

UK Software Market

High level view of M&A in the sector | H1 2026



An abstract graphic on the left side of the page. It features a dark blue background with numerous vertical lines of varying heights, each topped with a small, brightly colored dot (red, orange, yellow, green, blue, purple). These lines appear to be connected by a network of thin, wavy lines at the bottom, creating a sense of depth and connectivity, reminiscent of a data visualization or a stylized city skyline at night.

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Five things owners should know from H1 2026

01 Activity has held up

Around 240 UK mid-market software deals were disclosed in H1 2026, with around 150 going to trade buyers.

02 Valuations are recovering

The average EBITDA multiple paid rose to 10.8x in H1 2026, up from 7.9x in 2025 but still below the five-year average of 14.2x.

03 AI is now the main diligence question

Around three-quarters of strategic buyers now assess AI impact explicitly before they commit.

04 Quality is still paid for

Recurring revenue, proprietary data and regulated, mission-critical software continue to attract premium pricing.

05 Preparation is the differentiator

Owners who address concentration, key-person risk and the quality of their numbers early protect value.

Sources used throughout the report: IBISWorld (Software Developers in the UK), MarktoMarket, Market IQ and PKF Smith Cooper analysis

Overview

£51.0bn

UK software industry revenue forecast
for 2026–27

c.500

software deals a year involving UK
targets

10.8x

average EBITDA multiple on disclosed
UK mid-market software deals, H1
2026

c.37%

of UK software deals involved financial
buyers

The picture in brief

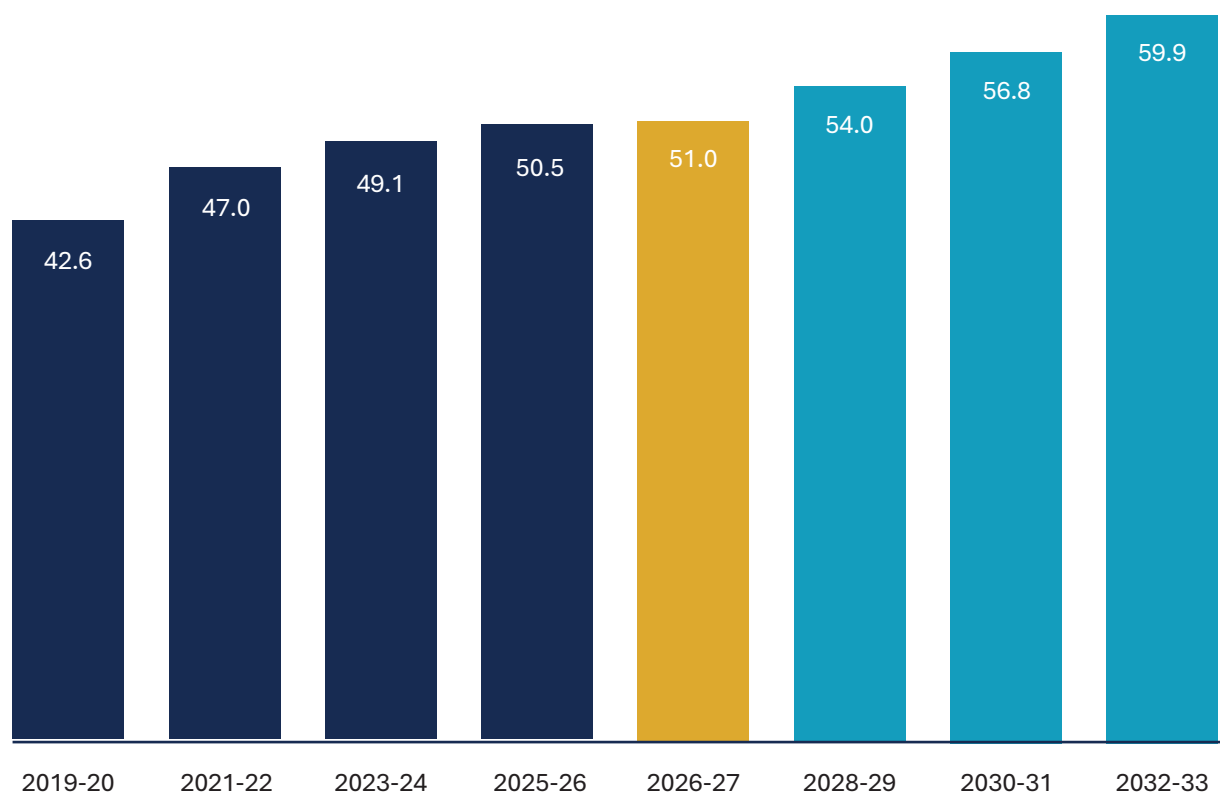
Growing demand for AI-enabled software and sovereign cloud infrastructure, which allows organisations to keep sensitive data within national borders and meet increasingly stringent regulatory requirements, is bringing buyer attention back to software after a softer 2023–24.

