

IT Services M&A in 2025 – Insights for Founders & Acquirers

Webinar material

Agenda

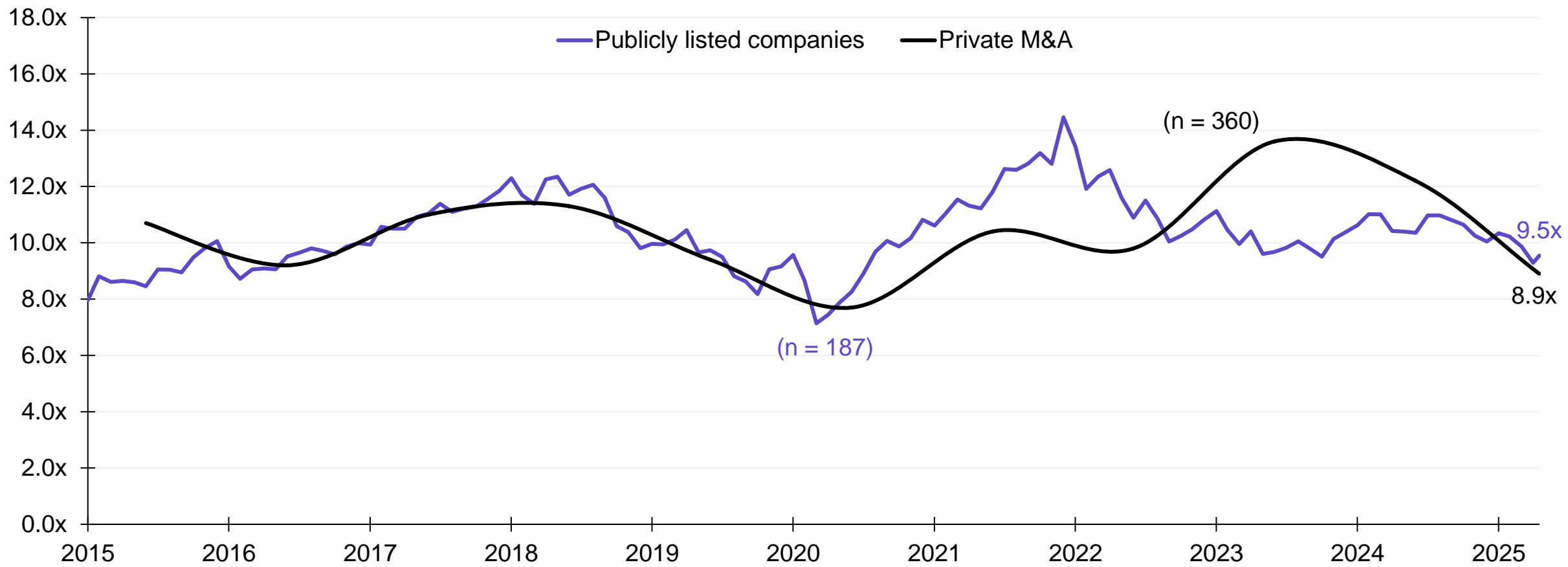
1. IT Services Valuations Today and 2025 Outlook
2. Valuations – Size and Geography Effect
3. How to Prepare for an Exit and Maximize Your Business Valuation



IT Services valuations – where are we now?

IT services valuations stayed flat over the past two years, following the post-COVID gyrations

