CUT THE INTEGRATION TAX

What Compounding Integration Costs Are Doing to Your Rollup Returns

Executive Summary

Private equity enters 2026 with over one trillion dollars in dry powder targeting fragmented B2B services markets (Lukatsky, Choi, and Walters, 2025). Insurance brokerage, managed IT, wealth management, field services, and accounting rollups are accelerating. But the gap between the pace of acquisition and the pace of data integration is quietly burning returns. Each acquisition adds new systems, new data formats, and new integration burden. The conventional approach gets more expensive with every deal, not less:

- **Integration cost.** At fifty active integrations, maintenance consumes the team. At two hundred, it consumes the budget.
- **Synergy failure.** Nearly seventy percent of mergers fail to achieve expected revenue synergies (McKinsey & Company, 2018), and the integration approach most platforms use is a primary reason.
- **Timeline drag.** Twelve-month integration cycles delay cross-sell, unified reporting, and the operating leverage the deal thesis promised.
- **Team bloat.** Conventional integrations require fifteen to twenty-five engineers, pulling headcount from product and growth.

MTN's Data Foundry compresses integration timelines from months to weeks with a team of three to five, and keeps maintenance flat as the portfolio grows. Compressing integration from twelve months to one month recovers approximately **70 basis points of equity IRR**. Annual maintenance drops from over $500,000 to under **$100,000**. Integration becomes a compounding asset instead of a recurring cost.

Intended Audience (Executive Edition)

Target Audience: CEOs, CFOs, and Operating Partners at PE-backed B2B rollup platforms
Business Focus: IRR recovery, exit readiness, and synergy capture speed through faster data integration.
Key Economics: ~70 basis points of equity IRR recovered by compressing integration from 12 months to 1 month; annual maintenance dropping from $500K+ to under $100K.

Comparison: 15–25 people over 8–10 weeks compressed to 3–5 people in 2–3 weeks with flat maintenance at scale.

The Integration Tax: How Disconnected Data Erodes Rollup Returns

Your platform has closed eight acquisitions in two years. Each agency runs a different management system: Applied Epic at one site, Vertafore at three others, HawkSoft at two, and two more on legacy systems that predate modern interfaces. The CFO needs a consolidated book-of-business report for the board. It does not exist. Commission data is stored in five incompatible formats. Customer records use different identifier schemes. The ninth deal is in letter of intent, and the buyer's diligence team will ask for integrated KPIs the platform cannot produce without weeks of manual work.

An MSP platform tells a similar story. Twelve firms rolled up across three states, each running its own professional services, monitoring, and billing stack. The operating partner wants utilization rates by region. No one can produce the number without two weeks of manual reconciliation.

This is the default experience of B2B consolidation today. The gap between the pace of acquisition and the pace of data integration is a measurable drag on returns: an integration tax that compounds with every deal.

The Consolidation Wave

The pressure is real and growing. US private equity currently holds nearly 12,900 portfolio companies, with thirty percent held seven or more years and another thirty-seven percent held four to six years. Half of respondents in a recent PitchBook survey identified exiting portfolio companies as their primary focus over the next six months. At the same time, platform buyouts are expected to re-accelerate, enabled by over one trillion dollars in dry powder (Lukatsky, Choi, and Walters, 2025).

The sectors absorbing this capital are fragmented B2B markets where the rollup thesis is dominant: insurance brokerage (849 announced M&A transactions in 2024), managed IT services (71 PE transactions and 104 strategic rollups in a single quarter), wealth management (a record 322 RIA deals), and field services (55 PE-backed HVAC deals, a seventy-two percent year-over-year increase) (PLANADVISER, 2024; Founders Investment Banking, 2024; InvestmentNews, 2025; PitchBook Data, Inc., 2025).

The economic logic of every one of these rollups depends on integration speed. Every month of delayed integration is a month of synergy runway lost.

What the Visibility Gap Costs

The visibility gap is the period between the deal closing and the first date you can generate reconciled KPIs across the combined entity: revenue by segment, margin by service line, customer retention, and normalized EBITDA.

