

Connecting the dots: M&A deals in technology services in 2024

January 2025



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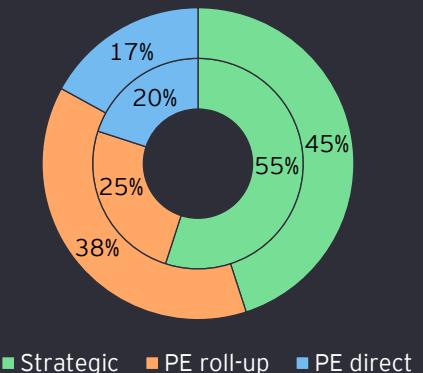
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Deal activity rebound: Marked increase in deal value and volume in 2024

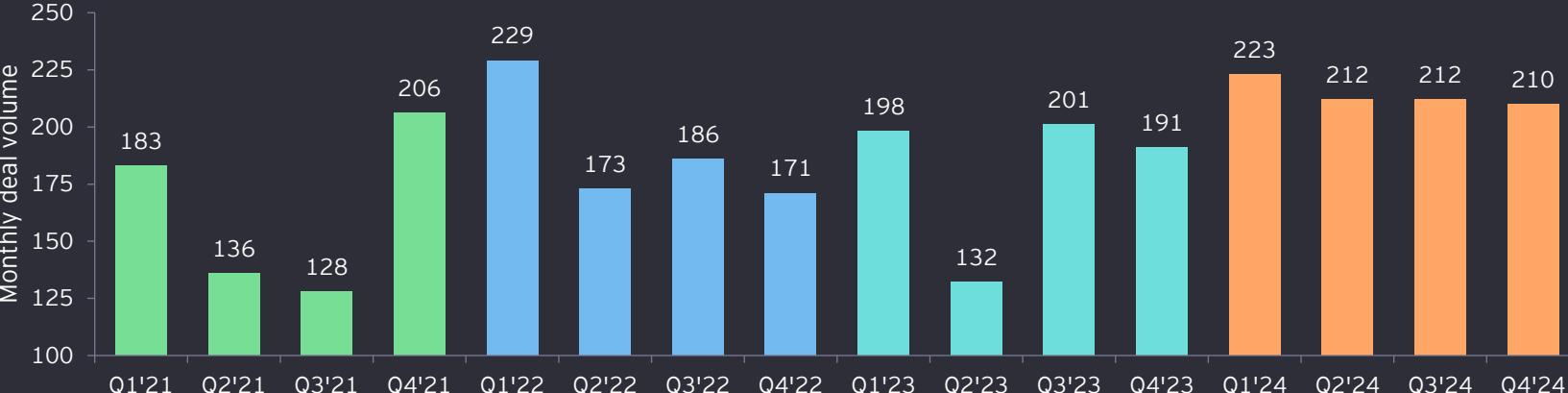
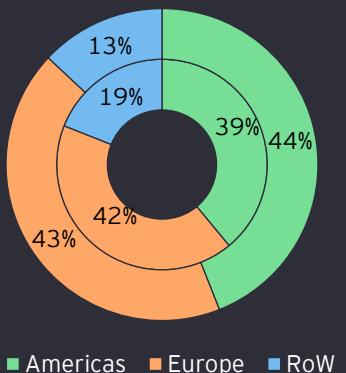
Transaction types by volume

Inner circle: 2023, Outer circle: 2024



Target geography by volume

Inner circle: 2023, Outer circle: 2024



Year	2021	2022	2023	2024
Volume	653	759	722	857
Value ⁽¹⁾	US\$56.7b	US\$34.0b	US\$7.0b	US\$32.2b

- In 2024, IT spend growth stayed at 4% to 5%, the same as in 2023. Enterprise IT budgets were strained throughout the year, set against the backdrop of elections in both the US and the UK, alongside a sluggish discretionary spending environment. Vendor consolidation was a major trend in 2023. However, in the second half of 2024, there were early signs of recovery in segments like BFSI. Healthcare, the public sector, and manufacturing industries showed stable spending.
- Weakness in public markets globally, coupled with an easing monetary cycle, offered attractive take-private entry points for PEs. Listed strategics, while selective on the deal street, placed some large bets to strengthen key verticals to augment organic growth engine. Deal value spiked two-fold, and ~10 large deals (\$500m+) were announced during the year.
- PEs also led consolidation in the middle-market, driving deal activity to its highest levels in the last four years. We note an underlying conviction in the digital transformation megatrend, with GenAI acting as a net positive for differentiated assets that have IP-led capabilities within growing cloud ecosystems.

