

# IT Services valuation multiples: 2015-2025

Q1 2025 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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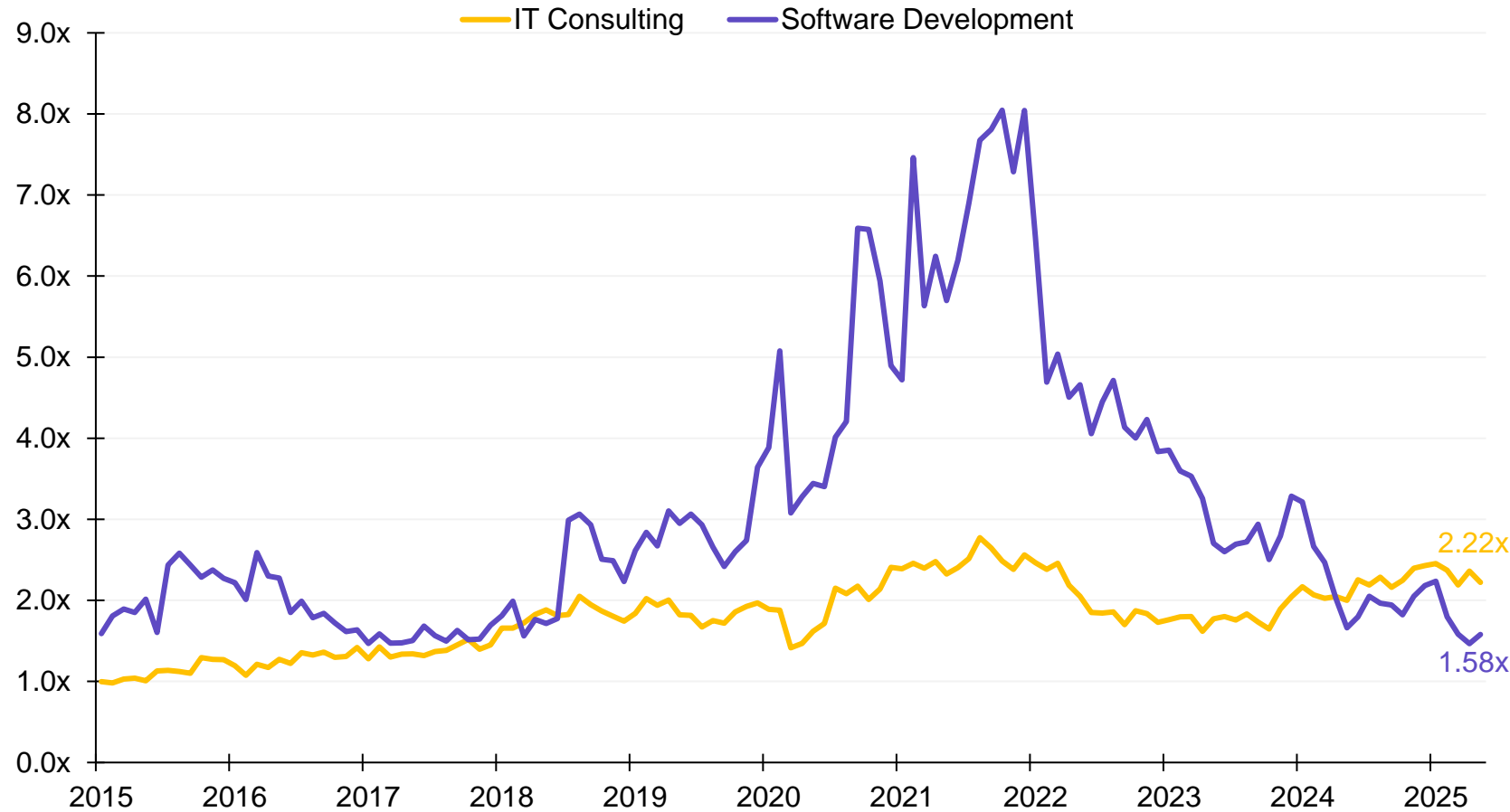
## Listed IT services: Scorecard

| Median metrics |   | IT consulting: Q1 2025 | vs. Q4 2024 | Software development: Q1 2025 | vs. Q4 2024 |
|----------------|---|------------------------|-------------|-------------------------------|-------------|
| EV/Revenue     | x | 2.2x                   | -0.1x       | 2.1x                          | +0.1x       |
| EV/EBITDA      | x | 13.0x                  | +0.8x       | 11.2x                         | +0.4x       |
| Revenue growth | % | 3.9%                   | -1.2pp      | 11.0%                         | +0.7pp      |
| Gross margin   | % | 30.4%                  | +0.8pp      | 27.5%                         | +1.4pp      |
| EBITDA margin  | % | 16.3%                  | +3.2pp      | 13.6%                         | -0.2pp      |

# 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 – May 2025, (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

