

Vesta Software Group

Industry Insights

SUCCESSION PLANNING

Germany

November 2025

vestasoftwaregroup.com

Disclaimer

This whitepaper is for informational and educational purposes only. It does not constitute legal, tax, accounting, investment, or other professional advice.

The content reflects the author's analysis as of the publication date and may change without notice. No representation or warranty is made as to accuracy, completeness, or fitness for a particular purpose. All information is provided "as is." The author and any affiliated persons or entities disclaim all liability for any loss that may arise from reliance on this whitepaper.

This document is not an offer to sell or a solicitation to buy any security or service. It is not a prospectus or key information document under EU or UK law, including Regulation (EU) 2017/1129. It is not "investment research" as defined under MiFID II and was not prepared in accordance with rules promoting the independence of investment research.

Forward-looking statements, estimates, and scenarios are inherently uncertain. Actual outcomes may differ due to economic, regulatory, or company-specific factors. No obligation exists to update such statements.

Sources include public and third-party materials believed to be reliable. References are provided for convenience and do not imply endorsement. Trademarks and logos remain the property of their respective owners. Personal data, if any, is derived from public sources and used for legitimate interests in research. No sensitive data is intentionally processed. Contact the author for data-related queries.

Unless stated otherwise, all rights are reserved. You may cite brief excerpts with attribution. You may not reproduce, distribute, or modify the document without prior written consent.

Jurisdiction: England and Wales governing law.

Venue: London courts.

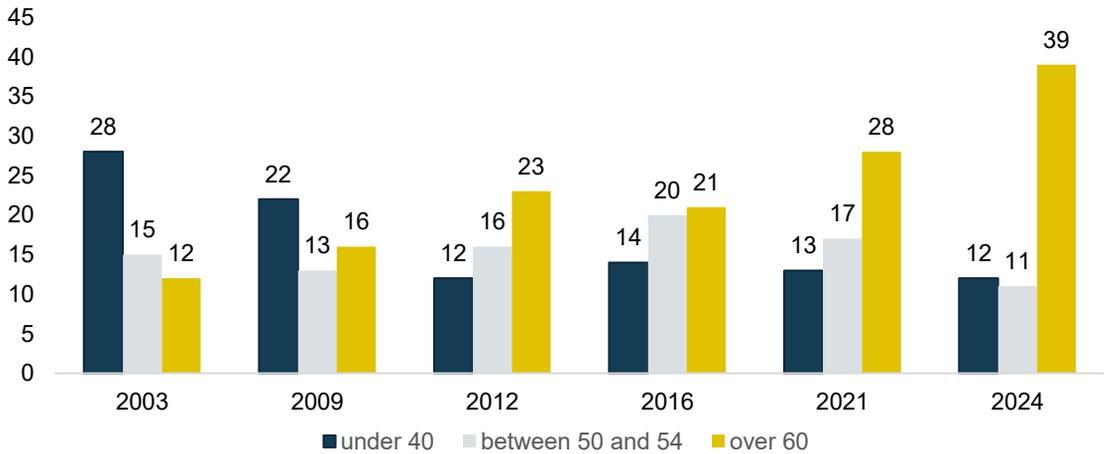
Summary

Germany's Mittelstand faces a succession shortfall. By end-2025, about 215,000 SMEs aim to hand over ownership, yet roughly 231,000 are leaning toward closing as owners age out. The ownership base skews older than the population: 54% are 55+, the average owner is above 54, and those 60+ make up 39% versus 30% in the population. Preparedness is low: only 26% have a named successor (14% completed, 12% in negotiation). Around 20% will miss the window entirely and another 24% are running out of time, with "still searching" nearly doubling to 24% (52,000 firms). On the demand side, sellers outnumber credible buyers by more than two to one, often closer to three to one, making matching the binding constraint. The result is clear: closure now sits alongside transfer as a mainstream outcome. The fix is procedural, not cosmetic. Start a three-year runway, build a successor pipeline early, and run legal, tax, and financing workstreams in parallel to prevent value loss or forced shutdown.

The Succession Gap: Demand rising, supply thinning

Germany's Mittelstand is entering a structural handover gap: an aging owner base is meeting a thinner pipeline of successors, and more firms are actively weighing permanent closure. In 2024/25, roughly 215,000 SMEs intend to transfer ownership by the end of 2025, yet about 231,000 are still considering shutting down over a similar horizon, an unprecedented balance between succession and exit.