Source: MergerMarket, Cap IQ, PitchBook, EY research and analysis

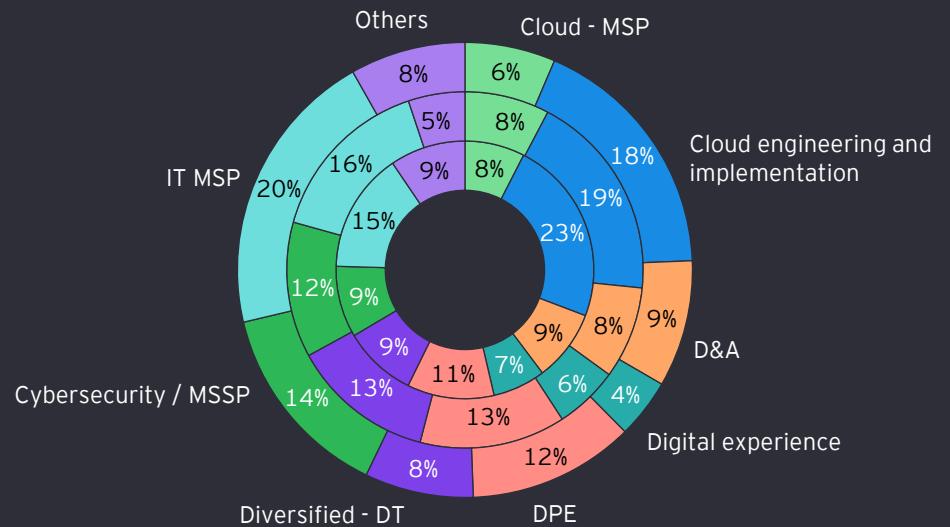
Note: 1. Based on transactions where deal values were disclosed ; 2. PE Roll-up includes PE-backed platform merger



Deal activity shaped by critical digitalization priorities of enterprises and SMBs

IT services sub-segment analysis (as a percentage of volume)

Inner Circle: 2022, Middle Circle: 2023; Outer Circle: 2024



MSP / MSSP segments accounted for 40% of deal activity. PE-led consolidation accounted for 60%+ of such deals. Notable deals include CD&R-Presidio, Tower Brook-CBTS, Accenture-Navisite, CSP-Trianz.

Cloud engineering and DPE activity remained range bound. Core enterprise applications essential for modernization, including SAP, ServiceNow, and Oracle, witnessed increased traction.

Demand for D&A capabilities remains robust across strategics and PEs. The year recorded one of the largest deals in the space with Kedaara-Impetus.

Digital experience saw creation of new platform (Hero-Huge/AEA) emanating from IPG-Omnicom merger¹. Accenture added ~2,000 people across 4 acquisitions in the Digital Experience space.

Notable acquisitions

Clayton, Dubilier & Rice (CD&R)

Presidio

IT MSP
4,000+ people

EQT

Perficient

Diversified - DT, DPE
7,000+ people

Kedaara

Impetus

D&A
3,000+ people

TPG

Altimetrik

Diversified - DT, DPE
6,000+ people

Apax

Thoughtworks

DPE
12,000+ people

Carlyle

Seidor

Diversified - DT, DPE, Cloud
9,000+ people

Source: MergerMarket, Cap IQ, PitchBook, EY research and analysis

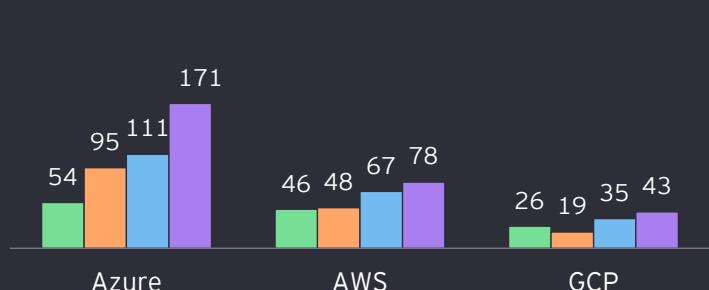
Note: 1. AEA Investors acquired Huge from Interpublic Group (IPG) and joined forces with Hero Digital, an existing AEA portfolio



Cloud ecosystems: unabated demand for differentiated assets in leading ecosystems



Hyperscaler ecosystem maturing beyond IaaS to apps and Data/AI



Deal volume

■ 2021
■ 2022
■ 2023
■ 2024

- ▶ Hyperscaler ecosystems continue growing as multi-cloud environments become an enterprise staple and data solutions drive demand.
- ▶ Strong demand for Microsoft stack owing to a comprehensive and integrated PaaS/SaaS and AI solutions suite as compared to peers.