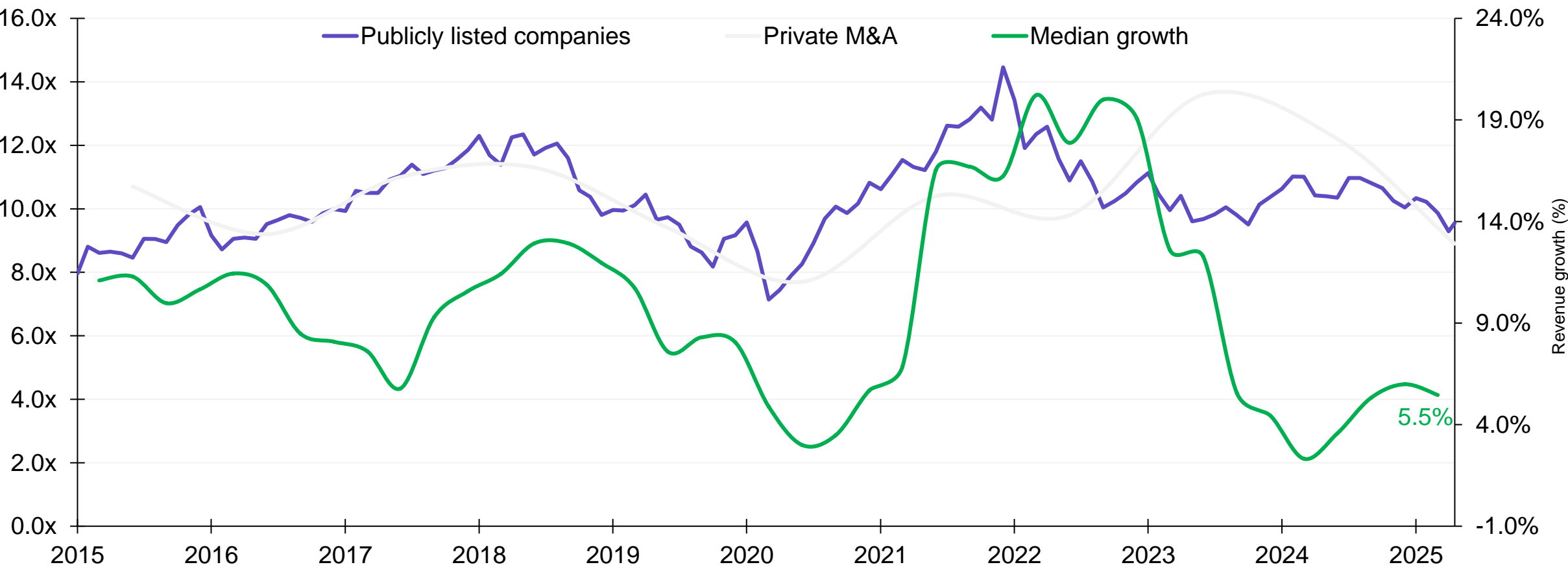
Median EV/EBITDA multiples of IT services companies, 2015 – May 2025



Valuation drivers: Revenue growth

Public and private IT services valuation multiples are highly influenced by the revenue growth of the companies

