

IT Services valuation multiples: 2015-2024

Preliminary Q4 2024 update



About Aventis Advisors

We advise founders of **technology and growth** companies on company exits and strategy.

Our focus sectors are **Software and IT Services**.

Our job is to make sure you **sell at the right time to the right people** for a fair valuation.

Technology M&A focus

Cross-border expertise

Thought leadership



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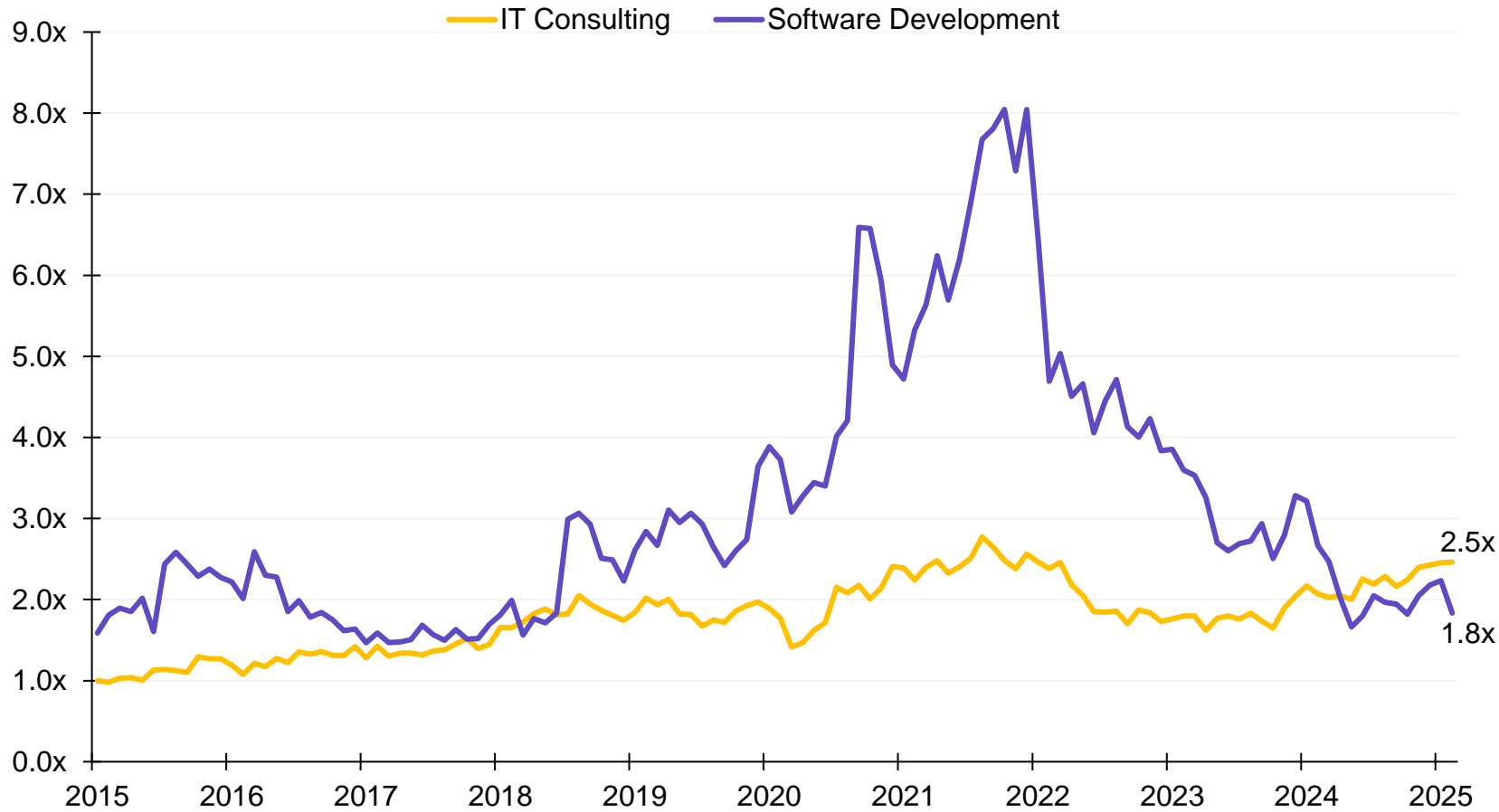
1. IT services valuations: Listed companies
2. IT services valuations: M&A transactions



Listed IT Services companies: EV/Revenue multiple

After years of stability, revenue multiples skyrocketed in 2021-22 and have been declining steadily since

Median EV/Revenue Multiple, 2015 – Q3 2024, (IT Consulting n=25 and Software Development n=10)



Comment

- The median EV/Revenue multiple in IT Consulting rose steadily until the pandemic, averaging 1.5x until 2020
- At its peak in late 2021, IT Consulting reached 2.9x and Software Development hit 8.0x, pushing IT Services multiples 200-250bps higher than their historical averages
- After quarters of decline, the median multiple of IT Services has fallen back to pre-pandemic levels in Q2 2024