Accenture

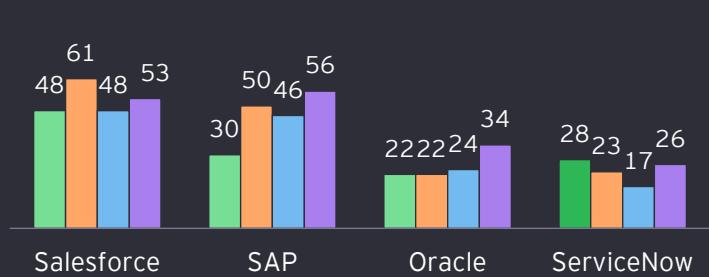
Navisite
AWS, Azure

NTT Data

Niveus
GCP



Consolidation in dominant enterprise applications



Deal volume

■ 2021
■ 2022
■ 2023
■ 2024

- ▶ Cloud modernization theme driving deal activity in the ERP segment, propelled by cloud adoption cycle in SAP and Oracle.
- ▶ Expanding opportunities in ITSM and CSM driving increasing ServiceNow interest.
- ▶ Salesforce activity is resilient despite a marked slowdown in discretionary spend, driven by PE-led lower middle market consolidation.

Insight

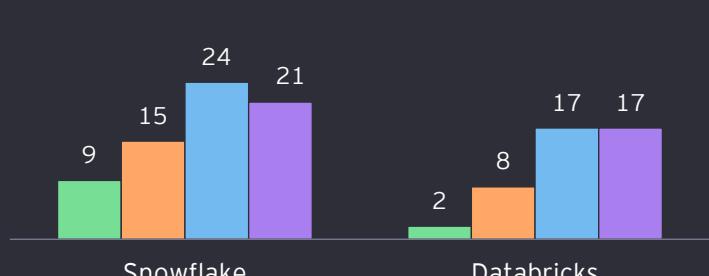
InfoCenter Corp
ServiceNow

Siguler Guff,
Haven Capital

Cognitus
SAP



High demand for data and analytics assets



Deal volume

■ 2021
■ 2022
■ 2023
■ 2024

- ▶ Demand for D&A specialists remains strong, with activity holding up in leading ecosystems.
- ▶ PEs once again led most of the deals in the segment. We note broad-based demand from strategics, including incumbents and BPOs. Valuation mismatch remains a key headwind.

Globant

Exusia
Azure, AWS, GCP,
Databricks, Snowflake

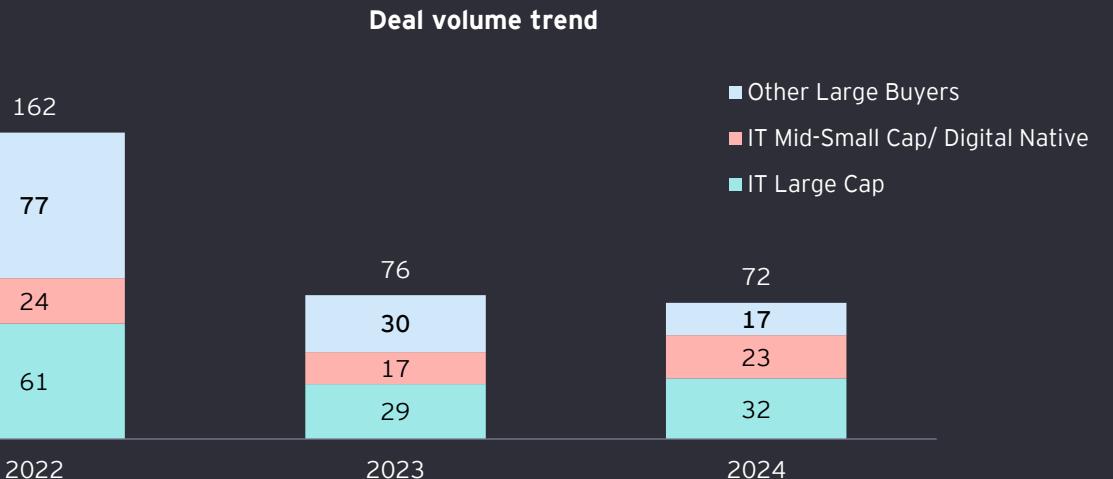
Gryphon Investors

phData
Snowflake,
Databricks, AWS

Source: MergerMarket, Cap IQ, PitchBook, EY research and analysis



Selective but bold playbook unfolding in listed IT services universe



Most active players: Accenture (20), Globant (4), NTT Data (3), Happiest Minds (3)

Large acquisitions: EPAM - Neoris (US\$630m), Endava - GalaxyE Group (US\$405m), Coforge - Cigniti (US\$460m)

Inorganic imperative driving several transformative / scale deals for digital natives, including EPAM (FD, Neoris), Endava (GalaxE), Globant (BlankFactor), Coforge (Cigniti), HappiestMinds (Aureus, PureSoftware).

