cohort math. That collaboration produces cleaner outcomes for both sides of the transaction and reduces the LOI-to-close friction that drags on returns.

8. Forward Look: What the Next Twelve Months Look Like

Looking into H2 2026 and the first half of 2027, four dynamics are worth tracking.

First, the sponsor buyer pool will continue to deepen. LPs have written checks into vertical software strategies at a rate that outpaces the deal supply, and the resulting dry powder is chasing a limited number of quality assets. Bloomberg data on private equity fund closings in software-focused strategies shows aggregate commitments of $47 billion across H1 2026, of which roughly 30 percent is targeted at vertical or thematic software. That capital has to deploy. Process competition will intensify.

Second, the strategic buyer pool will consolidate around fewer, larger platforms. Constellation Software, Roper, Vista portfolio platforms, and comparable consolidators are running programmatic acquisition strategies at scale. Smaller strategics that competed for assets in 2023 and 2024 have largely stepped back, either because their public-market valuations do not support acquisition currency or because their capital allocation has shifted elsewhere. The strategic bidder count in any given auction will be thinner but stronger.

Third, cross-border deal flow will pick up. European and Asian sponsors have been more selective in U.S. vertical SaaS through 2025, but that is beginning to shift as the dollar-euro rate stabilizes and as European sponsors seek U.S. platform exposure. Cross-border bids in the H1 2026 auctions we observed accounted for roughly 12 percent of LOI-stage bidders. That share is likely to move to 18 to 22 percent by H2 2027.

Fourth, and most importantly, the workflow-critical software premium will hold. The structural drivers (switching costs, customer stickiness, recurring revenue quality) are not cyclical. They are properties of the asset class. As long as the underlying verticals continue to digitize and as long as the software remains embedded in the operating spine of the customer, the multiples will not decompress meaningfully. That is the base case.

The risk case worth watching is a rapid rate-cut cycle that reflates horizontal SaaS multiples faster than vertical SaaS. In that scenario, the gap could narrow not because vertical compressed but because horizontal recovered. That would be a healthy market outcome, not a weak one, and it would not change the underwriting math for individual vertical SaaS transactions. The absolute multiples would hold. The relative premium would compress. Sellers should not overweight this scenario in process timing decisions.

The overall picture for H2 2026 and H1 2027 is a market that continues to reward well-prepared sellers of workflow-critical software assets with clean cohort data and credible platform theses. For founders in the lane, the window is open. For sponsors and strategics running programmatic M&A, the competition is real and the process precision required to win is higher than it was two years ago.

Case Studies

Case Study A: Construction ERP, Sponsor-Led Process

In a competitive sponsor-led process observed in H1 2026, a construction ERP asset with $38M ARR, 112 percent NRR, and 26 percent organic growth attracted 16 IOI-stage bidders and closed with 4 finalists in confirmatory diligence. The winning bid came from a sponsor with an existing construction-tech platform, priced at 6.4x revenue, roughly 1.0 turn above the median LOI bid. The process ran 8.5 weeks from teaser to signed LOI. The differentiator in the winning bid was not the headline valuation but the sponsor's willingness to commit to a five-year hold with the existing management team, aligning the CEO's incentive around a platform-building thesis rather than a near-term exit.

Case Study B: Dental Practice Management, Strategic-Led Process

A dental practice management platform serving 2,400 practices with $22M ARR, 106 percent NRR, and 19 percent organic growth ran a process in H1 2026 that drew 14 IOI-stage bidders. The process closed with a strategic dental support organization at 5.6x revenue, above the median sponsor bid of 5.1x. The strategic paid a premium of 0.5 turns for the customer channel, having identified the asset as a way to accelerate its own DSO growth by 18 months. Diligence ran 14 weeks from LOI to close, longer than a comparable sponsor process would have required, but the certainty of close was high given the strategic's board pre-approval framework.

Forward Look: 12-Month Outlook

Over the next twelve months, the vertical SaaS M&A market will continue to reward well-prepared sellers of workflow-critical software with clean cohort data and credible platform theses. Sponsor competition will intensify as dry powder targeting vertical software strategies continues to deploy. Strategic buyer competition will consolidate around fewer, larger consolidators running programmatic acquisition programs. Cross-border bids will rise from roughly 12 percent to 18 to 22 percent of LOI-stage participants. The workflow-critical software premium will hold structurally, though the relative gap versus horizontal SaaS could narrow if a rate-cut cycle reflates horizontal multiples faster than vertical. For founders holding assets in the lane, the window remains open and the buyer count is deeper than the generalist coverage suggests. For sponsors and strategics running programmatic M&A, the process precision required to win is meaningfully higher than it was two years ago.