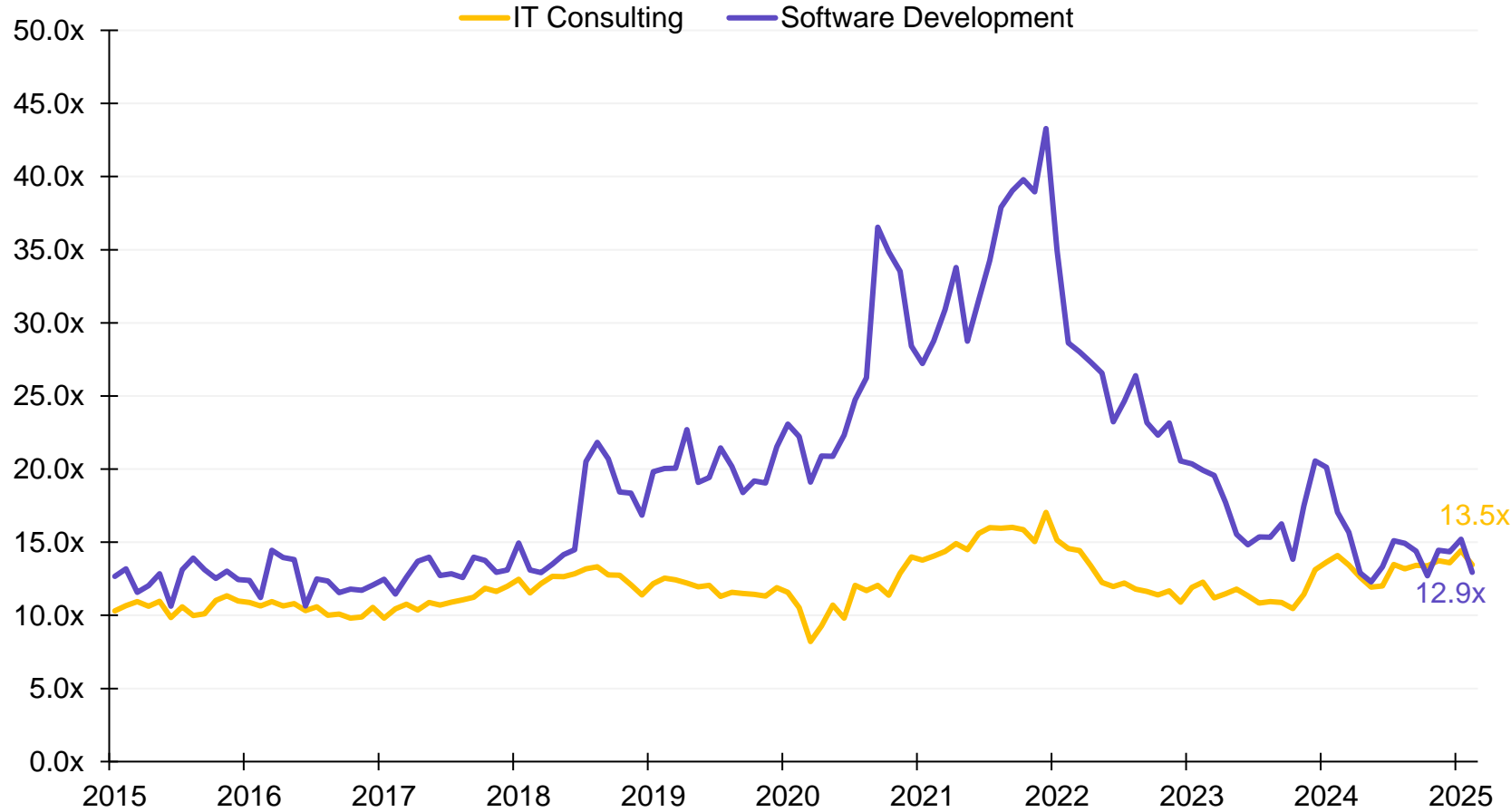
Q4 2024 update

- At the end of Q4 2024, Software Development multiples began to stabilize at multiples slightly below IT Consulting companies. We updated the multiples once again in February 2025 and this still holds true.

Listed IT Services companies: EV/EBITDA multiple

The EBITDA multiple skyrocketed for Software Development companies in 2021, but has since more than halved by Q3 2024

Median EV/EBITDA Multiple, 2015 – Q3 2024, (IT Consulting n=25 and Software Development n=10)



Comment

- IT Consulting had a relatively stable median multiple with very little volatility before the pandemic outbreak
- The median multiple of IT Consulting peaked in late 2021 at 17.1x and has been declining until late 2023, and since showing multiple expansion
- The median multiple of Software Development was constantly higher than that of IT Consulting, but came close in late Q1 2024