During this gap, specific synergy levers are disabled:

- **Pricing discipline** requires margin-by-service-line data across the portfolio. Without it, unprofitable contracts silently renew.
- **Cross-sell targeting** requires a unified customer view. Without it, the sales team cannot identify which clients of Agency A also need products from Agency B.
- **Vendor rationalization** requires consolidated spend data. Without it, three agencies pay three different rates for the same carrier or software license.
- **Labor optimization** requires utilization data across sites. Without it, overstaffing at one location coexists with understaffing at another.
- **Board reporting** requires reconciled financials. Without it, the CFO's board deck is assembled by hand from incompatible exports, and the CFO risks the numbers being wrong.

Finance and operations teams at portfolio companies spend roughly half their time gathering and reconciling data rather than analyzing it (Ganti, 2025). This is time that produces no returns.

Why It Gets Worse with Every Acquisition

Every acquisition adds new systems. The conventional approach builds a custom connection for each one. That may work at three acquisitions. However, as the number of acquisitions grows, that approach fails. At eight, the integration team spends most of its time maintaining what already exists. At twenty, the annual maintenance budget exceeds the original project cost.

As acquisitions increase, so does fragility. When vendor systems update (and they update constantly), every

integration connected to that system can break. A platform with eight acquisitions running four different software vendors is exposed to four independent update schedules, each one capable of breaking others. The benefits of integration can disappear. The more systems you have, the faster costs spiral.

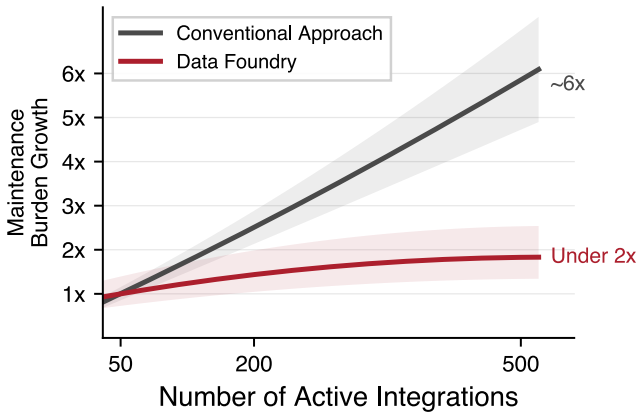

Figure 1. As portfolio size grows, conventional integration maintenance compounds. Each new system increases the burden on every existing integration. A shared-layer approach keeps maintenance growth nearly flat. Shaded regions indicate ranges based on portfolio complexity.

Nearly seventy percent of mergers fail to achieve expected revenue synergies (McKinsey & Company, 2018). Firms that invest in modern data architecture outperform their peers by fifteen to twenty percent in portfolio company value creation (Ganti, 2025). The gap between these two outcomes is largely an integration gap.

The Hold Period Problem

Thirty percent of PE portfolio companies are now held seven or more years. Another thirty-seven percent are held four to six years (Lukatsky, Choi, and Walters, 2025). The longer you hold, the more the integration tax compounds. A platform paying $400,000 to $800,000 per year in maintenance at fifty sources will spend $2.5 to $5 million over a six-year hold, just to keep existing integrations running. That is before adding a single new acquisition.

Large-scale IT projects run an average of forty-five percent over budget while delivering fifty-six percent less value than predicted. One in six becomes a severe overrun exceeding two hundred percent of the original estimate (McKinsey & Company, 2012).

Waiting is not a zero-cost option. Every month without consolidated visibility has a concrete cost in unrealized synergies, and the conventional integration approach carries known project risk on top of it.

> **The question for any platform operator is straightforward: at your current rate of acquisition, when does the maintenance cost of your integration approach exceed the capacity of your team?** For most growing rollups, the answer is sooner than expected.

A Different Approach Designed for Serial Acquirers

What It Does

MTN's Data Foundry platform takes a fundamentally different approach. Rather than building a custom connection between every system and every other system, the platform maps each source to a single shared layer. Adding the fiftieth source does not require touching sources one through forty-nine. It is designed for acquisitions at scale.

The system proposes data mappings automatically for human review and approval. An analyst, not a senior engineer, can review and approve a typical integration in just minutes. When vendor systems change, the platform detects the change and queues the update for review. This keeps maintenance efforts stable even as portfolio size grows.

In proof-of-concept testing across sixty data formats spanning the types found in B2B rollups, the system achieves over ninety-nine percent accuracy. Anything the system is not confident about is flagged for human review. Nothing goes live without explicit sign-off.

The core insight: each new acquisition should make the next one faster, not harder. The eighth agency joining the platform reuses what the first seven already established. Integration becomes a compounding asset — not a recurring cost.