Valuations are recovering but remain below historic levels: the average EBITDA multiple reached 10.8x in H1 2026, up from 7.9x in 2025 but still short of the five-year average of 14.2x.

Strong, well-positioned businesses command the best prices. For owners, the time to prepare is now, not at the point of sale.

A sector expected to accelerate

UK software developer industry revenue
(£bn, actual to 2026-27, forecast beyond)



Steady growth ahead

Revenue is forecast to grow at around 1.7% a year to 2026–27, accelerating to around 2.7% a year over the following five years.

Growth is concentrating

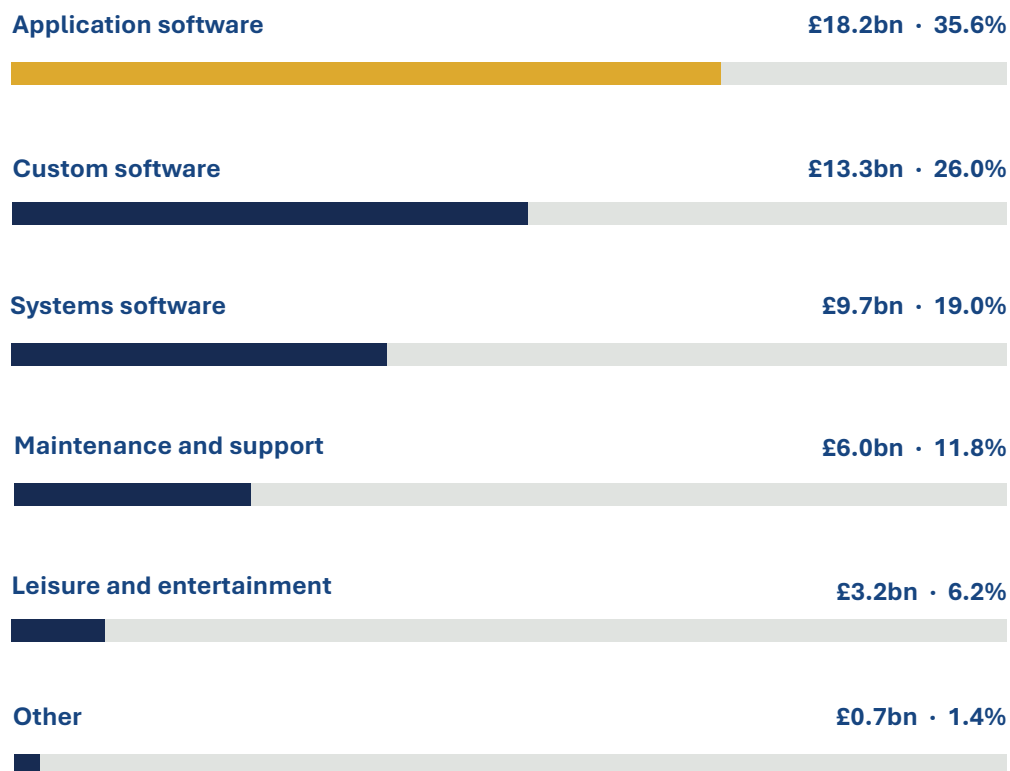
Expected in compliance-heavy modernisation, AI implementation and secure integration work, not generic build or maintenance.

Lower volatility

Subscription and SaaS models continue to smooth the sector's historic cyclicalities, supporting buyer confidence in recurring income.

Sovereign cloud and AI are reshaping demand

Revenue by product line, 2027 forecast



Major investment flowing into UK cloud and AI

Oracle

£3.9bn of UK investment through 2030. Its UK sovereign cloud now offers more than 100 services, including sovereign AI for government and defence.

Microsoft

£23bn UK AI and cloud investment over 2025–28, including a 23,000-GPU supercomputer and a five-year Crown Commercial Service agreement.