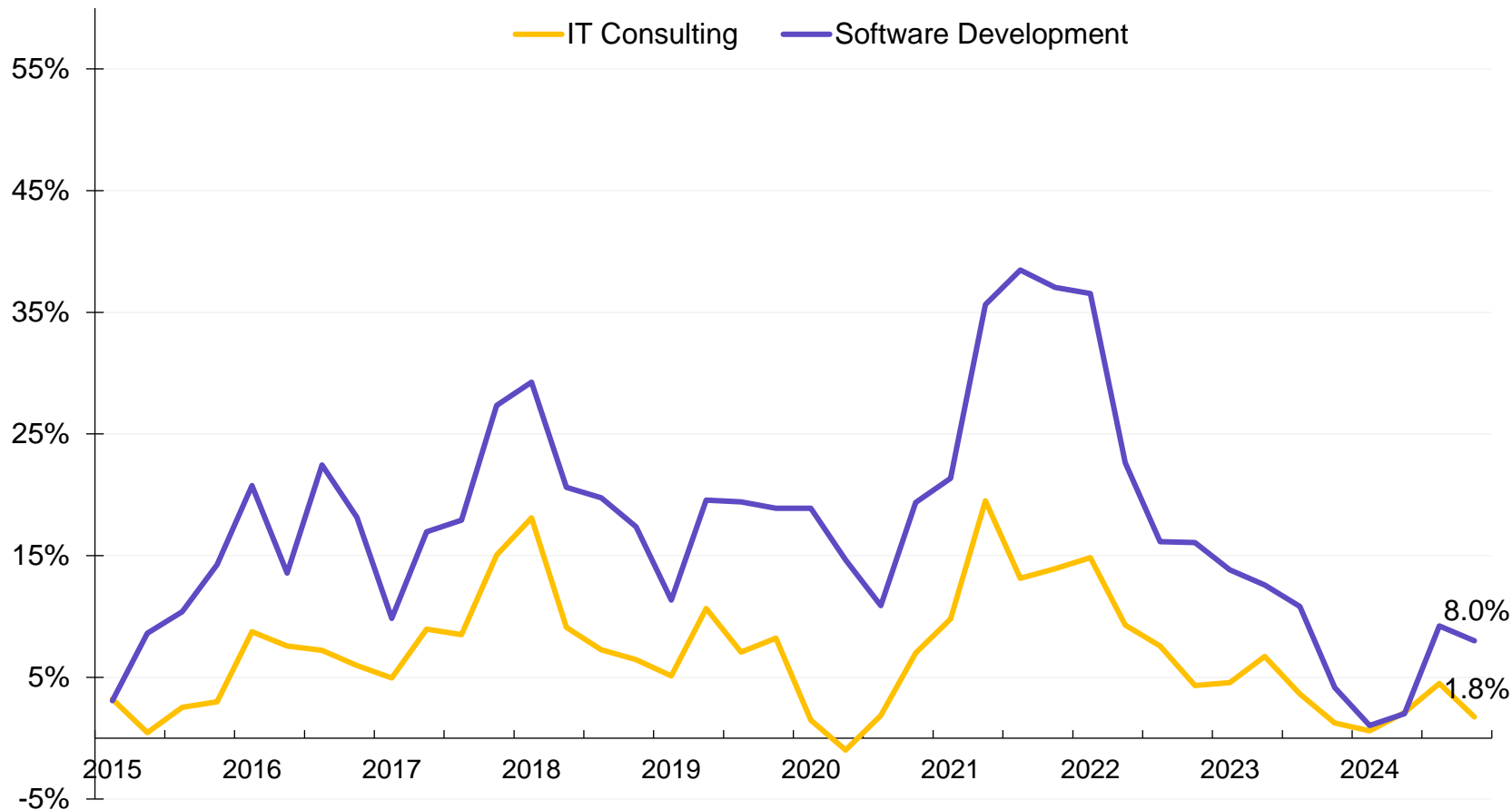
Q4 2024 update

- The median EV/EBITDA multiple in the end of Q4 2024 was 13.6x for IT Consulting and 14.4x for Software Development companies. In February 2025, the EV/EBITDA multiples for IT Consulting was higher than Software Development by 0.6x

Listed IT Services companies: Revenue growth

Revenue growth for IT Services has shown an uptick in the last 6 months, with software development showing the highest growth of more than 9% in Nov '24

Median Revenue Growth, YoY, 2015 – Q3 2024, (IT Consulting n=25 and Software Development n=10)



Comment

- The pandemic rapidly accelerated the demand for both types of IT Consulting and Software Demand – a pull-forward effect as companies had to prioritize their expenditure on digitalization
- After the turning point in H2 2021, revenue growth of both IT Consulting and Software Development has been declining
- The median revenue growth of IT Consulting was less volatile but also notably lower than that of Software Development
- The median revenue growth of IT Consulting firms hit its lowest point in Q2 2020