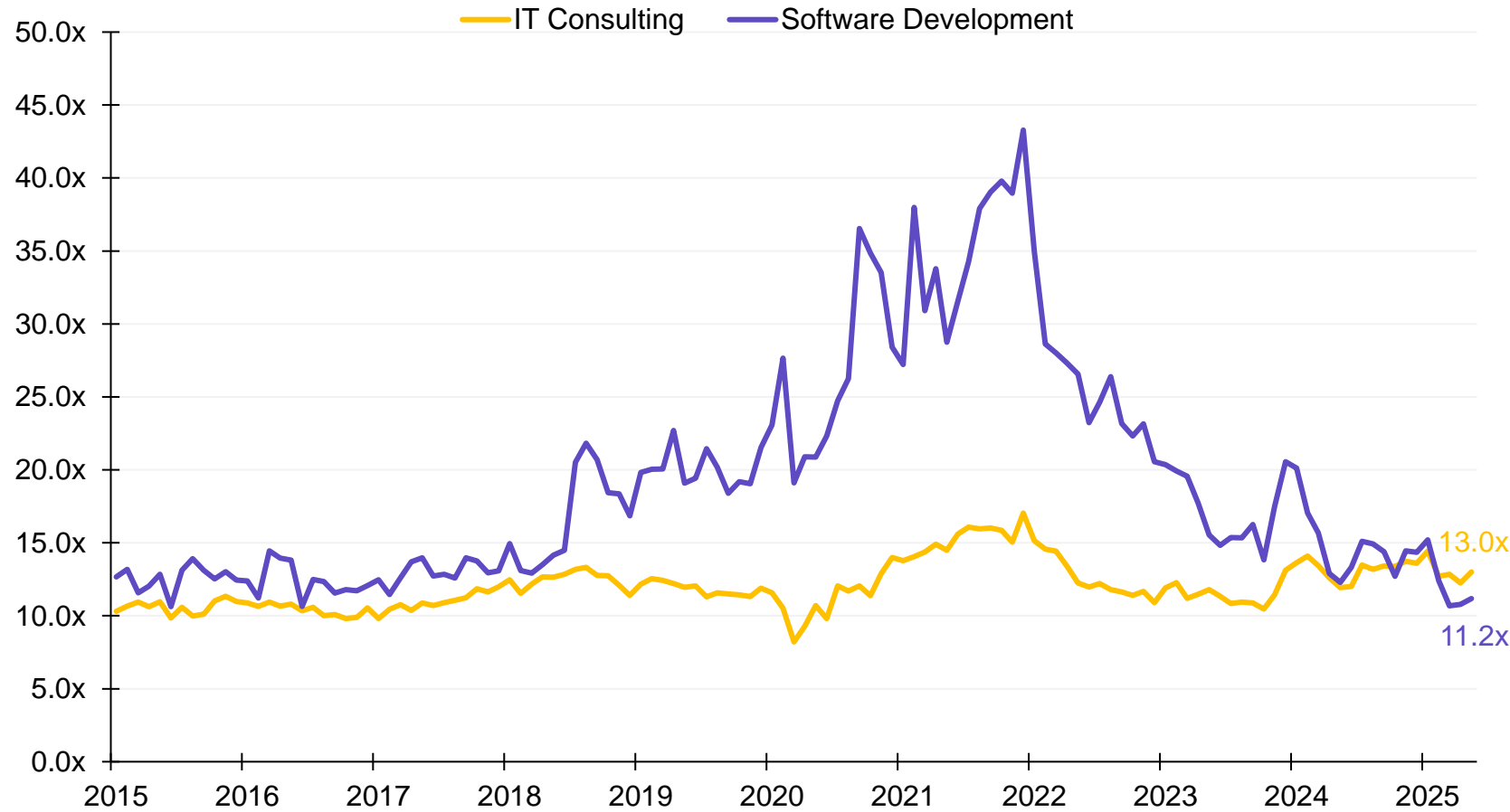
## May 2025 update

- In May 2025, Software Development and IT Consulting multiples remained stable around 1.6x and 2.2x respectively.

# 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 – May 2025, (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