Large caps focused on driving domain differentiation in chosen pockets like insurance (Wipro-Agnee), federal / public sector (IBM-SixWorks, Accenture-Cognosante, ARHS Development).

Mid/Small caps focused largely on building scale in horizontal practices, especially in DPE. However, access to client logos in chosen verticals remains a critical M&A driver.

India-listed companies remain selective with ~15 deals in 2024. Cloud and DPE dominant themes for such deals.

Accenture

Navisite

Bolster and scale Accenture's application and infrastructure managed services capabilities

Endava

GalaxyE Group

Strengthen footprint in North America healthcare with delivery presence in India

Happiest Minds

PureSoftware

Strengthen domain capabilities in BFSI and HLS verticals

Coforge

Cigniti

Path to US\$2b scale: Expand US market presence and access to new vertical opportunities

EPAM

Neoris

Enhance EPAM's delivery capabilities across LATAM and Europe

Globant

Blank Factor

Accelerate payments, banking, and capital markets practice in the US

Capability-led

Transformational/scale

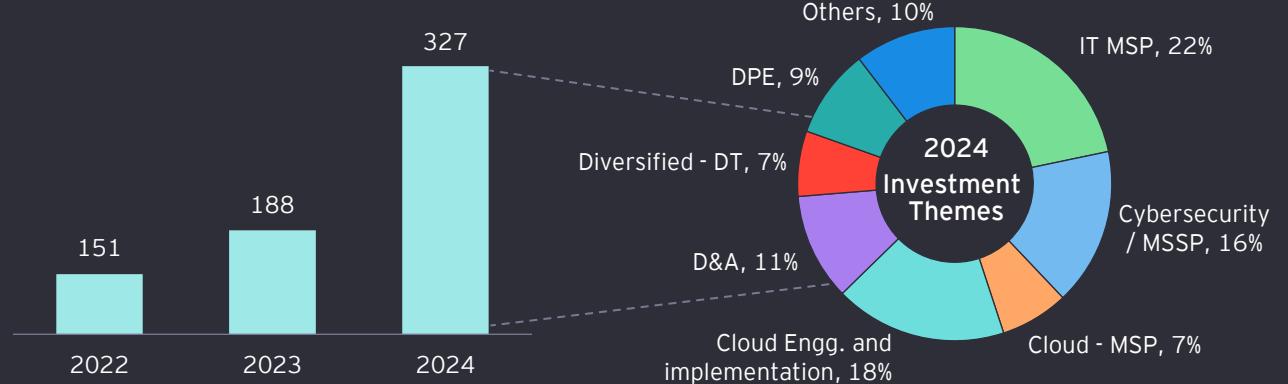
Source: MergerMarket, Cap IQ, PitchBook, EY research and analysis

Note: 1. IT Large Cap includes TCS, Infosys, Wipro, HCL, LTI Mindtree, Tech Mahindra, Accenture, IBM, Cognizant, Capgemini, NTT Data, CGI, ; 2. IT Mid-Small Cap & Digital Natives includes Coforge, Mphasis, Persistent, Zensar, Mastek, Birlasoft, Sonata, Perficient, Sopra Steria, SeSai, Zensar, LatentView, Datamatics, Saksoft 3. Other Large Buyers include 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



Roll-up momentum heating up with transformational and capability bolt-on strategies

PE roll-up¹ deal volume and sub-segments



Active PE Platforms: Alpine owned Evergreen Services (6), KKR owned Devoteam (4), Recognize owned Blue Mantis (3), Sterling Investments owned Markon (3), Harvest Partners and Bain Capital owned Sparq (3)

New PEs participating in the sectors potential and driving uptick in activity. 200+ PEs active in 2024 through 250+ platforms compared with ~130 PEs through ~150 active platforms in 2023.

Platforms focusing on bolting on capabilities in data and cloud engineering areas through boutique assets. 85% of targets have <200 employees.