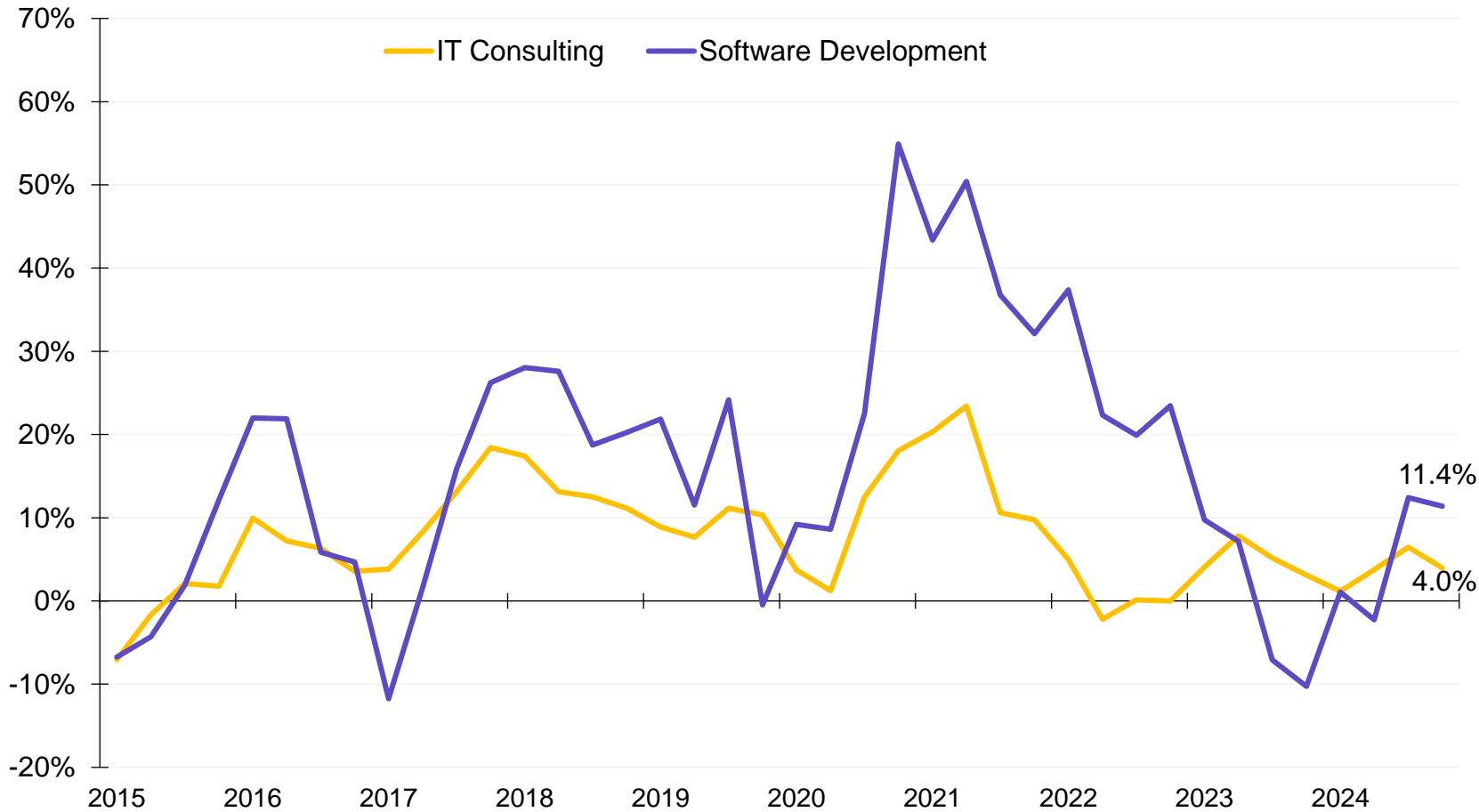
Preliminary Q4 2024 update

- Revenue growth rates saw a slight drop during Q4 2024, with Software Development companies growing by a median of 8,0% and IT consulting by 1,8%. ***This is preliminary as not all companies in our sample have reported earnings.***

Listed IT Services companies: EBITDA growth

Slowing EBITDA growth for IT Consulting reversed to a positive 3.8% growth in Q3 2024, while Software Development continued to stabilize

Median EBITDA Growth, YoY, 2015 – Q3 2024, (IT Consulting n=25 and Software Development n=10)



Comment

- Since late 2015, IT Consulting has maintained a positive median EBITDA growth rate, only dipping into negative territory from 2022 as the macro environment worsened
- The median EBITDA growth of IT Consulting hovered between -7.1% and 23.4% and averaged at 7.4% throughout the analyzed period.
- The median EBITDA growth rate of Software Development skyrocketed with the pandemic outbreak, increasing by 49pp between Q4 2019 to Q1 2021

