M&A PERSPECTIVE

Your Firm Is Not a Platform. It Might Be an Excellent Tuck-In.

Why the founder who rules him or her self out as too small is opting out of three-quarters of the deal market — and what a tuck-in buyer is actually screening for.

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Ask a founder with a $6 million consulting firm whether he could sell, and you often get a version of the same answer. Not yet. We're too small. Private equity wants bigger.

He's half right. He's also measuring himself against a standard that doesn't apply to him.

Platforms

A quick definition first, because the language trips people up. A **sponsor** is a private equity firm. They raise a fund from investors, use it to buy companies, improve them, and sell them five to seven years later at a profit. When you hear that private equity is interested in your industry, sponsors are who's doing the buying.

A **platform** is the first company a sponsor buys in a given industry. It becomes the foundation of the investment thesis. They buy it, then buy more firms around it.

Two more terms, since the numbers below depend on them. **EBITDA** is earnings before interest, taxes, depreciation, and amortization. It's a rough proxy for the cash the business throws off, and it's what buyers price against rather than revenue. **Enterprise value** is the price of the whole business before debt and cash are settled up. When you hear a firm sold at 6 times, that means enterprise value equal to six years of EBITDA.

The reason sponsors buy platforms is arithmetic. Small firms trade at lower multiples than large ones, and the gap is wide. GF Data's 2025 figures show platform buyouts averaging 5.9 times EBITDA at $10 million to $25 million of enterprise value, 6.6 times at $25 million to $50 million, 8.7 times at $50 million to $100 million, and 10.0 times at $100 million to $250 million.[1]

So a sponsor buys a platform, tucks in smaller firms at around 6 times, and sells the combined business at 9 or 10 because it's now large enough to attract a different class of buyer. The earnings didn't change. The size did, and size changes who shows up.

ENTERPRISE VALUE	AVG. PLATFORM MULTIPLE
$10M – $25M	**5.9x**
$25M – $50M	**6.6x**
$50M – $100M	**8.7x**
$100M – $250M	**10.0x**

Average EBITDA multiples on platform buyouts by enterprise value tier. Source: GF Data, 2025.[1]

That's the whole strategy. Assemble something big enough to be sold into a deeper, more competitive buyer pool than any of the individual firms could reach on their own. Scale also brings things the small firms never had. Real management depth, audited financials, cross-selling across a wider client base, purchasing leverage, and a growth story with more than one engine.

So the platform has to be able to carry that weight. Management below the founder. Financial systems that survive scrutiny. The capacity to absorb another firm's people and clients without falling over.

> **For a professional services firm, $5 million of EBITDA is the honest platform floor, and below $3 million a sponsor-led platform process is unlikely regardless of how good the firm is.**

So if your firm is doing $1 million of EBITDA, you are not a platform. The founder who says he's too small is right about this specific thing.

That's why platform buyers screen on size. PitchBook's *US PE Middle Market Report* puts the typical lower middle market platform threshold at $3 million to $15 million of EBITDA, with $5 million as the practical floor most sponsors will quote.[2] InvestmentBank.com puts it the same place: the best-known private equity groups typically won't engage below $5 million, and many prefer $10 million.[3]

You'll see lower numbers published, some as low as $2 million.[4] Read those carefully. At that level you are generally not talking to institutional sponsors with committed funds. You are talking to independent sponsors, who find a deal first and then go raise the money for it, along with search funds and family offices. Those are real buyers, but the money isn't already sitting there, which affects whether the deal actually closes.

Tuck-ins

A **tuck-in**, also called an add-on or a bolt-on, is a firm bought by a platform that already exists. The calculation is entirely different, because the buyer isn't purchasing infrastructure. They already have it.

They're purchasing something specific. A capability the platform lacks. A client roster in a segment they want. A geography. A vertical credential. Sometimes a team.

So the screening questions change. Not do you have a bench, but do you have something we can plug in. Not can you scale independently, but do you make our platform more valuable.

