

Value is shifting towards disciplined integration, vertical focus and operating improvements.

Key takeaways

Buy-and-build remains one of the dominant strategies in European private equity, and software continues to be one of its most natural applications. Add-on acquisitions represented roughly 71% of European PE buyouts in Q1 2026, reinforcing the extent to which consolidation has become embedded in the private-equity model.

Software remains highly relevant to that strategy because European markets are fragmented, recurring revenues support acquisition financing, and vertical-software businesses often operate across numerous specialised niches. Roland Berger found that 69% of surveyed PE professionals expect technology, software and digital solutions to be among the most active sectors for PE M&A in 2026.

However, the model is becoming harder to execute. Gain.pro reports that software PE deal activity has fallen to its lowest level since 2020, while add-on activity across European private equity is broadly flat in 2026 as financing costs, integration complexity and reduced multiple arbitrage constrain consolidation.

Buy-and-build has become the default PE playbook

The basic model is straightforward: acquire a platform company, then use a series of smaller acquisitions to increase scale, expand the product set, enter new markets or consolidate a fragmented sector.

In European private equity, this is no longer a niche strategy.

Add-ons accounted for around two-thirds of European PE buyouts in 2024 and increased to approximately 71.4% in Q1 2026, according to PitchBook data cited by Nordvisory.

The attraction is particularly clear in software.

Many European software markets remain fragmented by geography, language and vertical specialisation. A platform can therefore acquire smaller businesses with loyal customer bases, recurring revenues and domain expertise, then centralise functions such as finance, sales, product development and infrastructure.

The strategy can create value through scale, but only where the underlying acquisitions fit together economically and operationally.

How a software buy-and-build creates value

Value Lever	Typical Objective
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Add-on acquisitions	Increase scale
Cross-sell	Expand wallet share
Geographic expansion	Enter new markets
Product consolidation	Broaden offering
Professionalisation	Improve margins

Source: Veyne analysis.

Vertical software remains particularly attractive

Vertical software is well suited to buy-and-build because markets are often fragmented and customer relationships are relatively sticky.

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The strongest opportunities are often found in markets where customers value industry-specific functionality and switching costs are meaningful.

This can create a more defensible consolidation strategy than attempting to combine generic horizontal tools competing in highly contested categories.

Multiple arbitrage is becoming less reliable

Historically, one attraction of buy-and-build was valuation arbitrage.

A sponsor could acquire a larger platform at one multiple, purchase smaller add-ons at lower multiples and ultimately exit the combined business at a higher group valuation.

That mechanism has not disappeared, but it has become less dependable.

Gain.pro reports that European PE valuation multiples have broadly flatlined around a 10.5x median in 2026, while narrowing valuation gaps and higher financing costs have reduced the benefit of consolidation purely for arbitrage. Gain

At the same time, software-specific M&A multiples have weakened. Silverpeak reports a median 2.2x EV/Revenue for software M&A in H1 2026, below the 2.7x average since 2022.

The implication is important: buy-and-build increasingly needs to create genuine operating value rather than rely on financial engineering alone.

Buy-and-build value creation: then vs now

Historic Emphasis	2026 Emphasis
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Multiple arbitrage	Operating improvement
Cheap leverage	Capital discipline
Scale alone	Strategic fit
Financial synergies	Product integration
Rapid acquisition pace	Selective add-ons

Source: Veyne analysis.

Serial acquirers are changing the software market

Software consolidation is not being driven only by traditional private-equity funds.

A growing class of serial acquirers has developed long-term models built around acquiring specialised software businesses repeatedly.

Unlike conventional PE-backed platforms, these acquirers may hold assets indefinitely rather than pursuing a five-to-seven-year exit.

Recent analysis of European software serial acquirers found a median acquisition price of approximately 3.14x annual revenue across 33 disclosed transactions, with a wide range from 0.53x to 13.95x.

The spread illustrates how heterogeneous the market is.

High-quality vertical software businesses with strong retention, margins and growth can command significant premiums, while smaller or slower-growing businesses may transact at materially lower multiples.

For founders, this creates a broader buyer universe. For PE-backed platforms, it also increases competition for attractive add-on targets.