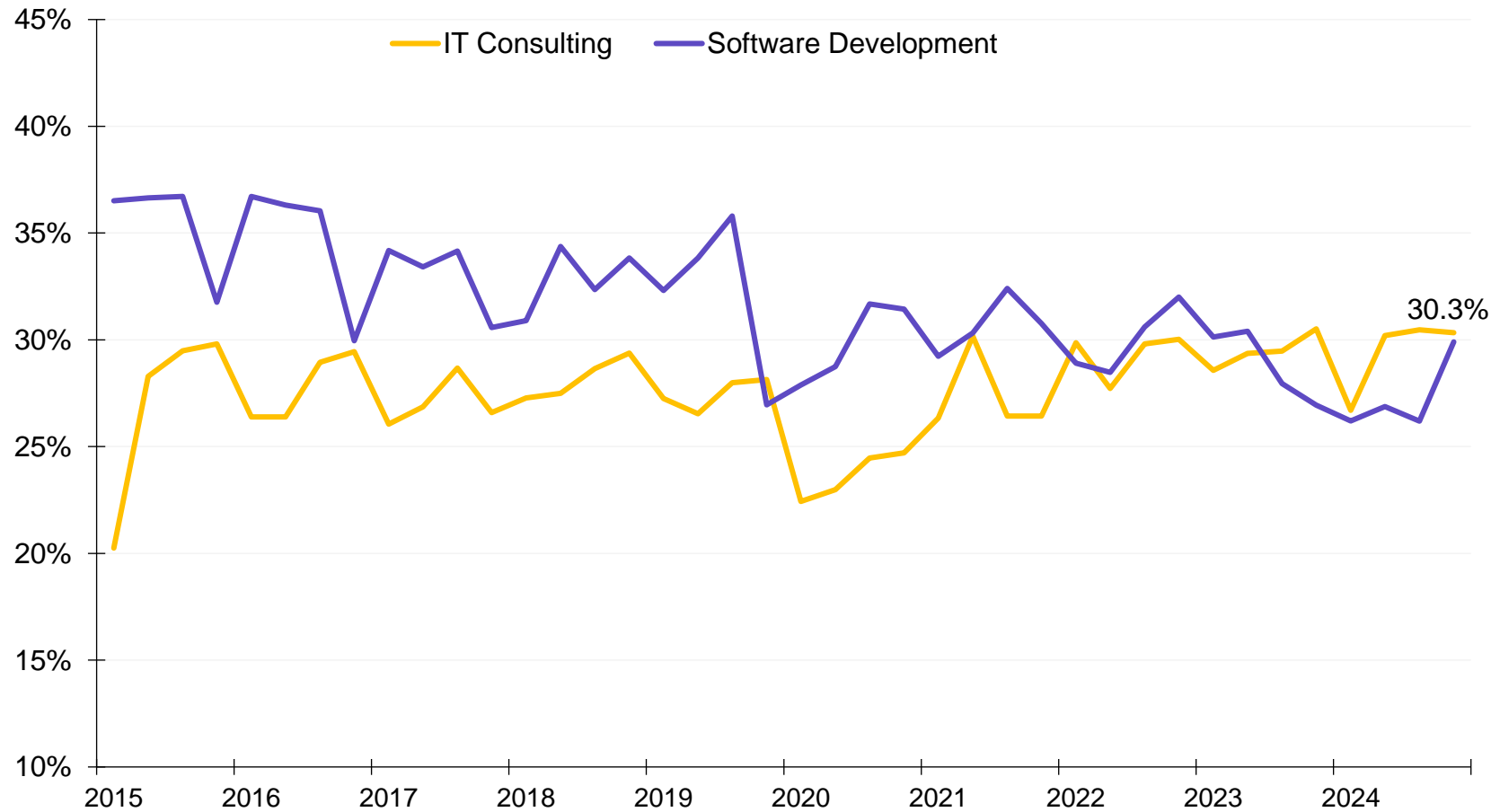
Preliminary Q4 2024 update

- In Q4 2024, both IT Consulting and Software Development EBITDA growth slowed from Q3. ***This is preliminary as not all companies in our sample have reported earnings.***

Listed IT Services companies: Gross margin

IT Consulting margins surpassed Software Development as of Q2 2023, amid historically low margins for Software Development companies

Median Gross Margin, quarterly, 2015 – Q3 2024, (IT Consulting n=25 and Software Development n=10)



Comment

- From 2015 to 2019, the gross margin for Software Development companies consistently outperformed that of IT Consultants
- IT Consulting gross margins have been fluctuating around 25-30%, peaking at 30.2% in 2021, while Software Development margins have trended lower falling to sub 30% levels two quarters in a row

