Tech services

Deal insights series

Q2 2025

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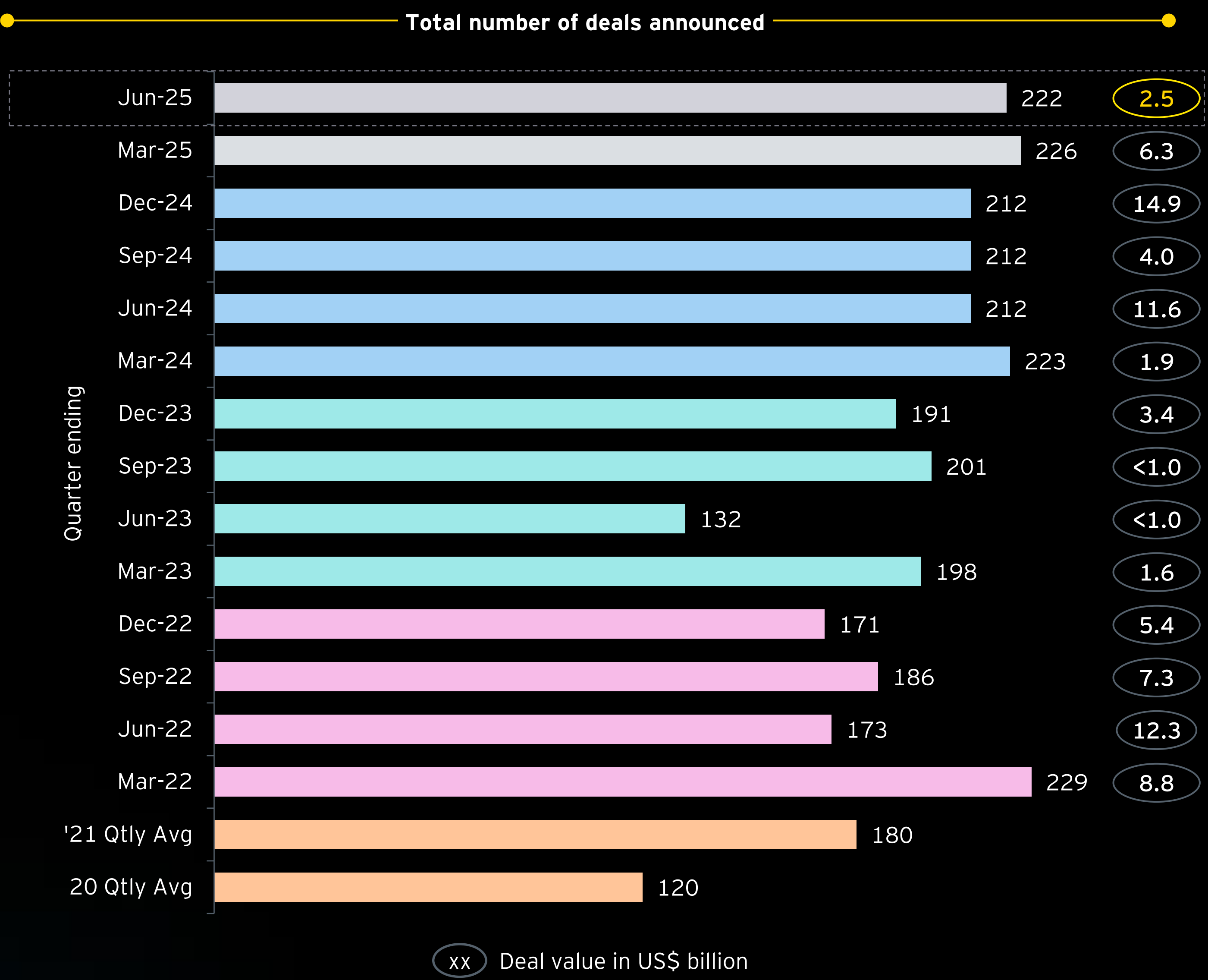
01