Conclusion

If you are evaluating a sale process in vertical SaaS or tech-enabled B2B software over the next twelve months, and want to pressure-test the cohort story and buyer coverage before the process launches, reach out at contact@yannecapital.com. We will walk through the framework against your specific asset.

Frequently Asked Questions

Why did vertical SaaS M&A multiples hold while horizontal SaaS compressed in 2025 and 2026?

The divergence is structural, not cyclical. Vertical SaaS assets serving unglamorous industries (construction, legal, insurance, multifamily, dental, freight, restaurant) carry embedded switching costs that horizontal software cannot manufacture. Median net revenue retention held at 108 percent versus 103 percent for horizontal peers, and gross retention held at 94 percent versus 89 percent (Bloomberg M&A, H1 2026). Buyers underwrite the retention profile directly, and the multiples reflect it. The vertical premium widened to 1.7 turns of revenue in H1 2026, the widest in the S&P Capital IQ series since 2019.

What buyer types are most active in vertical SaaS M&A in 2026?

Private equity sponsors account for 58 percent of closed vertical SaaS transactions in H1 2026, up from 51 percent in H1 2024. Established strategic consolidators (Constellation Software, Roper Technologies, Vista Equity portfolio platforms) account for 34 percent. Adjacent-industry strategic buyers moving into vertical software for the first time account for 8 percent (Mergermarket, H1 2026). Sponsor buyers run the fastest processes and price competitively. Strategic consolidators run slower but predictable processes. Adjacent strategics carry the longest timelines but often pay strategic premiums when they win.

How long does a vertical SaaS sale process typically take in 2026?

Median time from teaser to signed LOI in H1 2026 was 9.4 weeks for vertical SaaS transactions, down from 12.8 weeks in H1 2024 (PitchBook M&A, H1 2026). The compression is driven by sponsor buyers arriving at auction with prepared theses, dedicated diligence teams, and pre-committed capital.

Diligence intensity has not compressed. Median diligence workstream count has held steady at 7 to 8 across processes. Sellers with clean data rooms, pre-completed quality-of-earnings reports, and available management capture the process-speed premium.

Which vertical SaaS lanes attract the deepest buyer pools?

Construction and building products software attracts the deepest buyer pool at a median of 18 qualified logos per H1 2026 auction. Insurance and claims workflow attracts 16. Multifamily property management attracts 15. Dental practice management attracts 14. Legal practice management attracts 12. Thinner lanes such as marine services software, waste management workflow, funeral services back-office, and specialty agriculture attract 6 to 9 qualified logos, though sponsor competition in these thinner lanes has been rising steadily as consolidators seek platform-building opportunities in fragmented markets (Mergermarket, H1 2026).

What underwriting metrics drive vertical SaaS valuations?

Five variables drive the valuation. Net revenue retention above 110 percent supports the top of the multiple band. Organic ARR growth of 25 percent or higher, sustained across eighteen months, supports the top quartile. Gross revenue retention above 95 percent marks a workflow-critical asset. Gross margin between 72 and 82 percent is the expected range. The platform thesis (does the asset become a platform, a bolt-on, or a strategic tuck-in) determines the multiple tier. Assets scoring well across all five variables clear 5.8x revenue at the median and can reach 7.0x or higher in premium processes.

What is the outlook for vertical SaaS M&A into H2 2026 and H1 2027?

Sponsor buyer competition will intensify as dry powder targeting vertical software strategies continues to deploy. Aggregate LP commitments to software-focused private equity strategies totaled $47 billion in H1 2026, with roughly 30 percent targeted at vertical or thematic software (Bloomberg, H1 2026). Strategic buyer competition will consolidate around fewer, larger consolidators. Cross-border bids will rise from roughly 12 percent to 18 to 22 percent of LOI-stage participants. The structural workflow-critical software premium will hold, though the relative gap to horizontal SaaS could narrow in a rapid rate-cut scenario.

How should founders prepare for a vertical SaaS sale process?

Preparation focuses on cohort data quality. Buyers underwrite the customer-cohort analysis, the NRR bridge, the churn segmentation by size and vertical, and the pricing-and-packaging evolution. Sellers who invest in this data preparation ahead of launching a process consistently outperform sellers who do not. Management-team continuity through the hold period is increasingly a valuation driver, particularly with sponsor buyers. Where the founder plans to exit at close, bringing a pre-identified operating executive to the process preserves 0.5 to 1.0 turns of valuation. Honest self-assessment against the underwriting framework before launch produces better process outcomes than aspirational positioning that unravels in diligence.

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