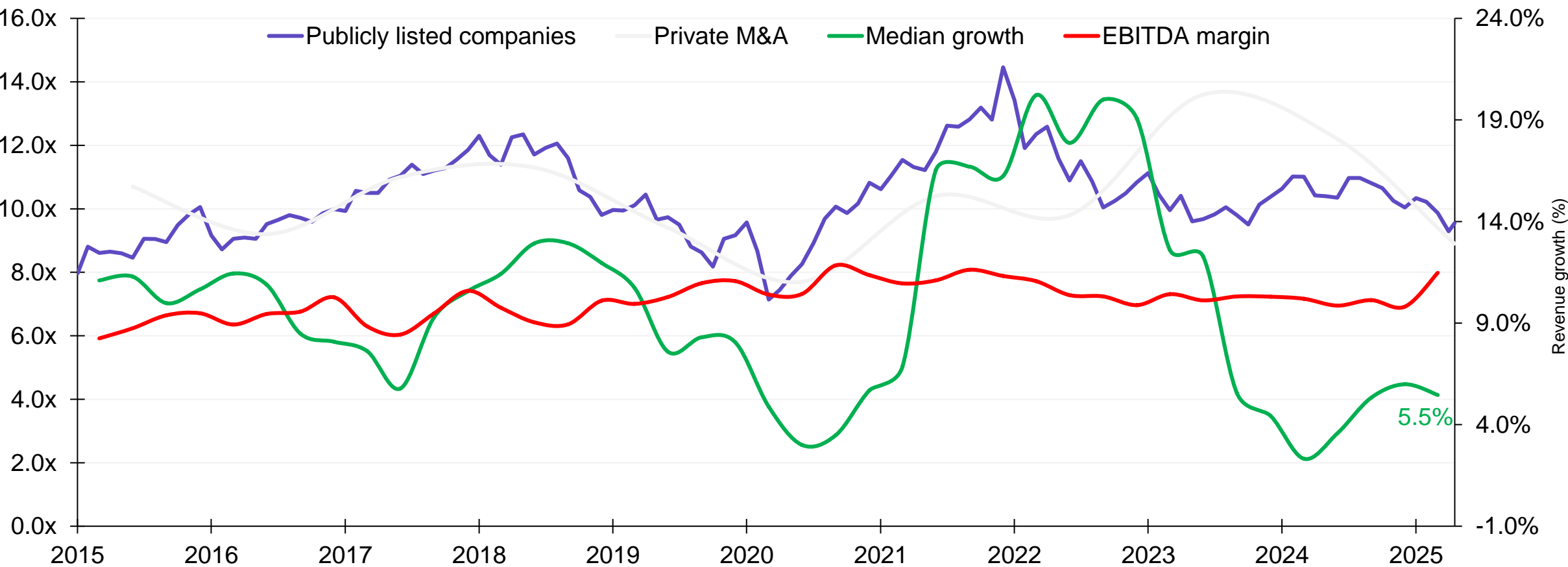
Median EV/EBITDA multiples of IT services companies vs. median revenue growth, 2015 – May 2025



Valuation drivers: EBITDA margin

EBITDA margin is not as important and the median value grew only slightly over the past decade

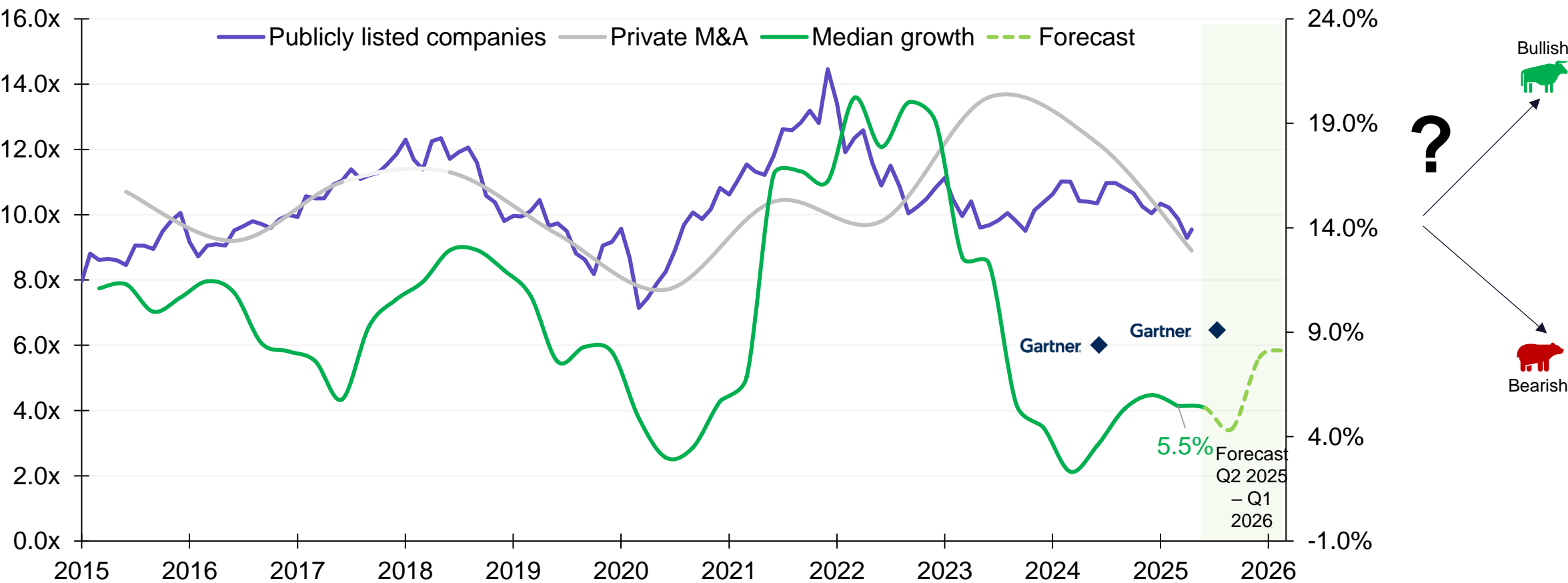
Median EV/EBITDA multiples of IT services companies vs. median revenue growth, 2015 – May 2025