Overview of the deal activity

Inorganic strategy proliferating as a core lever to thrive in the GenAI-age

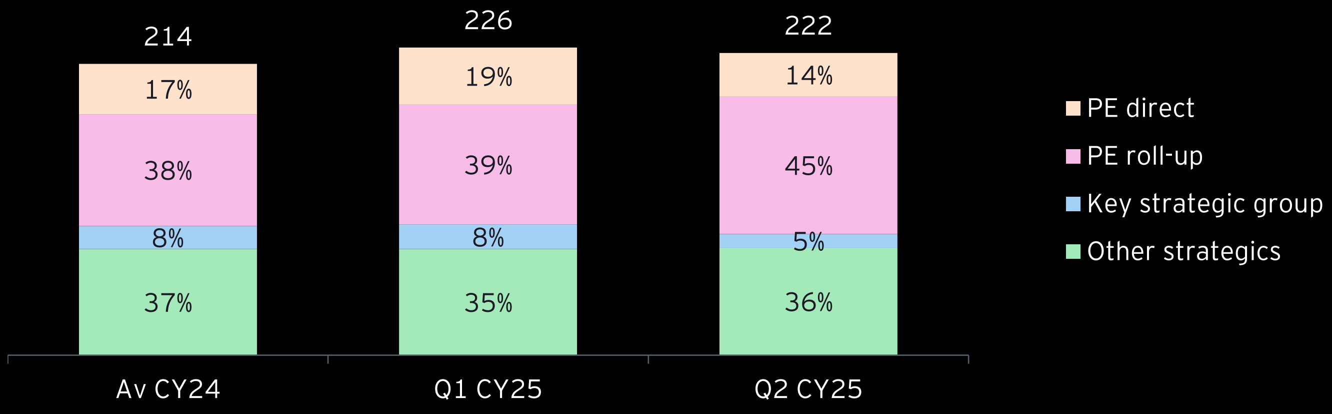


- Industry headwinds continue dampening the industry's organic growth and margin profile. Tariff related uncertainty and macroeconomic turbulence has put pricing plus volume pressure on tech services contracts, in the backdrop of gradual evolution of domain-led agentic AI proposition potentially transforming and disrupting legacy models.
- However, even during a period of industry-wide transformation, inorganic strategy is emerging as a central piece to drive reinvention through advanced AI, data, cloud capabilities and acquire deep domain depth necessary to participate in the agentic supercycle as evidenced by the resilient deal activity.
- Notably, Q2 2025 was the sixth consecutive quarter of 200-plus deals. While deal values dropped to US$ 2.4 billion, large deals (over US$500 million) included Altimetrik acquisition of SLK and KKR's proposed acquisition[1] of Datagroup.

Source: Mergermarket, Pitchbook, EY research and analysis

Record number of PE roll-ups (100+) driving overall deal activity

Deal volume by acquirer type



Deal volume by IT services sub-segment

Inner circle: Q1 CY 2025; Outer circle: Q2 CY 2025

- Market demand for AI-led transformation is underpinning sustained appetite for platform specialist D&A assets from both strategics (Hakkoda-IBM, XponentL-Genpact) and PEs (Celebal-Norwest, Nousot-Lovelytics backed by Interlock)
- Cloud Engineering and Implementation was the most active PE roll-up category (~25 deals) with tenured platforms like Argano (Trinity Hunt), Ciklum (Recognize), and Virtusa (EQT) strengthening capabilities in Microsoft and Salesforce. Domain-led digital engineering with AI-first strategy and sticky client relationships attract significant interest, with Altimetrik (TPG) and Alpha FMC (Bridgepoint) strengthening BFSI and filling capability whitespaces with SLK and Auxo, respectively.
- High quality product engineering businesses continue generating PE direct interest with Unosquare (DPE), European Dynamics (Federal), Aarete (healthcare specialist). Spike in European activity with Cpro (German SAP specialist), Datagroup (US$660 million German take-private by KKR), Acensi (US$250 million French company), PMC (UK-based Retail and Commerce specialist).
- Notable exits include A-lign (Warburg Pincus) to HgCapital, InterVision (MidOcean) to NWN (American Securities), Unosquare (Trivest) to Ridgemont, Japan-based Infocom (Blackstone) to NS Solutions, and Brazil-based Tivit (Apax) to Italy-based Almaviva.
- Overall strategic activity was rangebound (~89 deals) with only four deals of companies with 500+ employees. Notable drop in activity from Key Strategic Group (~10 deals in Q2 versus ~18 deals in Q1) marking one of the slowest quarters in recent years.
- WNS' proposed US$3.3 billion acquisition by Capgemini marks a pivotal shift as BPOs accelerate shift to tech-based solutions in their agentic journeys.