Exhibit 1: Age structure of owners & founders in the "Mittelstand".

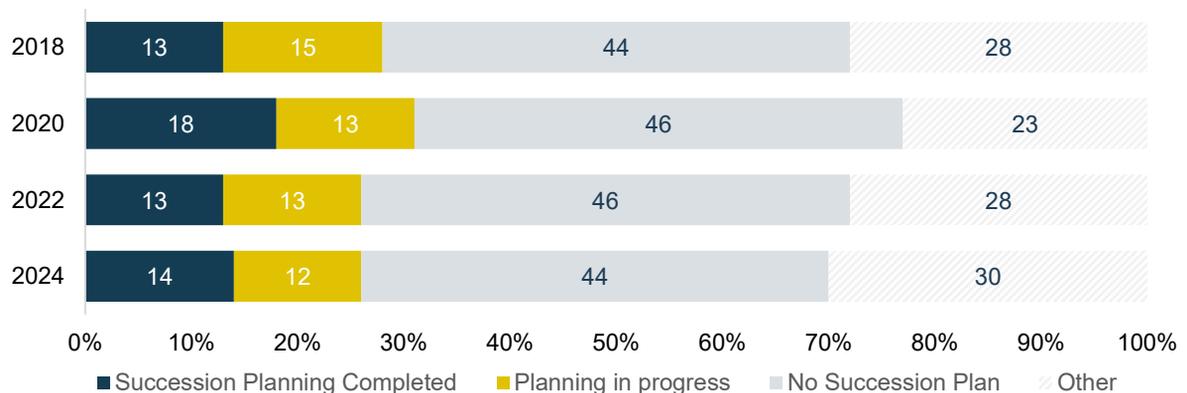


Source: Nachfolge-Monitoring Mittelstand 2024, KfW

Age structure of owners

Owner ages have shifted markedly upward since 2003. In 2024, 54% of Mittelstand owners were 55 or older and the average owner age exceeded 54 years; among those targeting a near-term handover, the mean age was 65.4. Germany's overall population is younger by comparison. The average age was 44.6 years in 2023. The 60+ share of the population was about 30% versus 39% among SME owners. This gap widened from roughly 5 percentage points in 2011 to 9 in 2023, indicating faster ageing at the top than in society. Demographics amplify the succession challenge. Low birth rates have produced smaller successor cohorts, while many workers prefer employment to self-employment, keeping new-founder numbers subdued and takeover interest limited. The baby-boomer retirement wave adds further pressure.