PE-led consolidation in the MSP / MSSP space driving volume, accounting for 45% of roll up activity. Vertical platforms focusing on healthcare, SMBs, etc., scaling up.

PEs continue to orchestrate transformational mergers to diversify capabilities and extract synergies from adjacencies / scale.

Vertica Capital Partners

Akquinet + C3 Consulting

Leading Infor specialist acquired by SAP / cybersecurity player in DACH region

Berkshire Partners and Centerbridge Partners

Ahead + CDI

US market-focused Cloud MSP

Tower Brook

Talan + ThinkMax, 9FT, Coexya, Micropole

Series of acquisitions by France-based Talan to grow international presence

EQT

Indium + Experion

European market-focused digital transformation company

Falfarrias Capital

Said Differently + Brainvire

Platform with 5,000+ people with consulting, strategy, creative, CX and tech focus

ChrysCapital

Xoriant + Maple Labs & Flexle

Two acquisitions to bolster engineering capabilities across cloud platforms

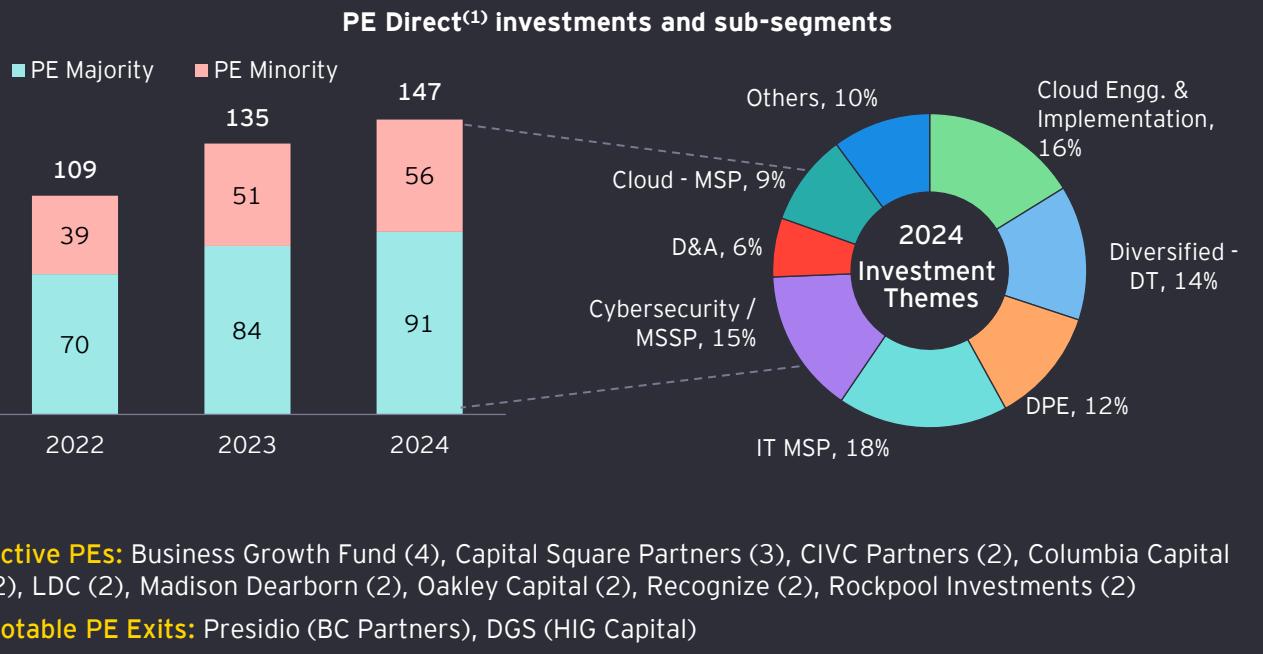
Capability-led

Transformational/scale

Source: MergerMarket, Cap IQ, PitchBook, EY research and analysis

Note: 1. PE Roll-up implies Acquisition by PE portfolio company 2. MSP includes IT MSP and Cloud - MSP