Firms that fail every platform test can be excellent tuck-ins. A $4 million specialist firm with deep credibility in one industry is unattractive as a platform and genuinely attractive as an add-on to a generalist consultancy trying to enter that industry.

This is where the market actually is

The founder who rules himself out as too small is opting out of most of the deal market.

Add-on acquisitions accounted for 72.9 percent of all buyouts in 2025, holding steady with the five-year average.[5] The second quarter alone reached 75.9 percent, up 250 basis points from the prior quarter.[6] McKinsey tracks the same shift over a longer window: add-ons made up 70 percent of private equity deal count in 2023, up from 57 percent in 2017.[7]

72.9%
of all 2025 buyouts were add-ons

~75%
of $1M–$10M enterprise value deals

70%
of PE deal count in 2023, up from 57% in 2017

The concentration is even higher at the small end. GF Data tracked 81 deals in the $1 million to $10 million enterprise value range through the first three quarters of 2024. Nearly 75 percent were add-ons, compared with 38 percent of their contributed sample in 2023.[8]

And professional services is where sponsors are currently building. Private equity investment in the sector was almost nonexistent five years ago.[5] It is now one of the most actively consolidated categories in the market.

The discount is for being small, not for being an add-on

Founders assume a tuck-in means taking a haircut. Worth separating two things that get conflated.

Small firms price below large ones no matter who buys them. Through the first half of 2025, GF Data had the $1 million to $5 million and $5 million to $10 million tiers averaging roughly 5.5 and 5.6 times trailing EBITDA, against 6.2 to 6.7 times for the $10 million to $25 million tier.[9] That gradient is real and it applies to platforms and tuck-ins alike.

But being a tuck-in specifically does not cost you. GF Data found that add-on transactions in the very small-deal tier achieved higher valuations and better debt coverage than comparable platform deals.[8] GF Data has written extensively about the competitive conditions that have driven up pricing for add-ons, in some cases above platform levels.[10]

The reason is structural. Lenders prefer to finance add-ons through existing revolvers and credit lines, while requiring sponsors to commit heavier equity on new platforms.[11] The buyer with cheaper money can pay more, and often does.

One more number worth knowing if you run a services firm. Business services dominated small-deal volume with 57 of the tracked transactions, averaging 6.2 times trailing EBITDA and outpacing their long-run average of 5.8.[9] Your category is pricing above its own history.

What still changes

Founder dependency reads differently. A platform buyer treats it as a serious risk because they need the business to run without you. A tuck-in buyer often wants you for two or three years, because you're the relationship and they're absorbing the delivery.

The structure gets heavier. Expect more of the purchase price in earnout and rollover equity. Rollover means you don't take all your proceeds in cash. Some portion converts into ownership of the buyer's larger business, typically 10 to 30 percent of your proceeds reinvested back into the acquiring entity.[12]

That's worth understanding rather than resisting. The sponsor is buying at 6 and planning to sell the assembled platform at 9 or 10. Rollover is how you participate in that spread instead of watching it from the outside. It can be the best part of the deal or the whole problem, depending on the platform and the terms. Either way, you are becoming a minority owner in someone else's business, and your outcome now depends on their exit, not yours. Understand that before you agree to the number.

The buyer universe is different. Tuck-in buyers are platforms, not sponsors. That's a different list and it requires different sourcing. A banker calling private equity funds on your behalf is calling the wrong people.

The preparation does not change. Clean financials, assignable contracts, IP that actually belongs to the firm. A tuck-in buyer runs diligence too. They just run it against a different question.

What this means

01 Size disqualifies you from one path, not from the market. Three quarters of buyouts are add-ons.

02 The tuck-in question is not how big are you. It is what do you have that a larger firm needs.

03 Being specific about something makes you more acquirable, not less. Generalists at $5 million are hard to place.

04 You'll be priced as a small firm. You will not be priced down for being a tuck-in.

05 Structure matters more than headline, and the rollover is where the platform's upside is either shared with you or isn't.

Most founders never find out which one they are, because they rule themselves out before anyone looks. That conversation takes thirty minutes.

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