ankura
CAPITAL ADVISORS

# M&A MARKET INTELLIGENCE




## SOFTWARE CHANNEL

**March 2026**

## Executive Summary

# Your Multiple Is Likely As High As It Will Ever Be

The artificial intelligence (AI) disruption now reshaping enterprise software is 12 to 18 months from hitting channel partner valuations at full force. Right now, acquirers still price your business on historical earnings, specifically on the revenues and margins you built before the vendor layer repriced. By 2027, they will price it on projected ones, and those projections will reflect a fundamentally different competitive environment. This brief explains the gap between those two numbers and what a sophisticated operator should do before it closes.

### 5.1x

Median Enterprise Value (EV)/Revenue for public software as a service (SaaS), February 2026 is down from 18-19x at peak. Channel multiples follow with an 18-month lag.

### $1 trillion

Enterprise software market cap erased in one week, February 2026. The signal has been sent. The channel has not yet fully received it.

### 18 months

Estimated lag before AI-driven vendor multiple compression fully flows through to channel partner valuations in mergers and acquisitions (M&A) transactions.

*Source: ACA Internal Knowledge, UncoverAlpha/public SaaS index data, ai2.work*

THE CENTRAL ARGUMENT

## The Lag Effect: Why Channel Partner Valuations Are Still High

There is a structural delay between when disruption strikes the software vendor layer and when it reaches the valuations of the channel partners who sell, implement, and service those products. We are inside that delay right now. For owners of Managed Service Providers (MSPs), Value-Added Resellers (VARs), and systems integrators who have built real businesses over the past decade, it may be the most consequential window they will ever have. The public markets delivered their verdict in February 2026: roughly $1 trillion dollars in SaaS market capitalization erased in a single week, as AI-native platforms demonstrated they could displace the core workflows of established software products. Public SaaS multiples, which peaked near 18-19x revenue in 2021, now sit at a median of 5.1x. The repricing of the vendor layer is not a forecast. It is a completed event.

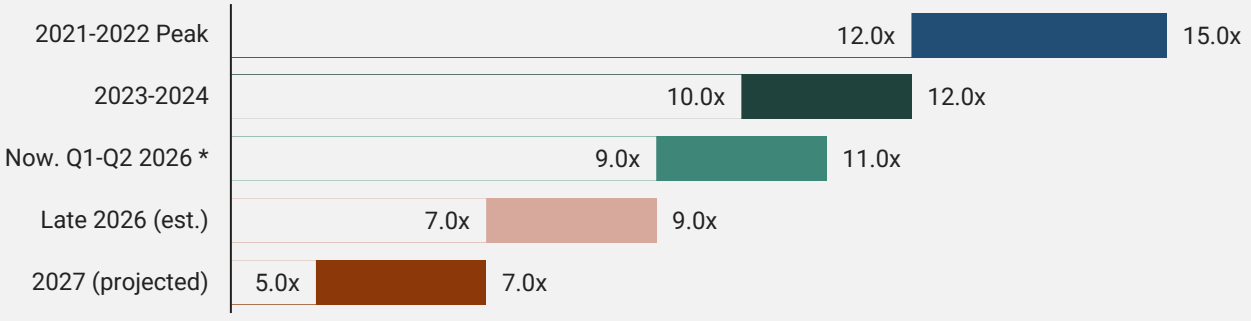
What has not yet repriced is the downstream consequence. Private M&A markets for channel businesses remain anchored to TTM EBITDA and recurring revenue stability metrics that still look clean. But the forces that will erode them are already in motion: AI-driven consolidation shrinking the vendor footprint channel businesses depend on; automated support compressing managed services margins; AI-accelerated deployment hollowing out implementation revenue. None of this has yet appeared in the financial statements that acquirers underwrite.

This is the lag and it is finite. The window between when deterioration becomes visible in your profit and loss (P&L) and when acquirers still price you at peak typically runs 12 to 36 months from the moment the underlying cause takes hold. That clock is running. This is not an argument about whether your business will be affected. It is an argument about the difference between exiting at the top of a cycle and discovering, too late, that the top has passed.

