

ACQUISITION STRATEGY

What Strategic Buyers Are Really *Buying.*

It's rarely the product. Acquirers buy market position, customer relationships, and team, here's how to build toward what they're actually looking for, starting now, not two years before you sell.

THE MYTH

The product got you to the table. It's not why they're *buying*.

Most founders spend years optimizing the wrong side of the ledger. They polish the roadmap, chase feature parity, and assume that a better product is what makes a strategic acquirer write a bigger check. It isn't. By the time a serious buyer is sitting across the table, they have already assumed your product works. What they are actually pricing is everything around it: how defensible your position is, how much of your revenue survives a change in ownership, and whether your team can run the business without you standing in the doorway.

This distinction matters more in 2026 than it has in years. Deal activity has come back hard, but it has come back selective. Transactions above \$100 million grew 22 percent in value and 23 percent in volume in the June through August window compared with the prior year, and that growth was broad rather than concentrated in a handful of megadeals.^[1] Technology led every sector, posting \$219.7 billion in deal value across 167 transactions, a 54 percent jump in value and 38 percent jump in volume.^[1] The buyers moving that fast are not doing diligence on vibes. They are running a specific playbook, and founders who understand that playbook build differently than founders who don't.

"Acquirers are buying technology platforms, proprietary data, and specialized capabilities that let them skip years of internal development, not features they could have built themselves in a quarter."

That single idea reframes almost everything a growth-stage founder should be doing. If you are optimizing for a demo, you are optimizing for the wrong audience. If you are optimizing for the three things below, you are building the company a strategic buyer actually wants.

WHAT ACTUALLY GETS PRICED

Three things buyers price above the *product*.

Strip away the diligence checklist and the term sheet language, and every strategic acquisition comes down to the same three questions. Sellers who can answer them with data, not a story, consistently close at better terms and shorter timelines.

- **Market Position**

Do you occupy a category the buyer cannot easily replicate, and would acquiring you meaningfully change their competitive position tomorrow rather than in three years?

- **Customer Relationships**

Does the revenue survive the transaction, or does it walk out the door with the founder's personal relationships and unwritten institutional knowledge?

- **Team**

Can the business run, and keep growing, without you in every meeting? A team a buyer trusts to operate independently is worth more than a founder they now have to retain and manage.

Each of these shows up in the numbers long before it shows up in a conversation with a buyer. The two metrics that move a valuation more than any line on a pitch deck are how much of your revenue renews itself without new sales effort, and how much of it depends on any single customer staying happy. Both are measurable today, and both are fixable well before you are in a process.

REVENUE QUALITY

Growth gets attention. Retention gets the *premium*.

Net revenue retention, the measure of how much revenue your existing customer base generates a year later before you add a single new logo, has become the single largest driver of valuation multiple in recurring-revenue businesses. An analysis of roughly one hundred public SaaS companies by Meritech Capital found that businesses retaining and expanding their existing base at 120 percent or higher trade at two to three times the multiple of companies below 110 percent, even when top-line growth rates look similar on paper.^[2]

NET REVENUE RETENTION AND FORWARD REVENUE MULTIPLE

Net Revenue Retention	Typical Forward Revenue Multiple
120%+	10x - 20x
110% - 120%	6x - 12x
Below 110%	3x - 7x

The mechanism is simple once you see it. High retention means existing customers are effectively funding your growth, which lowers the amount of new sales spend required to generate each incremental dollar of revenue.^[2] A buyer underwriting your business is really underwriting how much of next year's revenue they can count on without lifting a finger, and how much they will have to fight for. The broader market backs this up: median growth rates across public SaaS companies have fallen from a pandemic-era peak of 33 percent to roughly 12 percent in the most recent quarter, which means profitability and retention, not growth alone, are now doing most of the work in justifying a premium multiple.^[3]

THE CONCENTRATION TRAP

One customer at 40% of revenue isn't a *company*.