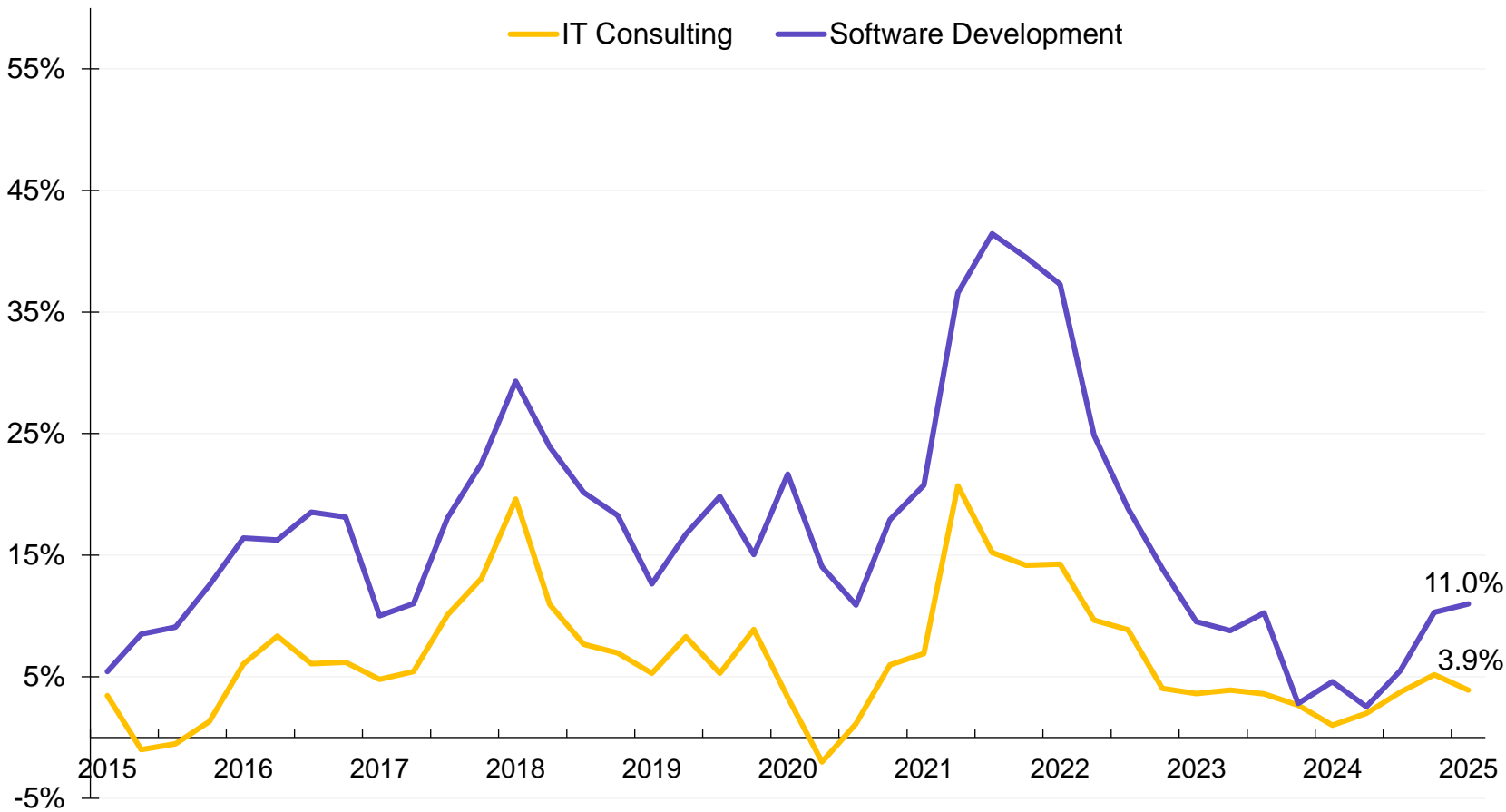
## May 2025 update

- The median EV/EBITDA multiple as of May 2025 was 13.0x for IT Consulting and 11.2x for Software Development companies.