Integration is becoming the real differentiator

The most important challenge in buy-and-build is increasingly what happens after the acquisition. Gain.pro notes that integration complexity is one of the factors moderating add-on activity in 2026.

Software integrations can be particularly difficult because value often sits across multiple layers: product architecture, customer contracts, pricing models, data, sales teams and organisational culture.

A platform may create procurement and administrative efficiencies relatively quickly, but product consolidation can take years.

Aggressive integration can also destroy value if customers lose trusted brands, specialised functionality or service quality.

The best software consolidators therefore tend to be selective about where they centralise and where they preserve autonomy.

The objective is not necessarily to make every acquisition look identical. It is to create a group where shared capabilities improve performance without removing the characteristics that made the target attractive in the first place.

AI is changing target selection

AI adds another layer to the buy-and-build model.

Buyers increasingly need to assess whether a potential target gains or loses strategic relevance as AI lowers software development costs.

Silverpeak identifies AI defensibility as one of the central questions in software M&A in 2026. Deal count has fallen to its lowest level since 2021 as investors become more selective about which software assets will retain value.

For consolidators, this can favour vertical software with proprietary data, specialist workflows or deeply embedded customer relationships.

Conversely, acquiring several businesses whose functionality can be replicated cheaply may increase scale without increasing strategic value.

AI can also strengthen the consolidation thesis where a larger platform can deploy shared AI capabilities across multiple acquired products more efficiently than each smaller business could independently.

The quality of the underlying platform therefore matters more than ever.

Scale is increasingly valuable, but only with discipline

The broader private-equity market remains supportive of consolidation.

PwC reported €457.6 billion of European PE deal value in 2025, up 28%, while dry powder remained close to record levels at approximately €434.8 billion. At the same time, lower leverage and high purchase prices mean firms increasingly need to generate returns through operating improvement.

Software buy-and-build fits that environment well.

A successful platform can create operational leverage, improve margins, broaden its product suite and ultimately become attractive to larger sponsors or strategic acquirers.

However, scale for its own sake is unlikely to be enough.

The strongest platforms will be those that combine disciplined acquisition pricing with clear integration logic and measurable improvements in the operating performance of acquired businesses.

The sourcing advantage is becoming more important

As more investors adopt buy-and-build strategies, attractive targets are becoming more competitive.

This creates an advantage for platforms that can source businesses outside conventional auction processes.

Smaller vertical-software companies are often founder-owned, lightly intermediated and highly specialised. Building relationships with these businesses before they formally consider a sale can improve both acquisition access and valuation.

The challenge is scale.

A buy-and-build strategy may require multiple acquisitions over a holding period, meaning that a platform needs a repeatable sourcing engine rather than a single successful transaction.

That is increasingly one of the defining capabilities of successful serial acquirers.

Veyne view

We expect software buy-and-build to remain one of the most important consolidation strategies in European private equity.

However, the economics are changing. Higher financing costs, greater competition for attractive targets and narrower valuation arbitrage mean that returns will increasingly depend on integration, operational improvement and strategic fit.

Vertical software should remain particularly attractive because fragmentation, recurring revenues and specialised workflows create natural consolidation opportunities.

The strongest platforms will be those that treat M&A as a repeatable operating capability rather than a purely financial strategy.

Selected market signals

Market Signal	2026
Add-on share of European PE buyouts	~71%
Software PE activity	Lowest since 2020
European PE median multiple	~10.5x
Software deals across Europe, 2023 to H1 2026	3,055
Median serial-acquirer revenue multiple	3.1x

Sources: *Gain.pro, PitchBook/Nordvisory, Silverpeak, TH Global Capital.*

Sources

Gain The State of European Private Equity Report H2 2026 ([Link](#)); Roland Berger European Private Equity Outlook 2026 ([Link](#)); Silverpeak H1 2026 | Software M&A Report: Deal activity slows as investors focus on AI defensibility ([Link](#)); TH Global Capital The Roll-Up Reshaping European Software M&A - M&A Activity Report: 2023 to H1 2026 ([Link](#)).

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