Source: Mergermarket, Pitchbook, EY research and analysis;

PEs continue deploying dry powder into growth and roll-up strategies

Platform creation (14%)

Europe

- **KKR** → **Datagroup** – German - Diversified DT
- **Coalesce Cap** → **DAS Health** – Healthcare specialist
- **Inspirit Cap & PCB** → **Palladium** – DT consulting for PE portfolios

US

- **Ridgemont** → **Unosquare** – DPE
- **HG** → **A-lign** – Cybersecurity

Growth equity (15%)

D&A

- **Norwest, Incred** → **Celebal** – Databricks Elite & Microsoft Partner
- **Mandatum** → **Epical** – IBM Platinum & Microsoft Partner

Diversified

- **Parthenon Capital** → **Aarete** – Healthcare Specialist
- **BGF** → **PMC** – Retail and Commerce specialist
- **Azulis** → **Acensi** – French DT consulting Player

PE roll-up (71%)

D&A

- **Mediamint** (Everstone, Recognize) → **Databeat** – India based D&A firm
- **Lovelytics** (Databricks, Interlock) → **Nousot** – Databricks Elite Partner
- **Movate** (Capital Square) → **Prescience** – Data Science and AI Specialist

Cloud Implementations

- **Virtusa** (BPEA) → **Mav3rick** – Salesforce
- **Plat4mation** (Keensight) → **Unikomm** – ServiceNow

Spotlight deals

Altimetrik → **SLK**	Altimetrik, backed by TPG, acquired SLK Software, focused on delivering AI, intelligence automation and analytics solutions; strengthening Altimetrik's end-to-end enablement services and expanding its reach
Straive → **SG Analytics**	Straive, backed by EQT, has acquired SG Analytics, leading provider of AI-powered Insights and contextual analytics services with deep domain expertise in Financial, Information Services, and Technology & Media
Ridgemont → **Unosquare**	Ridgemont acquired stake from Trivest Partners in Unosquare, a leading provider of nearshore AI-enabled digital engineering and data and analytics solutions

Source: Mergermarket, Pitchbook, EY research and analysis; Pie charts indicate % of deal count vis-à-vis total PE deal count for the quarter

Decelerating strategic activity (~89 deals) with a focus on tuck-ins (~300 employees)[1]

Global Large Cap

Large Caps: Tapping Demand Across Markets

Accenture » **Yumemi**
DPE -Japan

Acquisition complements Accenture's new platform capabilities enabling them to design and launch products for clients with speed and at scale (~400 people)

Infosys » **MRE Consulting**
Cloud - Energy Specialist

Acquisition expands Infosys presence in the energy sector, and strengthens its digital transformation, energy trading, and risk management capabilities (~250 people)

Infosys » **The Missing Link**
Cybersecurity - Australia

Enhances Infosys' cybersecurity service offerings, expand its footprint in the Australian market, and adds a state-of-the-art GSOC[2] network (~250 people)

IBM » **Hakkoda**
D&A - Snowflake

Acquisition expands IBM's data transformation services portfolio, along with addition of Gen AI powered assets (~380 people)

Others

BPOs: Gearing up for Agentic AI

Genpact » **XponentL**
D&A - Snowflake

Aids Genpact in enhancing domain-led data strategy, design, & engineering capability, along with its ability to deliver across AI transformation lifecycle (~170 people)

Telus » **Gerent**
Cloud - Salesforce

Strengthens Telus in transforming the CX agent experience, along with rapid development and implementation of autonomous AI agents (~380 people)

MSC and Others: Capability-led Acquisitions

SeSa » **Visicon**
Cloud - SAP

Strengthens its leadership in SAP application consulting and continued international expansion in the DACH area (<100 people)