# 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 – Q1 2025, (IT Consulting n=25 and Software Development n=10)



## Comment

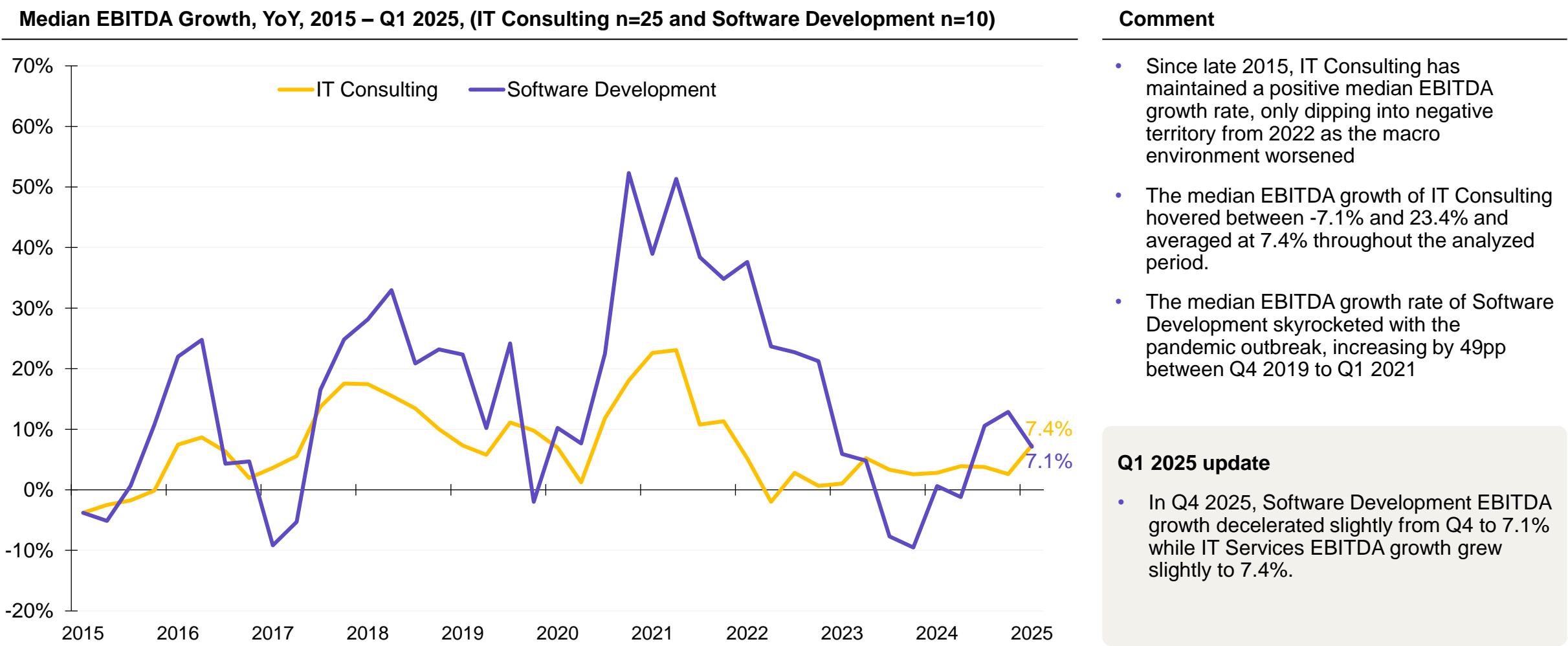
- The pandemic rapidly accelerated the demand for both types of IT Consulting and Software Demand – a pull-forward effect as companies had to prioritize their expenditure on digitalization
- After the turning point in H2 2021, revenue growth of both IT Consulting and Software Development has been declining
- 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

## Q1 2025 update

- Revenue growth rates saw a rebound during Q1 2025, with Software Development companies growing by a median of 11%. IT consulting firms dropped slightly to 3.9%.