IBM

Launched Sovereign Core (January 2026) and Red Hat AI Inference on IBM cloud (May 2026) for regulated cloud and AI workloads.

AI is repricing the sector — in both directions



Pressure

On 4 February 2026, global software and services companies lost c.£622.5bn in market value over six trading days on fears AI could cut SaaS demand.

Salesforce and ServiceNow - heavily exposed to seat-based, workflow and CRM pricing - saw share prices fall 33% and 40.2% year-to-date (as of May 2026).

Revenue depending on high volumes of billable coding, testing, maintenance or standardised support is most exposed to compression.



Opportunity

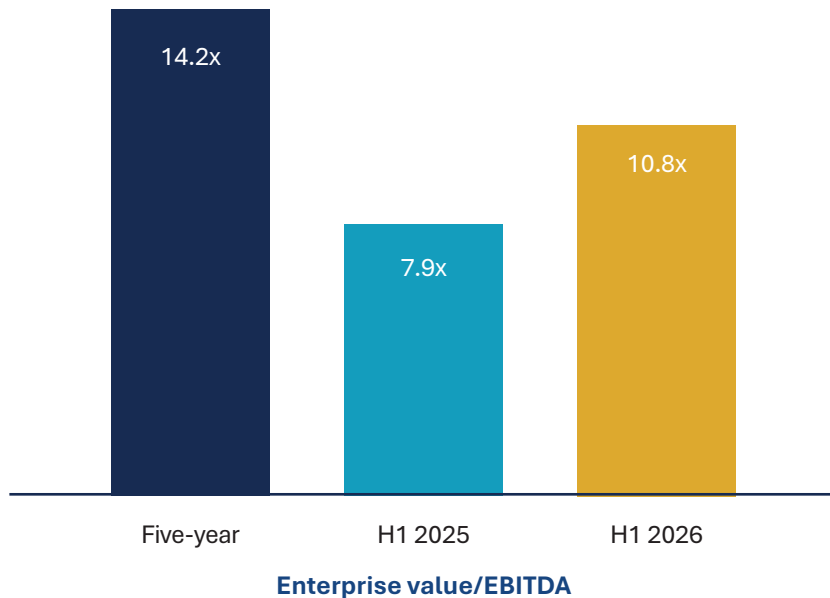
The evidence so far does not support wholesale disruption. Salesforce still delivered 10% revenue growth in the year to February 2026 and guided 12-13% growth for Q1 FY2027.

Instead, a valuation premium is emerging for businesses enabling AI adoption through secure APIs, cloud architecture, data infrastructure, governance, compliance and other mission-critical software solutions.

As AI reshapes the sector, buyers are increasingly focused on whether a software business benefits from these trends or risks being commoditised by them.

EBITDA multiples are recovering but remain below trend

Average disclosed EBITDA software M&A multiples:
H1 2026, H1 2025 and five-year average



For disclosed private transactions, involving UK software businesses, sold in the mid-market (values from £5-£250m).

- 1 The public market weighed on sentiment**

A sell-off driven by fears that AI could disrupt seat-based SaaS pricing has weighed on buyer sentiment and slowed the recovery in private valuations.
- 2 Strategic buyers are leading the recovery**

Strategic buyers are leading the recovery around 150 of the c.240 mid-market deals in H1 2026 went to trade buyers. They are buying capability rather than building it in-house, and that strategic value supports the prices they will pay.
- 3 Mid-market multiples**

Disclosed UK mid-market software deals averaged 10.8x EBITDA in H1 2026, up from 7.9x in 2025, but still below the five-year average of 14.2x.

H1 2026 in numbers

A two-speed market, split by quality rather than sub-sector

Deal volumes have held up because buyers still treat AI, cloud and cyber capability as strategic necessities rather than discretionary spend. Buyers are paying a premium for the best businesses: those with recurring revenue, low customer concentration, strong management and a clear AI story.

c.240

disclosed UK mid-market software deals in H1 2026

c.150

of those deals were to trade buyers

10.8x

average EBITDA multiple paid

1.9x

average revenue multiple paid

Selected UK mid-market software transactions, H1 2026

Date	Acquirer	Target	Deal value	Rationale
Feb 2026	 advanced retail technologies® Nasdaq-listed AI commerce and payments provider	 Card-linked loyalty and commerce media platform for banks and retailers	£174m	All-cash deal adding a profitable, scaled platform with transaction-level data across banking and retail.
Apr 2026	 Geospatial software group backed by Battery Ventures	 AIM-listed provider of location master data management and data quality software	£87m	Adds data management and data quality capability and strengthens VertiGIS's presence in the UK and Europe.
Apr 2026	 UK tech-enabled e-commerce fulfilment provider	 Cloud delivery-experience platform for retailers	£62m	Strengthens Huboo's software capabilities by adding delivery management technology that improves carrier selection, shipping efficiency and post-purchase tracking.