Exhibit 2: Current stage of preparation for succession

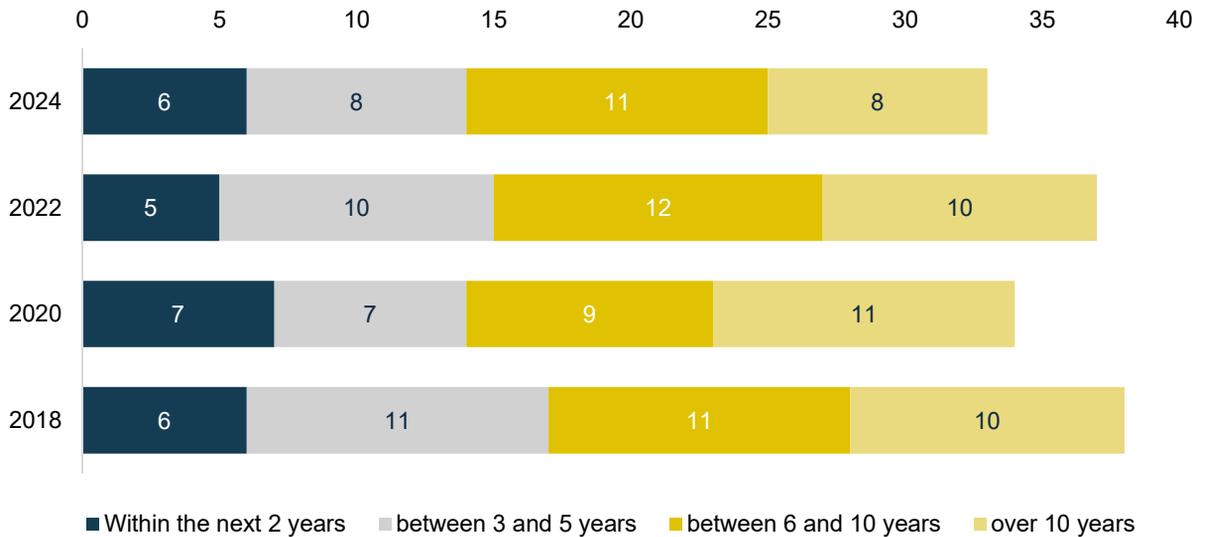


Source: Nachfolge-Monitoring Mittelstand 2024, KfW

Readiness is mixed and stable around a high baseline of unprepared firms. In 2024, 14 reported completion, 12 were in active negotiation, 44 had no plan, and 30 fell into other or early stages. Levels in 2018–2022 were similar, with only modest oscillation around these proportions. The data points to a planning backlog rather than a one-off spike. Without an earlier planning cycle and clearer process ownership, many transitions will face timing risk even when a successor is available.

Driver: demographics, timing & founder pipeline

Exhibit 3: Time horizon of planned succession



Source: Nachfolge-Monitoring Mittelstand 2024, KfW

Planning is being pushed too close to the exit. KfW's time-horizon series (Exhibit 3) shows that while near-term handovers (≤ 2 years) remain stable at roughly 215k firms by end-2025, mid- and long-term succession intent has fallen, owners who plan to step back later are less likely to anchor those plans on an actual transfer. Concretely, only 8% of all SMEs now target a handover within 3–5 years (3 pp vs. prior year), and the five-year aggregate through 2028 has been revised down to 532k planned successions ($-94k$ y/y). In other words, the *runway* is being shortened, and fewer firms enter a structured preparation phase early enough to benefit from the full benefit of successful succession planning.

The natural buyer pool is structurally thin showing that Germany counted 568,000 start-ups in 2023, yet just over 45,000 were takeover founders, the group directly relevant for buying existing businesses. A clear majority of new founders (76%) do not consider an acquisition or active stake at all, often citing a preference to build independently rather than integrate into existing structures. DIHK data point the same way: advice-seeking successor-interested individuals remain near a low, and ~ 3 companies vie for each interested successor. A long stretch of robust employment conditions has further nudged talent toward salaried roles rather than entrepreneurship, reinforcing the buyer scarcity behind the succession gap.

What does this mean in practice for owners? When fewer owners plan early and we know fewer buyers are available, matching takes longer and is more sensitive to process quality. Search costs rise, price/terms discovery gets tougher and deal design (e.g., staged transitions, retention/earn-out mechanics, financing) becomes decisive for getting to signature. The remedy is not complexity but time: begin a structured options scan 3 years before the desired handover, align tax/legal early, assemble a clean data room and engage credible, continuity-focused buyers alongside internal candidates to widen the field while leverage is intact.