Large deals comeback with notable take-privates across US and Europe

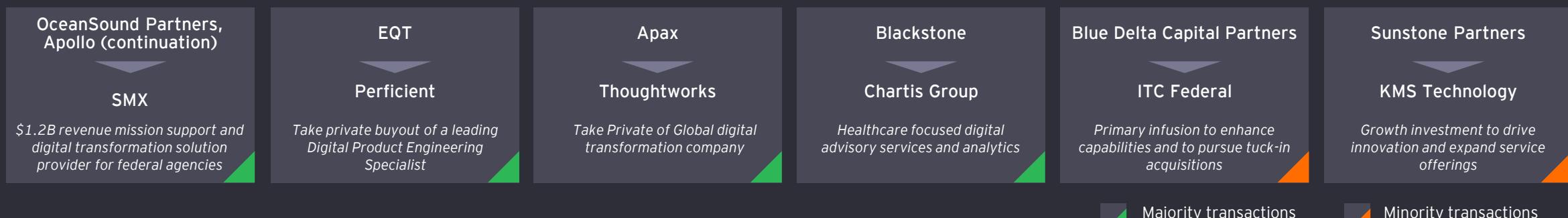


Steep public markets correction created attractive entry points for large PEs into scaled digital assets across US, UK and Europe.

Large PEs placed bets on players with either 1) deep domain expertise (healthcare, federal, etc.), 2) consulting-led capabilities, or 3) strong IP play across majority and minority strategies.

Market maturity and platform creation² moderated cloud engineering interest; focus shifted to growth deals. MSP/MSSP deals dominated middle market activity.

PE exits continue to slow - 25+ in 2024 compared with 35+ in 2023 and 55+ in 2022.



Source: MergerMarket, Cap IQ, PitchBook, EY research and analysis

Note: 1. PE Direct implies direct Investment by a PE into the company ;

Note: 2. Refers to platform creation in 2021-2023

Public market valuation: Growth, optimism and liquidity drive pockets of outperformance



▲ NTM Revenue Growth
— LTM EV/EBITDA⁽¹⁾



Globally listed companies reverted to the pre-COVID levels in 2024 despite a weaker macro environment with uncertainty around IT spending trends for NTM and recovery of discretionary spends.

India listed companies have benefited from unprecedented domestic market liquidity. Valuations have notched up beyond 2023 levels and remain elevated above pre-COVID levels.

Driven by more balanced portfolio of offering and structural cost advantage, Indian MSC growth profile has surpassed digital natives' for the last two to three years.

Digital native players' market performance has been volatile - weakened during H1 before recovering in H2.

Source: MergerMarket, Cap IQ, EY research and analysis

Note: Large Cap - India: TCS, Infosys, Wipro, HCL, TechM, LTIMindtree for Dec'24 period; Large Cap - Global: Accenture, Capgemini, Cognizant, IBM, EPAM, CGI; MSC - India: Coforge, Mphasis, Persistent, HappiestMinds, Sonata Software, Mastek, R Systems, LTIMindtree for all periods except Dec'24; MSC - Global: Perficient, Globant, Endava, Kainos, Nagarro, Softcat, CI&T, ThoughtWorks, NetCompany for all periods except Dec'24; Digital Natives: EPAM, Endava, Globant, HappiestMinds, ThoughtWorks, Kainos, NetCompany for all periods except Dec'24; 1. Monthly average of quarter ending Dec for respective periods

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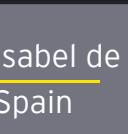
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Denmark



Mark Sheikh
Belgium



Michal Plotnicki
Poland



Isabel de Dios
Spain



Colin McNeil
Australia



Anil Menon
MENA

Select Transactions

Impetus

Advised on its majority stake sale to

Kedaara Capital

Access Healthcare

Advised on its growth investment from

New Mountain Capital

Happiest Minds

Advised on its acquisition of

Pure Software

Intelligence Node

Advised on its sale to

Interpublic Group

Mastek

Advised on its acquisition of

BizAnalytics

Verti Systems

Advised on its sale to

MOURI Tech



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

- ▶ 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, Lateview, 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	Abbreviations	Meaning
AWS	Amazon Web Services	HLS	Healthcare and Life Sciences
AI	Artificial Intelligence	IT	Information Technology
ANZ	Australia and New Zealand	ITSM	IT Service Management
BFSI	Banking, Financial Services, and Insurance	ML	Machine Learning
B	Billion	MSSP	Managed Security Services Provider
CPG	Consumer Packaged Goods	MSP	Managed Service Provider
CRM	Customer Relationship Management	M&A	Mergers and Acquisitions
D&A	Data and Analytics	MSC	Mid and Small Cap
DPE	Digital Product Engineering	M	Million
DT	Digital Transformation	PE	Private Equity
EV	Enterprise Value	SMB	Small and Medium Sized Businesses
ERP	Enterprise Resource Planning	Tech	Technology
GCP	Google Cloud Platform		

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