IT Services valuations – where are we headed?

Public and private IT services valuation multiples are highly influenced by the revenue growth of the companies

Median EV/EBITDA multiples of IT services companies vs. median revenue growth forecast, 2015 – May 2025



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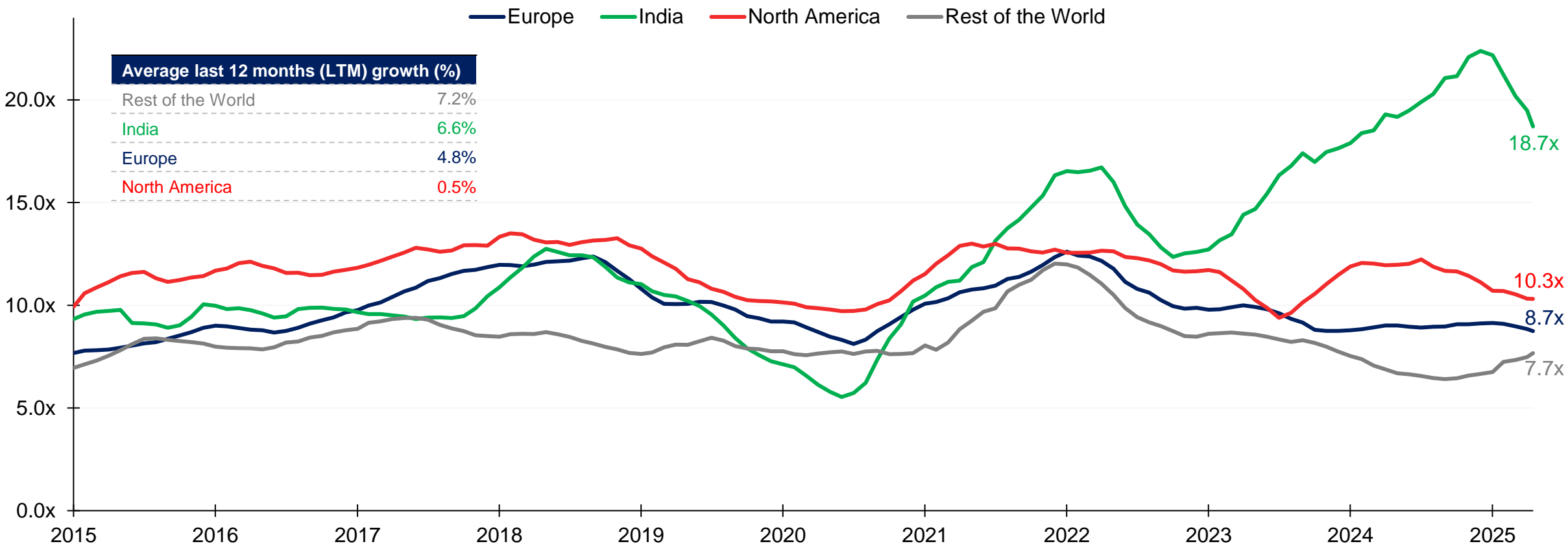
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Valuations by geography

Median EBITDA multiples vary by region with India leading the way

Median EV/EBITDA multiples by region, 2015-2025 (n=187)