# 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

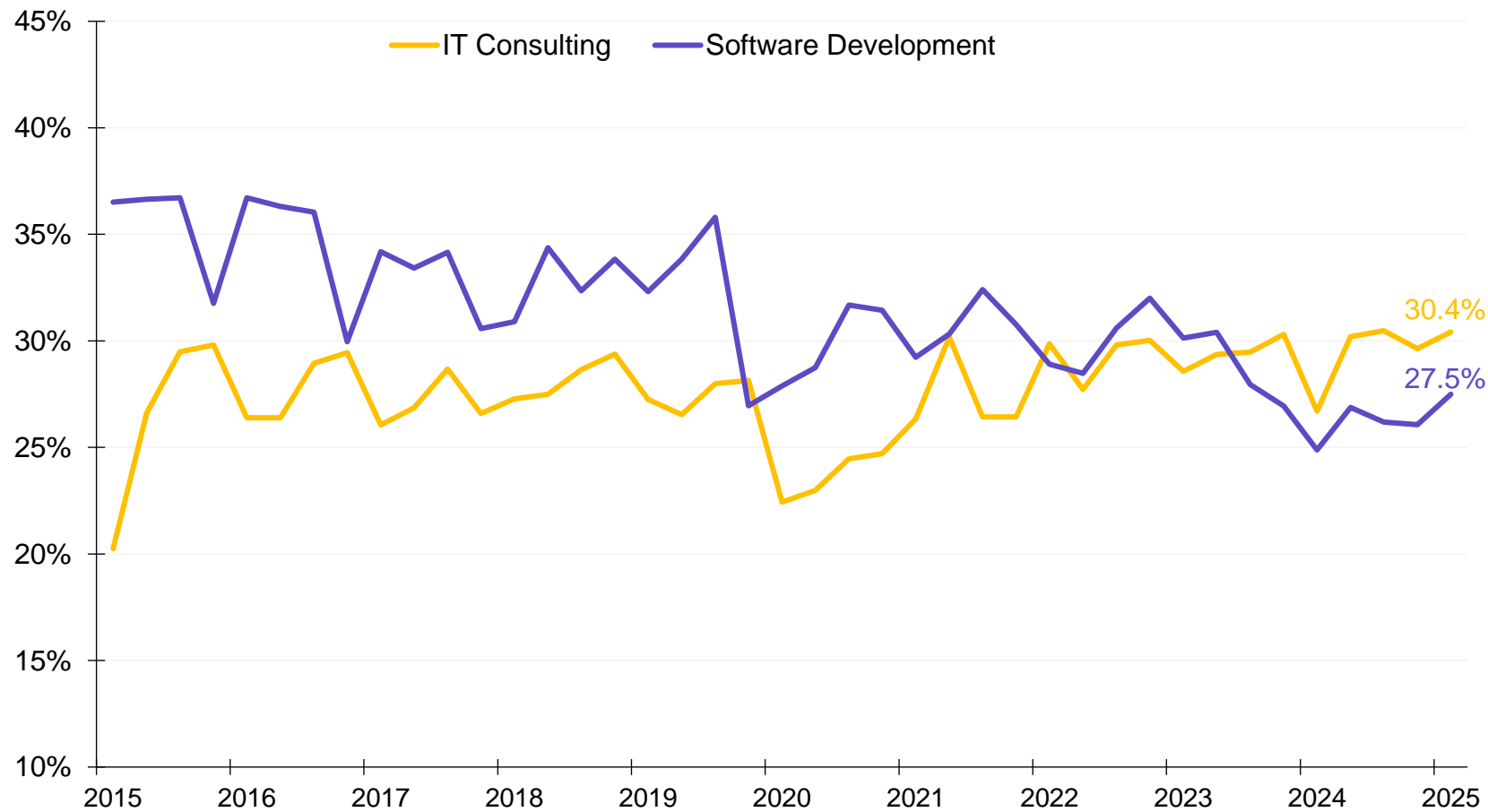




# Listed IT Services companies: Gross margin

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

Median Gross Margin, quarterly, 2015 – Q1 2025, (IT Consulting n=25 and Software Development n=10)



## Comment

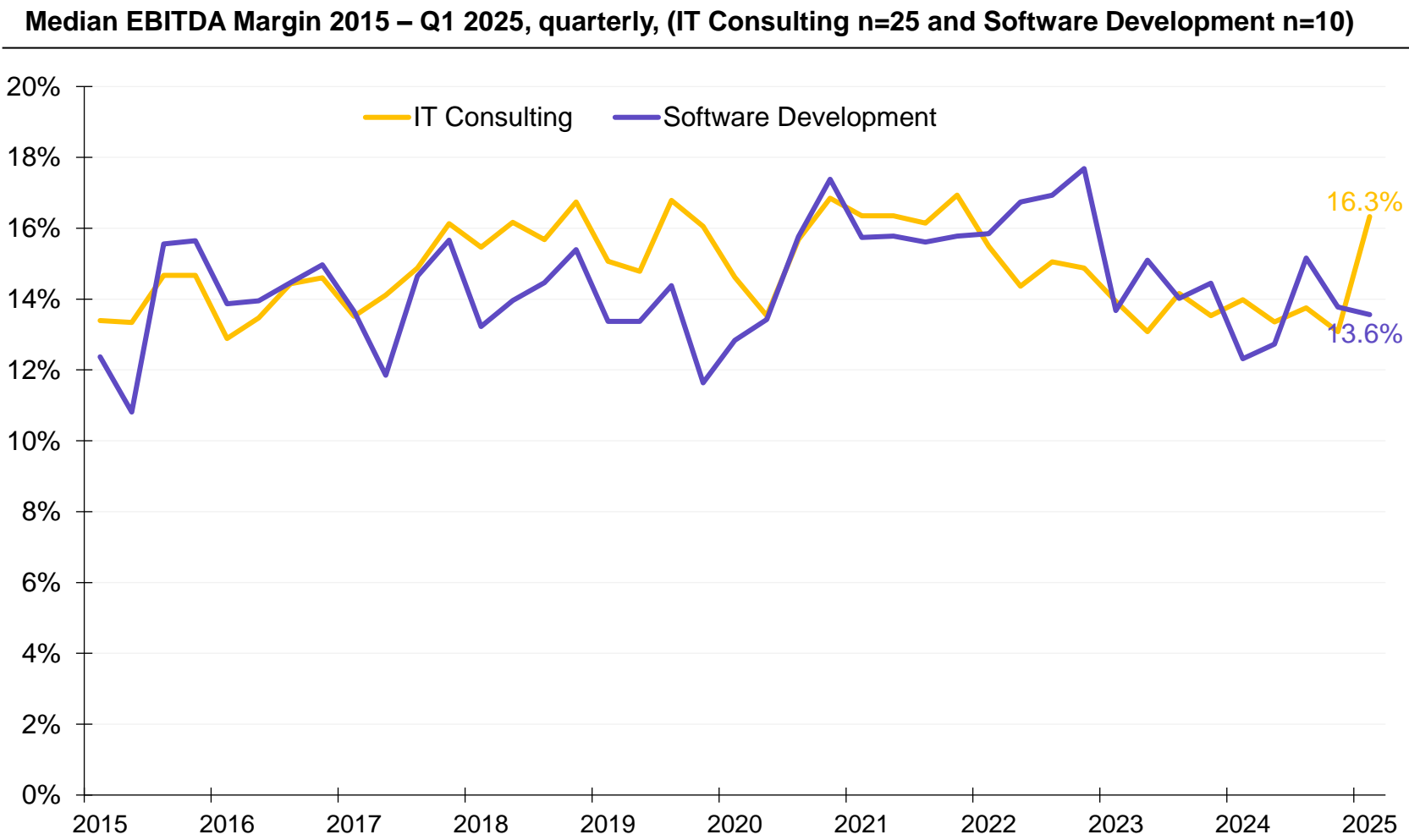
- From 2015 to 2019, the gross margin for Software Development companies consistently outperformed that of IT Consultants
- IT Consulting gross margins have been fluctuating around 25-30%, peaking at 30.2% in 2021, while Software Development margins have trended lower falling to sub 30% levels two quarters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

## Q1 2025 update

- Since Q4 2023, gross margins of Software Development businesses have consistently underperformed its IT Consulting peers. In the Q1 2025, it still holds true. However, we see a rebound in margins for Software Development in Q1 2025.