Nagarro » **Notion Edge**
Cloud - SAP CX

Expands Nagarro's CX offerings to key players in in retail, CPG, manufacturing, and other sectors in France along with wider reach in African markets (<100 people)

Aubay » **Solutec**
Diversified - France

Provides Aubay with a complementary customer portfolio, strengthens and expands its position in the French market (~1,600 people)

1. Average of target headcount for strategic deals 2. GSOC - Global Security Operations Centre
Source: Mergermarket, Pitchbook, EY research and analysis

Softening growth and margin performance compress public market valuations

Valuation trend over last four quarters

EV/LTM EBITDA multiple

	5-year average	Q3 2024 average	Q4 2024 average	Q1 2025 average	Q2 2025 average	Q2 stock price change	Median revenue	Median EBITDA %
Large Cap (Global)	13x	12.4x	13.4x	13.4x	12.8x	15%	US$28b	17%
Large Cap (Indian)	20.1x	21.5x	21.9x	19.7x	17.1x	7%	US$12b	20%
Digital Natives	17.4x	19.1x	19.6x	17.5x	13.6x	(1%)	US$1b	14%
Global Mid and Small Caps	24.9x	24.9x	27.3x	25.5x	22.0x	15%	US$1b	15%

5-year average

Source: S&P Capital IQ

02

EY Technology

Investment Banking Advisory

EY Technology Investment Banking Advisory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Robert Klättborg
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Markus Fischer
Germany


Thomas Tofte
Denmark


Mark Sheikh
Belgium


Michal Plotnicki
Poland


Isabel de Dios
Spain


Colin McNeil
Australia


Anil Menon
MENA

Select Transactions

Altimetrik (TPG)
Advised on its acquisition of
SLK Software

Impetus
Advised on its majority stake sale to
Kedaara Capital

Access Healthcare
Advised on its growth Investment from
New Mountain Capital

Intelligence Node
Advised on its sale to
Interpublic Group

Happiest Minds
Advised on its acquisition of
Pure Software

Mastek
Advised on its acquisition of
BizAnalytics

Verti Systems
Advised on its sale to
MOURI Tech

Aureus Tech
Advised on its majority sale to
Happiest Minds

Methodology

The report is based on secondary data. The information is sourced from MergerMarket, PitchBook, CapIQ, press releases, company reports, news articles, industry reports, etc.

Definitions

Indian and Global large cap IT services

TCS, Infosys, Wipro, HCL, TechM, LTIMindtree, Accenture, Capgemini, Cognizant, CGI, NTT Data, IBM

Mid and small cap IT services

Coforge, Mphasis, Persistent, Zensar, Mastek, Birlasoft, Sonata, Perficient, Sopra Steria, SeSa, Saksoft, LatentView, Datamatics

Digital native IT Services

EPAM, Globant, Endava, Nagarro, Kainos, NetCompany, Happiest Minds, Grid Dynamics

Other large buyers

EY, Deloitte, KPMG, PwC, McKinsey, BCG, Bain, WPP, Dentsu, Omnicom, Havas, Publicis, IPG, Hitachi, Salesforce, Fujitsu, Globallogic, CDW, Insight Enterprises, Alten, AFRY, Etteplan, KPIT, L&T Technology Services, Cyient, WNS, Genpact, EXL, TaskUs, Telus, Teleperformance, Concentrix, TTEC, Majorel, Hinduja Global Solutions

Glossary

Abbreviations	Meaning
Avg	Average
AWS	Amazon Web Services
AR	Augmented Reality
b	Billion
Benelux	Belgium, Netherlands and Luxembourg
BPM	Business Process Management
CX	Customer Experience
D&A	Data and Analytics
DPE	Digital Product Engineering
DT	Digital Transformation
ER&D	Engineering Research & Development
EV	Enterprise Value
FS	Financial Services

Abbreviations	Meaning
IT	Information Technology
IP	Intellectual Property
LLM	Large Language Models
M&A	Mergers & Acquisitions
ML	Machine Learning
MSD 365	Microsoft Dynamics 365
MSP	Managed Service Provider
MSSP	Managed Security Service Provider
PE	Private Equity
SDLC	Software Development Life Cycle
SI	System Integration
Tech	Technology

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ED None.
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