The flip side of retention is concentration, and it is where founders most often get surprised at the negotiating table. Twenty percent of revenue from a single customer is the standard first flag in M&A due diligence.^[4] Cross that line and a buyer starts modeling what happens to your business the day that customer leaves, because in their eyes, that customer, not you, controls a meaningful share of the outcome.

CUSTOMER CONCENTRATION AND TYPICAL PRICE IMPACT	
Top Customer Share of Revenue	Typical Discount to Sale Price
20% - 35%	10% - 20%
40%+	20% - 30%, often changes deal structure
60%+	Financing frequently unavailable; deals often decline

Past roughly 40 percent concentration, buyers stop viewing the business as an independent company and start viewing it as a subcontractor to its largest customer, which changes not just the price but the entire structure of the deal.^[4] Lenders draw the same line: SBA financing is generally capped around 25 to 30 percent concentration, and many lenders will not finance a deal at all where one customer exceeds 20 percent of revenue without contractual protection.^[4] The good news is that this is one of the more fixable problems in the entire diligence process. Long-term contracts with auto-renewal provisions can shrink the discount from the 20 to 30 percent range typical of month-to-month arrangements down to roughly 5 to 10 percent, simply by giving a buyer contractual certainty instead of a handshake.^[4]

Founders often treat customer concentration as a problem to manage during a sale process. It should be treated as a problem to solve two or three years before one, because diversifying a customer base takes real time, and no amount of negotiating skill fixes it in the final weeks of diligence.

WHY NOW

Buyers are being more selective, not *less active*.

It would be easy to read declining deal counts in parts of the market as buyers pulling back. The data says the opposite: capital is concentrating into fewer, higher-conviction deals rather than disappearing. Private equity deal value rose nearly 10 percent in the first half of 2026 even as transaction volume fell, meaning average deal size roughly quadrupled year over year as sponsors put more money behind fewer, better companies.^[5]

Inside private equity specifically, that selectivity shows up as a shift toward add-on acquisitions rather than new platform investments. In the first quarter of 2026, add-ons made up 54.2 percent of all private equity deal activity, the highest share on record in the dataset, up 36 percent from the prior quarter alone.^[6] Sponsors prefer add-ons because they arrive at lower entry multiples than a new platform, because integration synergies compress the effective price paid on the incremental earnings, and because deploying capital into a business already built carries less underwriting risk than starting from scratch.^[6] For a founder, this means the buyer on the other side of the table is very often not evaluating you as a standalone bet. They are evaluating how cleanly you slot into something they already own, which puts an even higher premium on the same three things covered above: a defensible position, revenue that survives the transition, and a team that does not need to be rebuilt.

"Demonstrated operational value creation has replaced financial engineering as the primary investment thesis behind the deals getting done."

WHAT THIS MEANS FOR YOU

Build toward this starting *today*.

None of the metrics above move quickly. Net revenue retention is a trailing indicator of years of product and customer success decisions. Customer concentration takes deliberate sales strategy to unwind. A management team that a buyer trusts to run the business independently takes time to hire, train, and prove out. That is precisely why the founders who get the best outcomes are the ones treating acquisition readiness as an operating discipline years before they are in a process, not a sprint they run once a buyer shows interest.

- **Instrument retention now**

If you cannot state your net revenue retention for the trailing twelve months with confidence, that is the first gap to close. Buyers will calculate it whether you track it or not.

- **Map your concentration risk**

Know exactly what percentage of revenue sits with your top one, three, and five customers, and have a plan, not just an intention, to bring that number down over the next 24 months.

- **Build the team a buyer can trust**

Identify the decisions only you can make today, and systematically move them to a leader who will still be there after the transaction closes.

We work with founders on exactly this kind of build, not as an eleventh-hour cleanup before a sale, but as the ordinary discipline of running a company that is built to be strategically acquired or to lead its category, on its own timeline. If any of this sounds like where your company is headed, we would rather talk early than meet you for the first time in a data room.

SOURCES

References

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ACQUISITION STRATEGY

Ready to build toward this?

We work with founders on this kind of build well before a buyer shows up. If your company is headed toward a strategic exit, we would rather talk early than meet you for the first time in a data room.

For Entrepreneurs →