Exhibit 4: Major Reasons for Succession Demands



Retirement



Exit Wishes



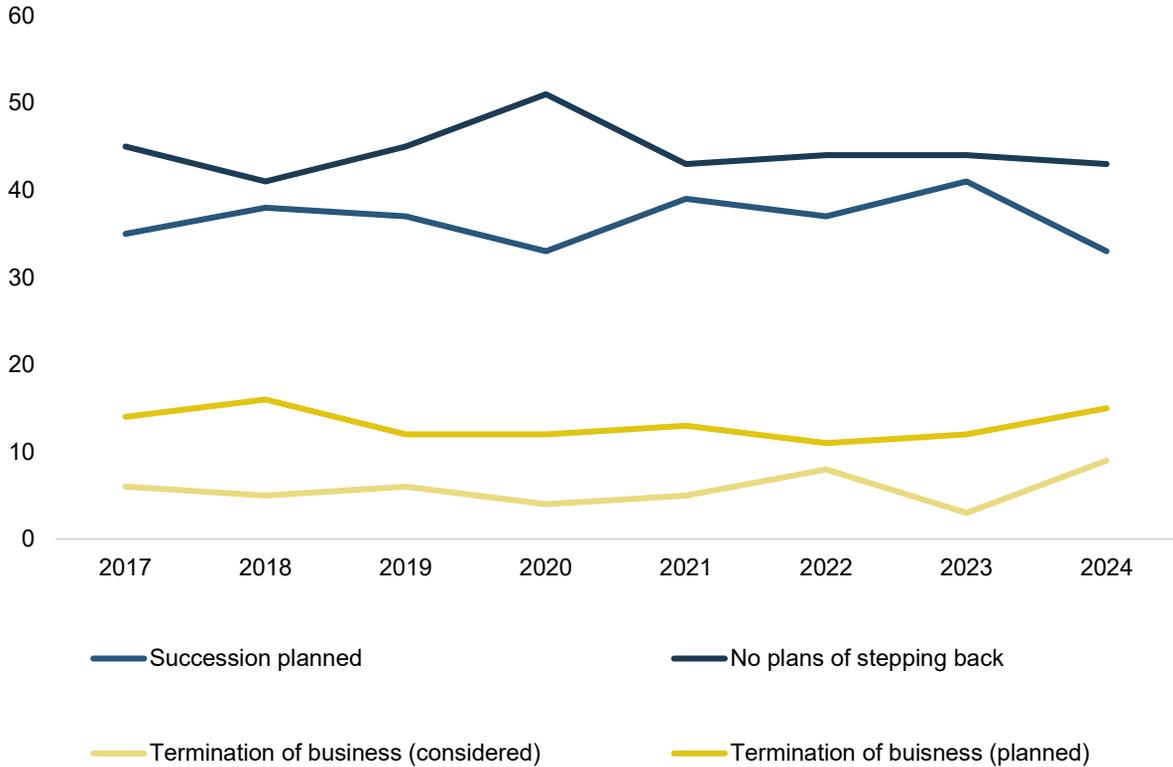
Skill Gap



Regulatory Pressure

Consequences: rising closure considerations & execution risk

Exhibit 5: Age structure of owners & founders in the “Mittelstand”.



Source: Nachfolge-Monitoring Mittelstand 2024, KfW

Closure now sits alongside transfer as a mainstream path for Germany’s Mittelstand. KfW’s latest monitoring shows an unprecedented near-term split: by end-2025 roughly 215,000 SMEs intend to hand over while about 231,000 owners with concrete retirement plans still weigh shutting down, with high owner age the dominant driver; the average owner is 54 and 39% are 60+, far above the population share, so succession demand collides with a thin pool of willing successors. Readiness is the bottleneck. Of firms targeting succession within two years, only 28% have completed negotiations and 27% are in live talks; around 20% are unlikely to meet the window at all because they have not started beyond information-gathering, and another 24% are “very tight,” including a segment still in active search that almost doubled year-over-year from 13% to 24%, about 52,000 firms, implying elevated execution risk even where intent exists. Market mechanics reinforce the pressure. In IHK advisory data there are about 9,600 continuation-ready companies but only 4,000 identified successors, and more than a quarter of owners already contemplate closure; structurally, sellers outnumber qualified buyers, weakening terms for late movers and raising the probability of delay or shutdown. The strategic implication is simple: time is the scarce input. KfW’s evidence indicates that once the horizon falls inside two years, cases still at “search/early” status face materially lower odds of on-time closing; DIHK therefore recommends beginning concrete planning and successor search at least three years before the target handover to build a funnel, prepare financing, align tax and legal structures, and stage the operational transition. For owners, boards, lenders, and advisors, this means treating succession as a program, not a point-in-time deal: lock a multi-year runway, move quickly from information-gathering to mapped successor lists and negotiation readiness, and protect continuity by sequencing handover tasks, customer communication, management retention, governance, and roadmap transfer, early. In a market where exit alternatives are genuinely two-sided and the age bulge is structural, disciplined preparation is the only reliable lever to preserve value and keep viable firms operating.

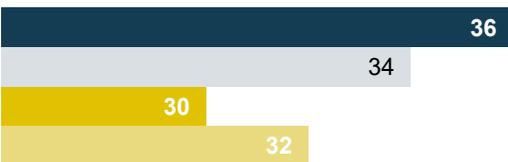
Why early planning preserves value: the real hurdles

