

Cavendish

AUTUMN 2026

ERP partner M&A insights

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What we are seeing in the midmarket ERP partner channel

Partner software sales in our recent M&A work are **growing north of 25%**

Sustained **M&A appetite** for channel partners; mostly established **partners buying smaller, faster-growing ones**

We see partners as critical to how **agentic platforms** will actually **reach midmarket customers**

There is a **significant market opportunity** - implementing systems with **AI features now** and **designing agentic workflows** when they arrive at scale

ERP: Enterprise Resource Planning



DAN MARCHINGTON
DIRECTOR

“What we have seen in our recent M&A projects looks markedly different to the public market's reaction to the threat of AI on enterprise software.

Channel partners alive to the opportunities are growing quickly in ERP software sales and support services.”

Why midmarket ERP software partners are in a strong position

Financial markets have spent the past 12 months marking down enterprise software on the view that agentic platforms (AI agent led software) will eat SaaS software's lunch. If financial markets are right, it's logical to think that SaaS sales in ERP could be at risk of slowing as customers consider whether now is the right time to invest in incumbent solutions in danger of being replaced or commoditised. What we have seen in our recent M&A projects looks markedly different to this. Channel partners alive to the opportunities are growing quickly in ERP software sales and support services.

A negative read across to ERP partners from the public market sell off does not necessarily hold. These partners are vital to ensuring that new technology actually reaches a customer. They also have a significant market opportunity to support customers now and through a potential transition to agentic platforms.

What's driving value in the current market

Businesses continue to upgrade or replace older or inadequate finance and operational software. We have seen partner software sales enjoying annual growth in excess of 25% in our recent M&A work. Listed Workday partner, Kainos, reported double-digit growth in Workday Products and Services in an August market update.

Partner success is determined by a combination of factors. Product knowledge including new AI features (and agentic solutions for the more advanced) is as important as ever but so are other factors such as industry expertise, customer insight and depth of technical skills across modules and system implementation.

Growth in the channel

25%+

annual growth in partner software sales across our recent M&A work

Double digit growth

in Workday Products and Services reported by listed partner Kainos, August 2026

Why ERP partners are well placed to capitalise on the AI opportunity

Vendors continue to push agentic workflows into their products. Someone has to work out which processes the agent should touch, configure it, decide what it is permitted to do, make sure the data underneath it is clean enough to trust, and support if there are issues. It requires skillsets to evolve and some partners may not be suited to the work but there is a significant opportunity for forward thinking partners.

Software providers have many partners already inside their midmarket customers, who know the processes and hold the relationships. These partners should be a natural channel to deliver AI and agentic technology to the midmarket.

The AI labs are building forward-deployed engineering teams and acquiring services businesses because they have realised agentic workflows are challenging to deploy without people who understand the customer's business. And working with, rather than displacing, embedded ERP is mutually beneficial as the Salesforce and Anthropic partnership announced in August demonstrates. The labs are building out service capability; incumbent vendors already have a partner ecosystem. The labs are likely to target large businesses to deploy complex use cases and demonstrate ROI, which leaves the midmarket and below for the partner channel to target.

How we see agentic capability reaching midmarket customers

01

Vendors ship agentic features

Agentic workflows are pushed into ERP and finance products

02

Partners configure and govern

Scoping processes, permissions, data quality and ongoing support

03

The midmarket adopts

AI labs target large enterprise, leaving the midmarket to the channel

How a strong position evolves into a significant opportunity for ERP partners

For organisations keen to embrace practical AI driven change, an easier place to start is to implement ERP systems with AI features now. When agentic workflows arrive at scale, specialists who can design and configure those will be needed. Today's ERP partners can capitalise on both commercial opportunities as the market evolves.

The potential of AI to change entire markets over time isn't disputed. With any new technology, there is a period of transition and strong growth can be achieved along the way. We saw this play out in the automotive technology software market ten years ago. Fundamental questions were asked about how the transition to EV, the advance of shared mobility and autonomous vehicles, and D2C models would impact software in the car dealership. Fast forward a decade and we are arguably still in the earlier stages of those trends with some so far proving commercially unsustainable. The impact on software in the dealership to date has been limited, and the software providers (and related partners) have delivered strong growth throughout. Those who backed the sector through that period did well, not by betting against a transition, but by being rewarded while the industry evolved.

The data suggests buyers recognise the opportunity

Megabuyte data shows UK ICT and digital services deal volumes softened over the last twelve months: 342 deals in the year to August 2026 against 385 in the prior twelve months. However, software implementation activity held flat at 25 deals in each period. Flat against a market down 11% shows consistent volume and means a rising share of activity.

We are seeing established partners buying smaller, faster-growing ones. These acquirers are the businesses that are closest to the market (and understand the likely outcomes best), and they are not behaving or pricing deals to suggest a declining sector.

UK deal volumes: partners hold their ground

25 | 25

UK software implementation partner deals in each of the last two years. Activity is flat against a market down 11%, indicating a rising share of activity

Conclusion

We are seeing strong growth and M&A appetite for well positioned ERP partners, supporting valuations that are not held back by the discount applied to listed software businesses.

Separating AI noise from practical AI application is key to driving success. As is technical capability, depth in chosen verticals, and a clear view of who you serve and the insight you offer. These skills are in demand now from customers (and buyers) and they are the foundation you would want when agentic work does arrive at volume.

How quickly the transition arrives is uncertain. But nothing I am seeing in the market suggests these businesses are being replaced, and a good deal suggests they are well placed to thrive.

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