**"The single most pressing challenge for channel partners in 2026 is declining profitability on core services. The safety net of high gross margins on managed services subsidizing lower-margin resale is disintegrating. That safety net has not yet collapsed in the trailing financials. It is beginning to."**

- Techaisle, 2026 Channel Partner Study (Survey of 4,500 global partners)

## EV/EBITDA Multiple Trajectory | Software Channel Partners (Illustrative)




** Current window represents peak buyer appetite before AI-driven earnings compression appears in financials. Estimates based on observed private M&A transactions in MSP & VAR sectors, Q4 '25-Q1 '26. Individual results will vary, not a guarantee of transaction value.*

*Source: ACA Internal Knowledge, UncoverAlpha/public SaaS index data, Techaisle*

WHY MULTIPLES WILL COMPRESS

## Three Forces Hitting the Channel Simultaneously

Understanding why channel partner valuations will face pressure and therefore why the current window matters requires an understanding of the three structural shifts converging on the channel business model at the same time. Unlike the cloud transition, which threatened one part of the channel at a time, the AI transition is attacking all three primary revenue streams in parallel.

### I. Licensing Margin Erosion

Hyperscaler marketplaces grew more than 40% year-over-year in partner-led software transactions in 2025. Younger enterprise buyers demonstrate an over 20% propensity to complete business-to-business (B2B) software purchases directly through marketplace channels, bypassing traditional reseller relationships. Simultaneously, AI-native competitors are undercutting the products channel partners resell and as vendor revenue declines, vendor program investment follows. The resale margin that cross-subsidized services revenue is shrinking, and it will continue to do so.

### II. Managed Services Automation

The Level 1 and Level 2 support work such as helpdesk tickets, infrastructure monitoring, patch management, and routine troubleshooting that justified MSP recurring revenue contracts is precisely the category of work that artificial intelligence for information technology operations (AIOps) platforms are most rapidly automating. The productivity gains are real: fewer technicians handling more endpoints, faster resolution times, reduced escalation rates. This is good news for the MSP's cost structure and terrible news for the billing model that priced on headcount and ticket volume. The revenue that disappears when you need two technicians instead of five to manage the same client base does not come back.

### III. Implementation Services Compression

AI tools embedded by enterprise software vendors are compressing implementation timelines by an estimated 30%-50% for standard deployments. Projects that required four months of billable systems integrator time can now be delivered in six to 10 weeks. This compression reduces revenue per engagement and erodes the perceived value of partner expertise. For firms whose professional services revenue represented their highest-margin business and primary differentiation, this compression strikes at the most defensible part of the model.

THE COMPOUNDING DYNAMIC

**When vendors shrink, they cut their channel programs. When buyers consolidate SaaS stacks, they need less help managing them. When AI automates support, headcount drops. All three effects reduce the financial metrics that buyers use to value channel businesses.**

None of this has yet appeared at scale in the trailing financials that acquirers currently underwrite. When it does, the conversation about valuation changes materially. The businesses that transacted before that appearance will have captured terms unavailable afterward.

*Source: ACA Internal Knowledge, Techaisle, Channelnomics, Integris*

KNOW WHERE YOU STAND

## The 4 Channel Archetypes And Their Transaction Outlook

Not every channel partner faces the same exposure, on the same timeline, with the same urgency. The right strategic response and the right transaction timing depends on which archetype most closely describes your business.

| ARCHETYPE | REV PROFILE | AI EXPOSURE | M&A OUTLOOK | TIMING |
|---|---|---|---|---|
| **Pure Reseller** | License margin dominant; minimal services; no managed recurring revenue | Marketplace bypass already underway; vendor program cuts accelerating | **EXIT NOW** | Six to 12 months before earnings deterioration visible to buyers |
| **Generalist MSP** | Monthly recurring revenue (MRR) from managed services; broad but shallow; small and medium-sized business (SMB)-heavy client base | L1/L2 automation reducing billable hours; no specialization premium | **TRANSACT NOW** | Window is 12-18 months before AIOps hits EBITDA margins |
| **Implementation VAR/SI** | Project-based services; vendor certifications; some recurring support | Project timelines compressing 30%-50%; labor per project declining | **TRANSACT OR TRANSFORM** | 18-month runway to transform; transact before Q4 2026 program cuts |
| **Vertical Specialist** | Deep domain expertise; proprietary intellectual property (IP); outcome-oriented client relationships | Most durable position; regulatory complexity creates natural barrier | **PREMIUM ASSET** | Highest strategic value now; further premium in 12-24 months with AI embedded |