What to watch into 2027

Four indicators that will tell you which way this market turns

01 Bank Rates

Bank Rate has remained at 3.75% since December 2025, but uncertainty over the future direction of rates continues to influence dealmaking. While debt remains available for quality assets, borrowing costs remain a key consideration for buyers and lenders.

02 Whether the recovery continues

UK mid-market software multiples have recovered since H1 2025 but remain below the five-year average.

03 AI defensibility

Demand is increasingly concentrated around AI, sovereign cloud and RegTech solutions. Businesses handling sensitive data and supporting compliance-critical workflows continue to attract premium valuations.

04 The Autumn Budget

Business Asset Disposal Relief at 18% and the £2.5m cap on business property relief have already brought transactions forward. Any further changes will impact activity.

Six steps to get sale or investment-ready

01

Grow recurring revenue

Move project and licence income onto subscription or retainer terms wherever client relationships allow.

02

Reduce customer concentration

No single customer should account for a share of revenue that a buyer would see as a risk.

03

Set out your AI story

Show where AI improves delivery or product value, and why the business is protected from AI-driven price pressure.

04

Build management depth

A business that relies on one founder for delivery, sales and relationships is discounted for key-person risk.

05

Get the numbers in order early

Clean, well-documented accounts and a clear adjusted EBITDA bridge shorten due diligence and protect value.

06

Run a competitive process

Several credible bidders, both trade and financial, create the tension that closes the gap to premium pricing.

About PKF

PKF is a global accountancy practice with over 500 offices worldwide, with PKF Smith Cooper operating across the UK from the Midlands, with clients at the heart of everything we do.

PKF Smith Cooper

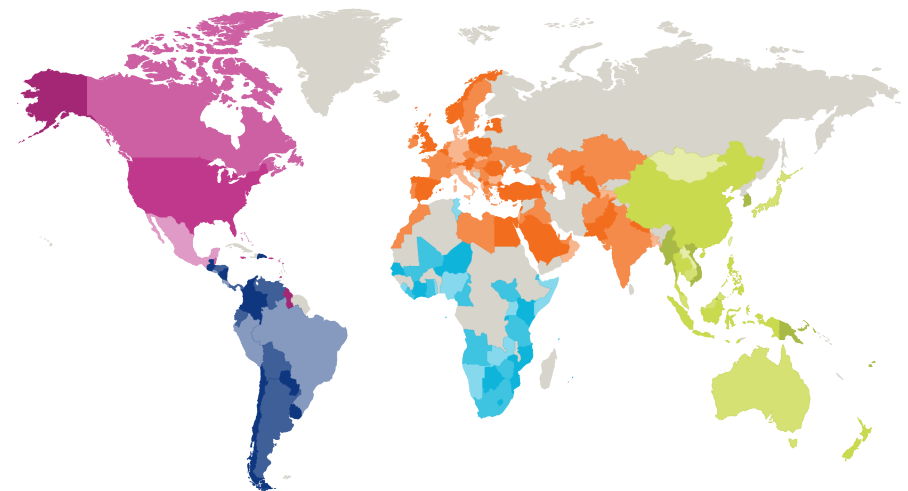
An ambitious business and multi award winning firm, we are the home of PKF in the Midlands. As one of the region's leading firms of trusted accountants and business advisors, we operate across the whole of the country.

Our specialist teams are made up of highly skilled individuals who provide leading accounting, tax and business advisory services, working alongside clients to gain a strong understanding of their business and their ambitions. Our membership of PKF Global makes us, together with our associates, the 13th largest firm by fee income in the UK.

Being part of a wider practice allows us to draw on expertise (separately engaged) that can be useful on transactions. Examples include assessing accounting policies to maximise value, the provision of vendor assistance work, supporting on due diligence defence and ongoing wealth management.