The Comparison

Your current approach requires fifteen to twenty-five people over eight to ten weeks per integration batch. Data Foundry does it with three to five people in two to three weeks.

At fifty active integrations, the conventional approach requires dedicated engineers just for maintenance. Data Foundry requires one part-time reviewer handling a few hours of work per week.

At scale, the divergence is dramatic. A typical enterprise integration project at fifty sources runs $1.5 to $2.5 million with a team of fifteen to twenty-five over eight to ten weeks. The platform compresses both cost and timeline, not by cutting corners, but by eliminating the structural redundancy that makes conventional integration expensive in the first place.

IRR Sensitivity to Integration Speed

The financial impact of integration speed is directly measurable in PE return terms. An illustrative model assuming a platform plus ten add-ons over a five-year hold (add-ons at 6x, exit at 12x, with cost synergies of ten percent of add-on EBITDA ramping over six months and three percent annual growth post-integration) shows:

Compressing integration from twelve months to one month recovers approximately **70 basis points of equity IRR**. The effect grows as add-on count increases, as acquisition cadence accelerates, and as the synergy mix becomes more revenue-dependent.

The effect also grows when exit multiples are sensitive to integration quality. A collection of logos under a holding company trades at a discount. A genuinely integrated platform earns multiple expansion. Even a 0.5x to 1.0x multiple differential on exit EBITDA can dominate the total return impact (CohnReznick, 2024).

Exit Readiness

At exit, buyers pay more for genuinely integrated platforms than for a portfolio of companies that happen to share an owner. Practitioner commentary frames this directly: “real integration in buy-and-builds” avoids the discount that comes with superficial unification, while genuinely integrated platforms command premium multiples (CohnReznick, 2024).

Firms that invest in modern data architecture outperform peers by fifteen to twenty percent in portfolio company value creation (Ganti, 2025). Integration quality is not a back-office concern. It is exit defense.

Next Steps

The Compounding Advantage

The pattern is clear. Private equity capital is flowing into fragmented B2B services at an accelerating pace, with platform buyout share expected to rise above twenty-five percent in 2026 and over one trillion dollars in dry powder seeking deployment (Lukatsky, Choi, and Walters, 2025). Each add-on acquisition brings new systems, new data structures, and new integration burden. The question facing every platform operator is not whether to integrate, but whether your current approach scales to next year’s portfolio size.

The conventional integration approach carries a structural limitation: its costs grow faster than your portfolio. Each acquisition makes every existing integration harder to maintain. At the scale most PE-backed platforms are targeting, this becomes the binding constraint on growth.

The alternative is a platform where each acquisition makes the next one faster, not harder. Where maintenance stays flat whether you have fifty sources or five hundred. Where the eighth agency reuses what the first seven established. That is the structural change.

Integration Complexity Assessment

We offer an integration complexity assessment: a focused two-week analysis that maps your current data landscape, identifies the specific visibility gaps across your portfolio, and estimates the cost of delayed integration at your current acquisition pace.

Whether you are evaluating a platform acquisition, midway through a multi-site integration, or planning for the next phase of add-on growth, the core question is the same: how many active data sources will you have in eighteen months, and does your current integration approach scale to that number?

We welcome a conversation about how these principles apply to your portfolio.

MTN is a research and technology company with deep

roots in computational neuroscience and machine intelligence. Our work has been published in Nature journals, PNAS, JMIR, Chest, PLoS Computational Biology, The Royal Society, and other leading venues. We bring to these conversations the perspective of researchers and advisors with technical and operational backgrounds.

Technical Leadership

Warren Pettine, MD – Co-Founder and CEO. Assistant Professor at the University of Utah where he leads the Medical Machine Intelligence (M^2Int) Lab. Trained in machine learning research at Harvard, Stanford, NYU, and Yale. Leads the research and product teams.

Matthias Christenson, PhD – AI Architect. Investigator with the M^2Int Lab. PhD and post-doctoral research at Columbia University in computational ML, with prior industry experience as a Deep Learning Research Engineer at DeepLife training foundational models on genomic and biometric data. Leads MTN's technical architecture design and data model development.

Samuel Wecker, Lead Systems Engineer. Over twelve years building and scaling production software, including as a founding engineer at a startup that grew to a billion-dollar platform. Specializes in unifying disparate systems and data sources at scale. Leads Data Foundry's core platform development.

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