WHY NOW

## The Acquisition Logic: Why Strategic Buyers Are Still Paying Peak

The M&A market for channel businesses does not move as fast as the public equity market. Acquirers whether strategic buyers, private equity (PE) platforms, or PE-backed consolidators underwrite businesses on trailing earnings, customer relationships, and team quality, not on public market sentiment or AI disruption narratives. This structural lag creates the window.

Strategic buyers in the channel space are currently motivated by an urgent need they cannot easily solve organically: AI-adjacent capability, vertical specialization, and customer relationships in growth industries. They are paying for these things at prices that reflect their scarcity.

*Source: ACA Research, DeskDay, Channel Insider, Crossbeam/Omdia, Techaisle, Channelnomics*

An MSP with deep healthcare compliance expertise and a stable SMB customer base is a genuinely scarce asset. The acquirers who need these assets know they need them, and they are paying accordingly. What changes the calculus is the slow accumulation of evidence that channel partner earnings are under structural pressure. When that evidence becomes visible in trailing financials, meaning when EBITDA margins show the impact of AIOps automation, when recurring revenue reflects SaaS stack consolidation churn, and when services revenue shows deployment compression, the underwriting changes. The acquirer still wants the business. They want it at a lower number.

**THE ACQUISITION WINDOW · APRIL-DECEMBER 2026**

## Buyers are still pricing you on what you earned. Soon, they will price you on what you will earn.

For a channel business generating $3 million in EBITDA at a 10× multiple, a compression to 7× in the projected earnings environment is a $9 million difference in enterprise value. That difference does not have to be sacrificed. It is accessible to owners who understand the timing and act accordingly.

### Q2 2026 | Now | Peak Transaction Window

Buyer appetite strong. Strategic acquirers actively building AI-capable channel portfolios. PE platforms deploying capital in managed services consolidation. Historical earnings still clean. Vendor programs not yet visibly impacted. Multiples at cyclical high relative to the projected 2027-2028 environment. This is the most favorable transaction environment the channel will see for the foreseeable future.

### Q3 2026 | 3-6 Months | First Signs Appear in Vendor Programs

Vendors facing earnings pressure begin restructuring channel programs: reducing market development funds (MDF) allocations, tightening rebate thresholds, and raising revenue attainment requirements for partner tier maintenance. Sophisticated acquirers begin modeling these changes into forward EBITDA. Multiples soften modestly for businesses with high vendor program revenue concentration.

### Q4 2026 | 6-9 Months | EBITDA Compression Becomes Visible

AIOps and AI support tools now widely deployed by larger MSPs; efficiency gains begin showing in headcount and billing metrics. First wave of enterprise client SaaS consolidation ripples through managed services revenue. Q4 earnings will reflect early margin pressure. Buyers begin applying more aggressive normalization adjustments.

### Q1 2027 | 9-12 Months | The Repricing

M&A market fully absorbs the structural reality. Buyers now apply projected earnings models alongside trailing financials, discounting for AI-driven compression. Multiples for generalist MSPs and pure resellers compress to 5-7× EBITDA. The businesses that transacted in Q2-Q3 2026 received terms unavailable to those negotiating in this environment.

*Source: ACA Internal Knowledge, Trending Topics EU, Accel Globalscape*

FOR THE SOPHISTICATED OWNER

## 5 Questions Every Channel Owner Should Be Asking Right Now

This brief is not a prescription for every business owner to pursue an immediate sale. For some firms, particularly vertical specialists with proprietary IP and strong recurring revenue, the most value-maximizing path may be continued investment and an exit in 18-24 months at a premium. The following questions are designed to help owners think clearly about which situation they are in.