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	275	25	1.2x	9.6x
Asia	174	19	1.6x	14.8x
North America	119	82	1.3x	11.6x
Other	54	17	1.0x	7.6x
Total	622	22	1.3x	10.3x

Search criteria:

Industry is Computer services

Deal value is disclosed, including non-qualifying deals

Period: 01.01.2015 – 16.05.2025

N=622 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	EV/EBITDA discount (relative to 500+)
<5	89	0.7x	5.9x	(54%)
5-20	189	1.2x	7.9x	(39%)
20-50	88	1.4x	10.5x	(19%)
50-100	78	1.2x	11.5x	(10%)
100-500	113	1.5x	11.6x	(10%)
500+	65	1.8x	13.0x	-
Total	622	1.3x	10.3x	

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Long-term view: The AI race

AI changes will define the winners and losers in IT services, and this will influence valuation multiples that founders can expect

Need to transform

- Will be seen as **commoditized** IT services operators
- Lower growth potential, margin pressures
- Sell now or sell eventually at a **lower** multiple

Most likely candidates:

- „Product studios” (focus on MVPs, proof-of-concepts)
- “Plain vanilla” MSPs (helpdesk, 1st line support)
- QA testing agencies (without automation)
- Web development
- SEO services

Resilient

- Will be at the forefront capturing **enterprise AI** demand
- Higher growth & profitability potential
- Eventually unlock **higher** exit valuation

Most likely candidates:

- Verticalized IT consulting firms
- Enterprise cloud modernization
- AI transformation
- Cybersecurity and data engineering

Medium-term view: Optimizing recurring revenue

Key levers to maximizing valuation should be focused on revenue quality, reducing client concentration, and building strategic differentiation

Factor	Comment	Impact on valuation
Recurring revenue	<ul style="list-style-type: none">• Prioritize long-term service contracts to improve revenue predictability• Short-term projects only – difficult to sell at a good valuation	High
Client diversification / low concentration	<ul style="list-style-type: none">• Diversification mitigates risks and demonstrates resilience to risk• One client above 30% is a deal-breaker / big multiple discount	High
Enterprise client base	<ul style="list-style-type: none">• Greater revenue stability and more resilience in downturn• Product development startup work highly dependent on funding cycles	Medium
Vertical specialization	<ul style="list-style-type: none">• Deep industry expertise commands premium pricing and is a differentiator from competitors	Medium

Short-term view: Tracking the right numbers

Clarity, proactivity, and financial discipline are your biggest value drivers in the eyes of strategic and financial buyers



Implement Quick Wins

Identify quick wins & act decisively

- Many firms delayed downsizing post-2021 peak – don’t repeat that mistake.
- IT services are capacity-driven – **rightsizing is part of the business cycle.**
- Buyers understand temporary benching – what they fear is **permanent excess capacity.**
- Market normalization makes rehiring easier when demand returns.



Know Your Past

Track key operational metrics

- **Monitor KPIs:** Average Billed Rate, Bench %, Gross Margin.
- Maintain **monthly accrual-based accounting** for smoother diligence.
- **Historical clarity** boosts buyer confidence and shortens deal timelines.



Know Your Future

Build a forward-looking forecast

- Provide a 12-month revenue forecast – buyers expect it to be rather certain.
- Highlight: what’s contracted vs **pipeline.**
- Support pipeline with conversion metrics: win rate, cycle time, etc.
- Buyers **value visibility and realism** over aggressive projections.

Summary



- Valuations appear to have **stabilized** in the public markets, but we might see some downward pressure in private deals as the sellers and buyers come into **equilibrium**
- With growth picking up in the next few quarters, valuation rebound to be expected



- **EBITDA** is the basis for valuation; higher revenue growth will improve your multiple
- **Rising tide lifts all boats** – better to sell when market growth is on the upswing
- Material potential for **value creation through arbitrage between different geographies**



- For **strategic value creation**, the main drivers we currently see are niche expertise, recurring revenue, and low customer concentration underpinned by strong operational excellence and AI future proofing.
- Short-term, and lower value-add services face automation risk **as AI disrupts basic delivery.**