Exhibit 6: Hurdles for succession

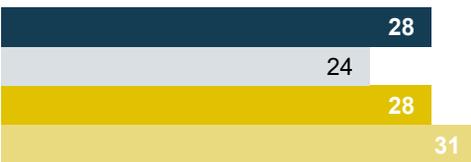
Matching Successor



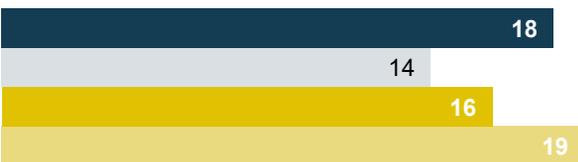
Agreement on Price



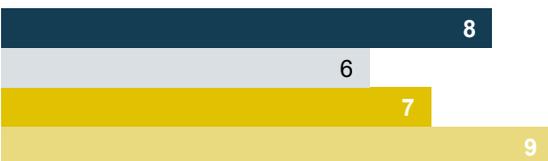
Legal Complexity



Financing



Needed Investments



Matching the successor remains the biggest challenge and constraint in Germany. Across 2021–2024 it tops all hurdles by a wide margin, easing slightly from 79 to 73 but still far above every other factor. Price agreement sits next and has been broadly stable in the low-to-mid 30s. Legal and administrative load has edged up again, with legal complexity and bureaucracy each reported by roughly 30% of firms in 2024. Financing has tightened back toward its 2021 level, with 19% naming it a hurdle. Needed modernization investments are the smallest barrier but are creeping up to 9%. These patterns come directly from KfW’s Nachfolge-Monitoring and reflect the lived frictions in current deals.

Market structure explains the ranking. On the demand side, IHKs logged about 9,600 firms seeking continuity in 2024 but only 4,000 serious successor candidates, so sellers outnumber buyers by more than two to one – the scarcity makes the matching an existential problem. When talks do progress, valuation views diverge: owners anchor on past effort and legacy, while successors price forward earnings and required upgrades, which keeps price agreement difficult and near the top of the hurdles. Bureaucracy and tax steps add time and cost across agencies and registries, and unresolved matching or slow procedures suppress investment on both sides, weakening continuity through the handover.

Operational takeaway for owners, boards, and advisors: treat succession as a pipeline problem first, then a transaction. Build a broad successor funnel early, pre-align valuation logic with forward metrics, stage legal and tax structuring in parallel, pre-package bank financing, and map near-term capex so the successor can underwrite modernization confidently. These steps target the highest-friction levers shown in the data and reduce timing risk.

Source: Nachfolge-Monitoring Mittelstand 2024, KfW

The Vesta Solution: The continuity-first path

Vesta Software Group treats timely succession as a duty to employees and customers. Its model is permanent ownership with no resale or IPO agenda. Vesta acquires 100% by cash, keeps brands independent, and protects know-how and IP inside the company. The goal is continuity with a clear long-term outlook. Founders can step back without losing identity or seeing their life's work repurposed elsewhere. Support covers governance, finance, best software scale-up practice and optional shared services so the business can keep building.

Exhibit 7: Design of the legacy continuation process



The Vesta Playbook:

Vesta Software Group is Jonas Software's vertical-market arm within Constellation Software. It acquires 100% of software companies and holds them in perpetuity. Vesta has never sold a business. The model is buy-and-hold with local autonomy. Brands and teams remain independent in a de-centralised structure with light-touch governance and proven operating disciplines. Value creation focuses on continuity first, then compounding. Companies plug into Vesta's knowledge-sharing networks and playbooks, including dedicated communities like the Professional Services Network. The business units gain access to capital for organic initiatives and selective tuck-ins. Cash flow is reinvested rather than managed for resale.

In short: Acquire software stacks outright and permanently; Manage with autonomy plus shared financial and operating tools; grow via product and go-to-market plans and bolt-ons; Re-invest to compound over the long term.

Exhibit 8: Vesta Transaction Process



Get to know us at: www.vestasoftwaregroup.com

Vesta Software Group

Our Team

Fin-Tech Team



Ed Adshead Grant

Portfolio Leader

E-mail: ed.adshead_grant@vestasoftwaregroup.com

[LinkedIn](#)



Patrick Pounds

M&A Business Development Manager

E-mail: patrick.pounds@vestasoftwaregroup.com

[LinkedIn](#)



Jacopo Carlotti

M&A Business Development Executive

E-mail: jacopo.carlotti@vestasoftwaregroup.com

[LinkedIn](#)



Benjamin Ernst

M&A Business Development Executive

E-mail: benjamin.ernst@vestasoftwaregroup.com

[LinkedIn](#)