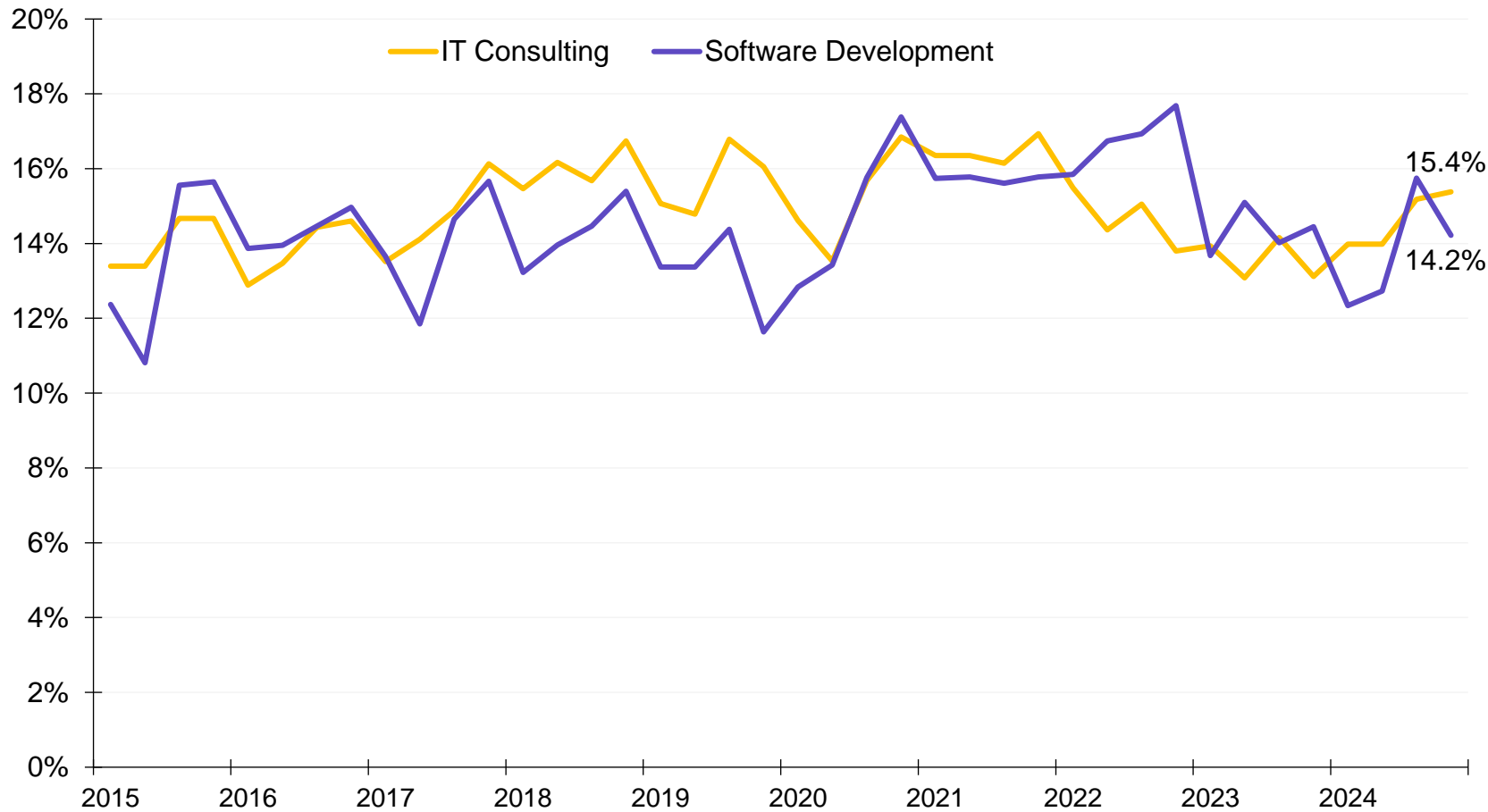
Preliminary Q4 2024 update

- Since Q4 2023, gross margins of Software Development businesses have consistently underperformed its IT Consulting peers. In the Q4 2024, it still holds true. ***This is preliminary as not all companies in our sample have reported earnings.***

Listed IT Services companies: EBITDA margin

IT Consulting companies have exhibited stable margins historically around 15%, while software development margins have fluctuated more widely

Median EBITDA Margin 2015 – Q3 2024, quarterly, (IT Consulting n=25 and Software Development n=10)



Comment

- The median EBITDA margin has been relatively stable for IT Consulting and Software Development companies
- Both the IT Consulting and Software Development median EBITDA margins improved in late 2020 due to accelerated demand for tech
- With the proven and resilient business model, the profitability of IT Consulting and Software Development companies largely avoided the swings of 2022 caused by unprecedented inflation, monetary tightening, and war in Ukraine