### What percentage of your EBITDA comes from revenue streams that AI directly automates?

L1/L2 support, routine monitoring, and license resale margin quantify the exposure. If more than 40% of your earnings trace back to tasks that AIOps or marketplace procurement can replace, your projected EBITDA in 2027 looks materially different from your trailing number. That is exactly the gap an acquirer will price.

### How concentrated are your vendor program economics in products currently losing SaaS market share?

If your top three vendor relationships are with companies whose products are under direct AI substitution pressure, your program revenue is a lagging indicator of a problem that already exists at the vendor level. Map your vendor exposure to the disruption risk profile of each product.

### Can you articulate a proprietary differentiation that a well-resourced acquirer could not replicate in 12 months?

This determines whether you are a platform-building asset or a revenue roll-up target. Platform assets command structural premiums. Revenue roll-ups transact at commodity multiples. If your differentiation is primarily your people, relationships, and certifications rather than proprietary IP or methodology, it is important information for sizing the window correctly.

### Have you had an independent valuation in the last 18 months?

Most channel partners who have not recently explored a transaction significantly underestimate their current market value. The PE-driven consolidation of the MSP and VAR space has created competitive buyer dynamics that push multiples materially above what most owners expect. Understanding current market value costs nothing and constrains nothing, it is simply information.

### If you knew your EBITDA would be 20% lower in 2027 than today, would your answer to the question of timing change?

This is the honest framing of the decision. The question is not whether AI will destroy your business. It is whether structural pressures will reduce your earnings 15%-25% over the next 18-24 months. If you believe they will, and if you believe a strategic acquirer will apply that trajectory to their underwriting, the value of acting now versus acting then is quantifiable. That calculation deserves to be made explicitly.

*Source: ACA Internal Knowledge, DeskDay, Techaisle*

THE BOTTOM LINE

## This Is Not a Prediction of Catastrophe, It Is a Conversation About Timing

The channel businesses that will face the most difficult outcomes in 2027 are not the ones that will have failed to survive AI disruption. Most of them will survive it. They are the businesses that will still be independently operating with compressed margins, reduced multiples, and fewer strategic options, while the owners who transacted in 2026 have moved on with full value realized.

The argument in this brief is not that every channel partner should sell immediately. It is that every channel partner who has built a real business over the past decade owes it to themselves to understand the transaction environment they are operating in right now. They must know how buyers are currently underwriting, what premiums are currently available, and what the trajectory of those terms looks like as AI-driven compression moves from the vendor layer into the channel earnings that buyers underwrite.

The window is real. The timing is precise. And unlike most moments in business, this one is legible in the data if you know where to look and have the objectivity to act on what you find.

## How Ankura Capital Advisors can help

The professionals at Ankura Capital understand the market and the full spectrum of capital providers. We work closely with both sponsor-backed and non-sponsor-backed companies, helping them identify the most optimal path forward whether that involves pursuing a transaction or sourcing capital on competitive terms from investors best suited to support a recapitalization and/or the growth of their business.



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### AWARDS

| 2025 | 2024 | 2023 | 2023 | 2021 |
|---|---|---|---|---|
| Special Situations Deal of the Year | Financial Deal of the Year (Under $500M) | Special Situations M&A Deal | Best M&A Advisory Firm of the Year | Restructuring Deal of the Year (Over $500M) |

### TRANSACTION TYPES

- Sell and Buy-Side M&A
- § 363 and Article 9 sales
- Refinancings
- Buyouts, Recapitalizations, and Carve-outs
- Growth Capital, “Rescue” Capital, DIP Financing

### STRUCTURES

**Secured Loans:**

- Asset-Backed and Cash Flow Loans
- 1st and 2nd Lien and Unitranche Loans
- Fund Level (NAV) Loans

**Other Structures:** Mezzanine, Pref Equity

### INDUSTRY COVERAGE

- Automotive
- Manufacturing, Chemicals & Industrials
- Technology, Media & Telecom
- Building Products & Construction
- Healthcare & Life Sciences
- Retail & Consumer
- Business Services
- Food & Beverage
- Financial Services
- Transportation & Logistics

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## AWARDS

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