# Listed IT Services companies: EBITDA margin

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



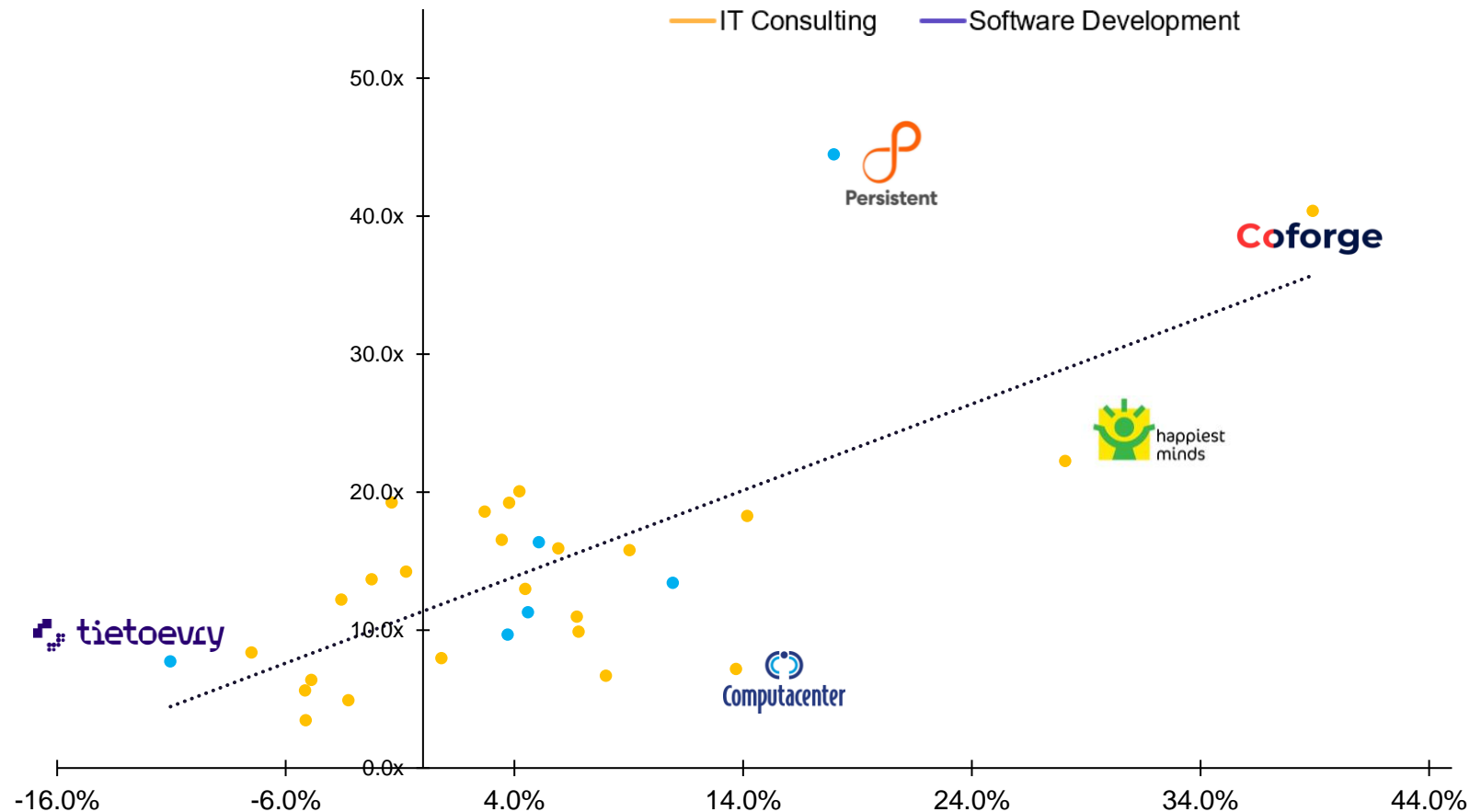
- Comment**
- The median EBITDA margin has been relatively stable for IT Consulting and Software Development companies
  - Both the IT Consulting and Software Development median EBITDA margins improved in late 2020 due to accelerated demand for tech
  - With the proven and resilient business model, the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