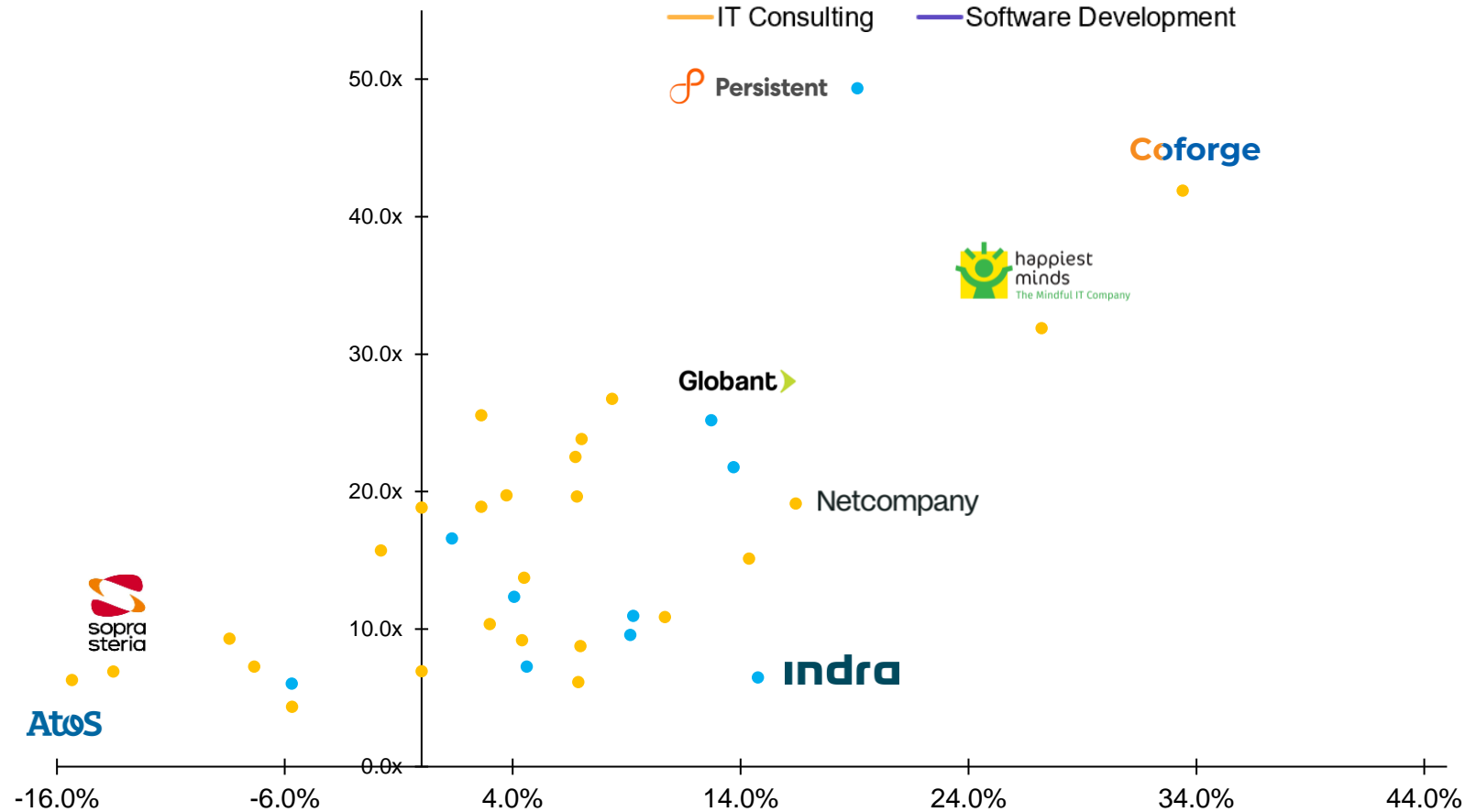
Preliminary Q4 2024 update

- In Q4 2024, Software Development margins reached 14.2%, down from 15.7% in Q3
- IT Consulting EBITDA margins improved slightly to 15.4% - ***This is preliminary as not all companies in our sample have reported earnings.***

Listed IT Services companies: Revenue growth vs. EBITDA multiple

Companies with strong revenue growth may expect higher multiples but this is heavily influenced by company-specific factors

Revenue Growth vs EBITDA Multiple, LTM as of 28.11.2024



Comment

- IT Services companies are generally valued using EV/EBITDA multiple unlike SaaS or Software companies
- Various factors, including geography, company size, and other business fundamentals drive changes in multiples
- Companies with organic revenue growth typically expect a higher multiples. However, this is highly influenced by company-specific factors. e.g: Persistent achieved 19.1% revenue growth but is trading at an EV/EBITDA multiple of 49.3x

Q3 2024 update

- In Q3 2024, a simple linear relationship suggest that a 1% increase in revenue adds 0.7x in EV/EBITDA multiple for IT Services firms

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2. IT services valuations: M&A transactions



M&A Transactions: IT Services multiples

Over the past nine years, median transaction multiples for IT services companies have averaged ~1.4x Revenue, ~11.1x EBITDA, and ~16.6x EBIT

Multiple	Sample (n)	1st quartile	Median	3rd quartile
EV/Revenue	593	0.7x	1.4x	3.1x
EV/EBITDA	352	7.1x	11.1x	19.1x
EV/EBIT	296	10.3x	16.6x	33.6x

Search criteria:

Industry is Computer services

Deal value is disclosed, including non-qualifying deals

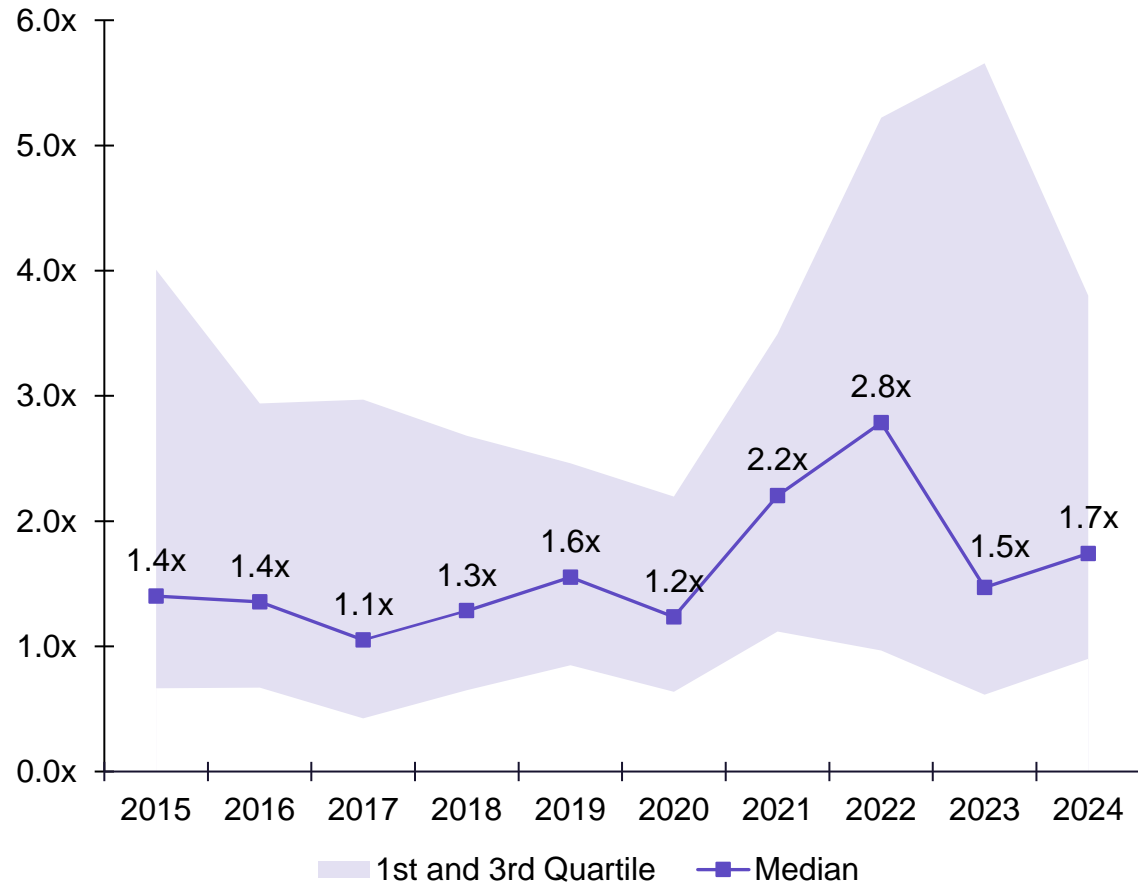
Period: 01.01.2015 – 31/12/2024

N=591 transactions

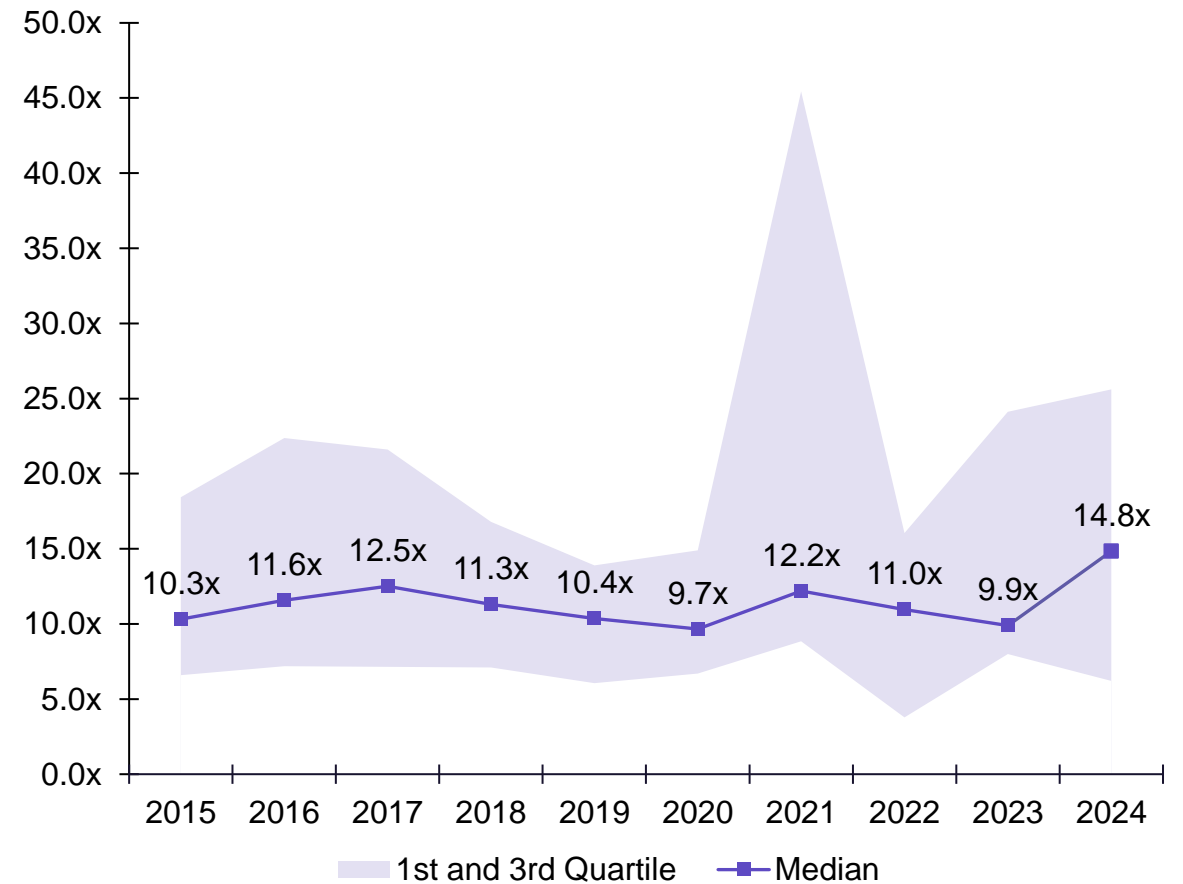
M&A Transactions: IT Services valuations

Median EV/Revenue and EV/EBITDA multiples demonstrated variability over time, with EV/Revenue peaking at 2.8x in 2022 and EV/EBITDA reaching 14.8x in 2024

Median EV/Revenue multiple, 2015-Q3 2024 (n=591)



Median EV/EBITDA multiple, 2015-Q3 2024 (n=352)



M&A Transactions: Size effect on multiples

Larger IT services companies command higher valuations due to lower default risk and greater stability

Deal size, m USD	Number of deals	Median EV/Revenue	Median EV/EBITDA
<5	92	0.8x	6.2x
5-20	141	1.2x	7.9x
20-50	123	1.4x	10.0x
50-100	55	1.4x	12.1x
100-500	122	2.1x	12.9x
500+	73	2.1x	13.8x
Total	606	1.4x	11.1x

Search criteria:

Industry is Computer services

Deal value is disclosed, including non-qualifying deals

Period: 01.01.2015 – 31.12.2024

N=606 transactions

M&A Transactions: Geography effect on multiples

The region makes only little difference in IT services valuations, with companies valued similarly across countries

Region	Number of deals	Median size, m USD	Median EV/Revenue	Median EV/EBITDA
Europe	265	29	1.2x	9.9x
Asia	164	38	2.4x	14.3x
North America	129	85	1.6x	12.6x
Other	48	21	0.9x	7.1x
Total	606	41.2	1.4x	11.1x

Search criteria:

Industry is Computer services

Deal value is disclosed, including non-qualifying deals

Period: 01.01.2015 – 31.12.2024

N=606 transactions

Contact us

[Get in touch with our advisors](#) to discuss M&A opportunities in IT services industry



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