PKF Global

Operating in 150 countries, PKF provides you with access to a wealth of buyers. We have a large presence in all key territories for buyer groups including the Far East, USA, Australia and Europe. Our offices provide local knowledge in each territory, and we can utilise this local knowledge to determine potential acquirers. The local team may then assist in making introductions.



24,000

professionals
across the globe

\$2.3bn

revenue
generated by
member firms

150

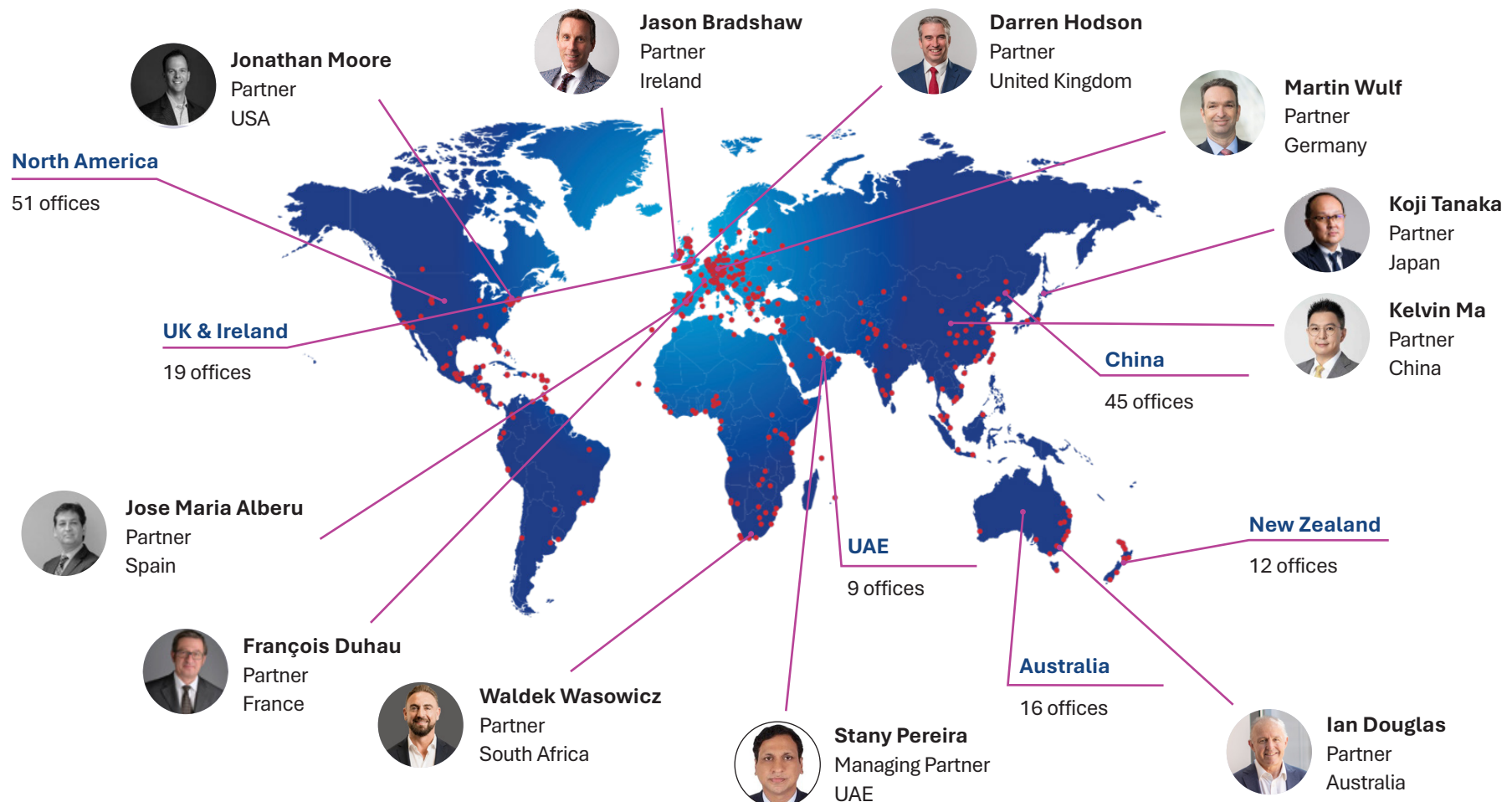
presence
in 150
countries

500+

offices
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right people
right size
right solutions

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