- Q1 2025 update**
- In Q1 2025, Software Development EBITDA were 13.6%
  - IT Consulting EBITDA margins reached 16.3%

# 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 31.03.2025



## 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.

## Q1 2025 update

- In Q1 2025, a simple linear relationship suggest that a 1% increase in revenue adds 0.6x 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 ten years, median transaction multiples for IT services companies have averaged ~1.4x Revenue, ~11.0x EBITDA, and ~16.0x EBIT

| Multiple   | Sample (n) | 1st quartile | Median | 3rd quartile |
|------------|------------|--------------|--------|--------------|
| EV/Revenue | 768        | 0.7x         | 1.4x   | 3.6x         |
| EV/EBITDA  | 480        | 7.3x         | 11.4x  | 25.8x        |
| EV/EBIT    | 462        | 10.1x        | 17.4x  | 38.2x        |

### Search criteria:

Industry is Computer services

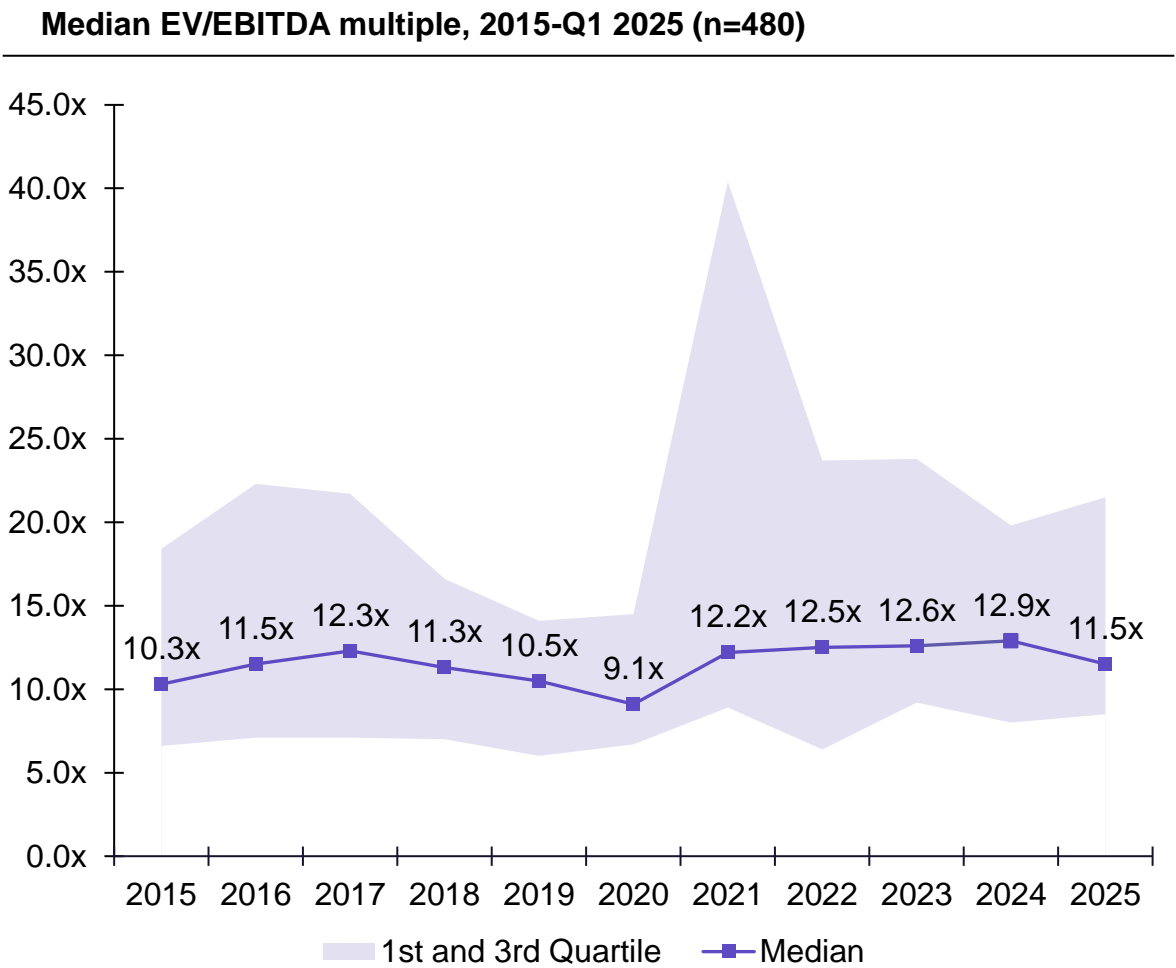
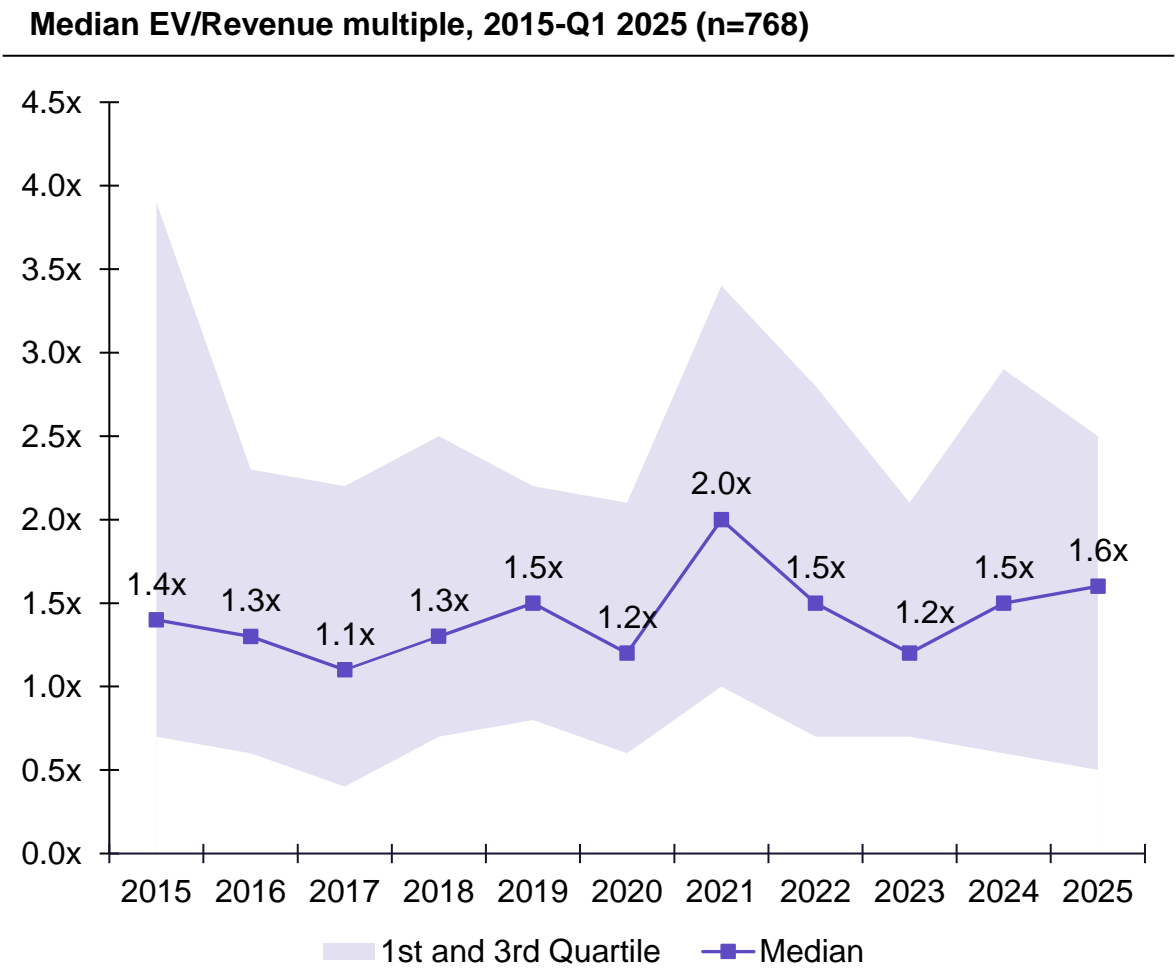
Deal value is disclosed, including non-qualifying deals

Period: 01.01.2015 – 16.05.2025

N=768 transactions

# M&A Transactions: IT Services valuations

Median EV/Revenue and EV/EBITDA multiples demonstrated variability over time, with EV/Revenue peaking at 2.0x in 2021 and EV/EBITDA reaching 12.9x in 2024



# 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               | 99              | 0.7x              | 5.9x             |
| 5-20             | 220             | 1.2x              | 8.0x             |
| 20-50            | 102             | 1.4x              | 9.8x             |
| 50-100           | 96              | 1.3x              | 12.5x            |
| 100-500          | 147             | 1.6x              | 12.7x            |
| 500+             | 104             | 2.4x              | 14.4x            |
| <b>Total</b>     | <b>768</b>      | <b>1.4x</b>       | <b>11.4x</b>     |

## Search criteria:

Industry is Computer services

Deal value is disclosed, including non-qualifying deals

Period: 01.01.2015 – 16.05.2025

N=768 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        | 333             | 37                 | 1.3x              | 10.3x            |
| Asia          | 214             | 19                 | 1.6x              | 15.4x            |
| North America | 157             | 94                 | 1.6x              | 12.5x            |
| Other         | 64              | 17                 | 0.9x              | 8.2x             |
| <b>Total</b>  | <b>564</b>      | <b>28</b>          | <b>1.4x</b>       | <b>11.4x</b>     |

**Search criteria:**

Industry is Computer services

Deal value is disclosed, including non-qualifying deals

Period: 01.01.2015 – 16.05.2025

N=768 transactions



# Contact us

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



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