

Tech services

Deal insights series

Q1 2025



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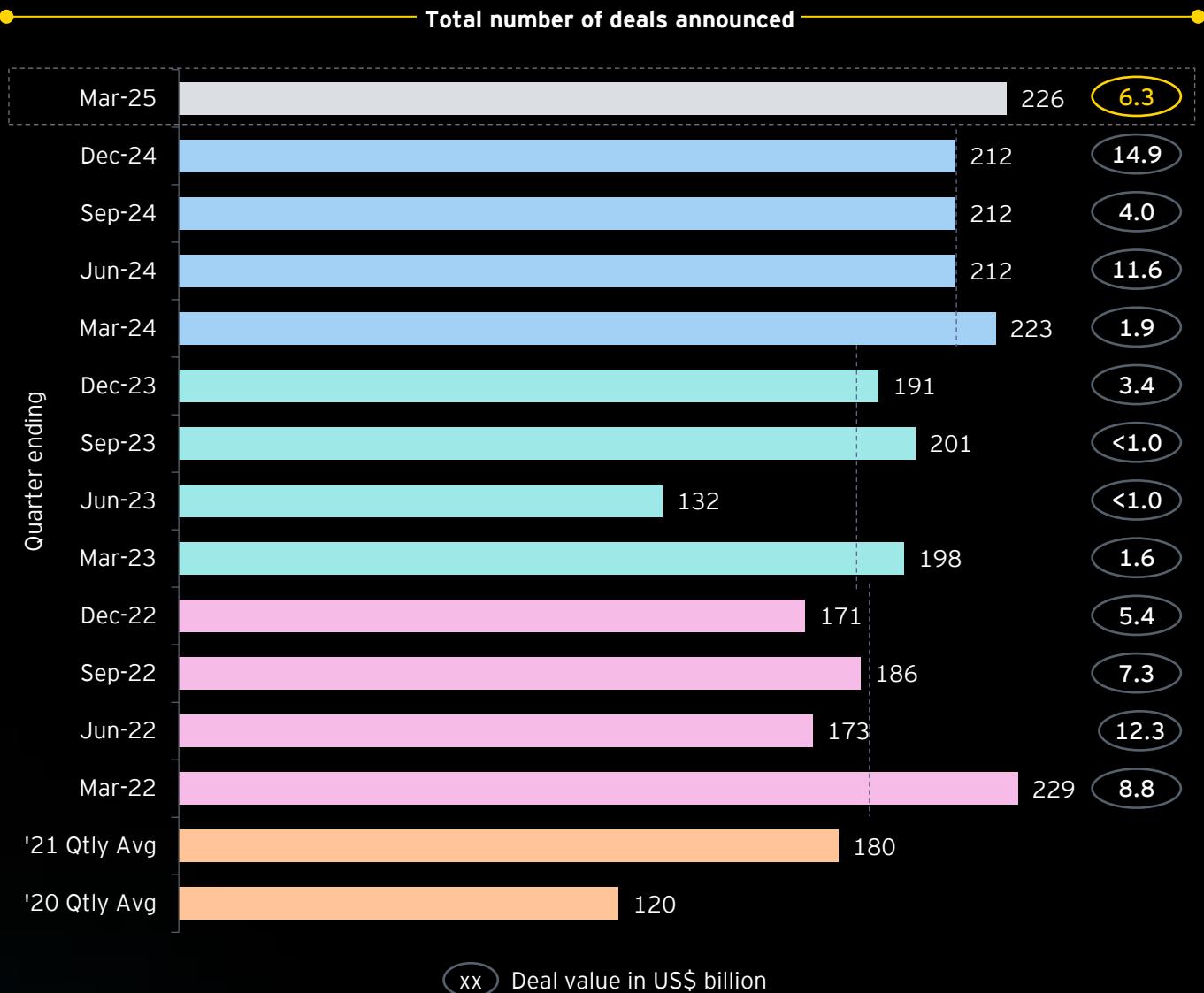
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01

Overview of the **deal activity**

Tech services deal activity resilient amid global market aberrations in Q1



- Tech services industry is now grappling with the twin impact of increasing geopolitical and macroeconomic uncertainty posing a headwind to IT spends along with GenAI-led disruption reshaping enterprise IT portfolios and outsourcing patterns
- Q1 2025 was the fifth consecutive quarter of 200-plus deals. Capability tuck-ins drove overall activity with cloud, digital engineering, and data and analytics (D&A) accounting for half of overall activity
- Deal value propped up by finalization of US\$3.8 billion take-private of Fuji Soft by KKR¹. Other notable large deals announced in VAR / VAD / MSP continuum² include US\$0.3 billion hive-off of Tietoevery Tech Services by Agilitas in Nordics, US\$1.4 billion merger of WWT and Softchoice in Canada, and ~US\$0.9 billion take private of Converge Tech Solutions by HIG (merged with Mainline) in Canada

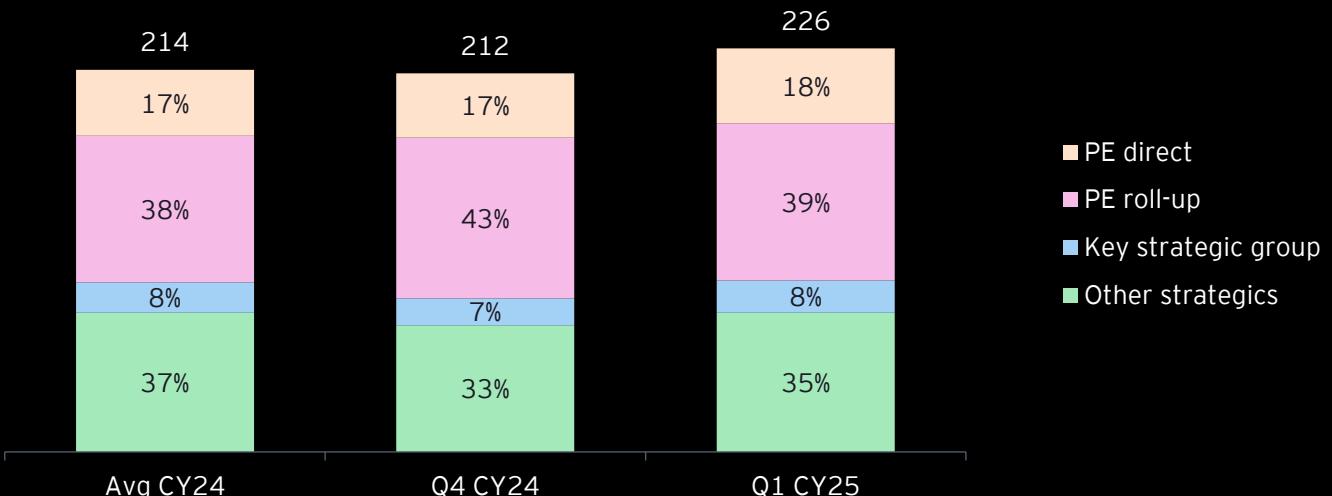
¹ KKR and Bain had separately bid for Fuji Soft in Q3-Q4 CY24

² These deals are excluded from the US\$6.3 billion total and 226 deals count

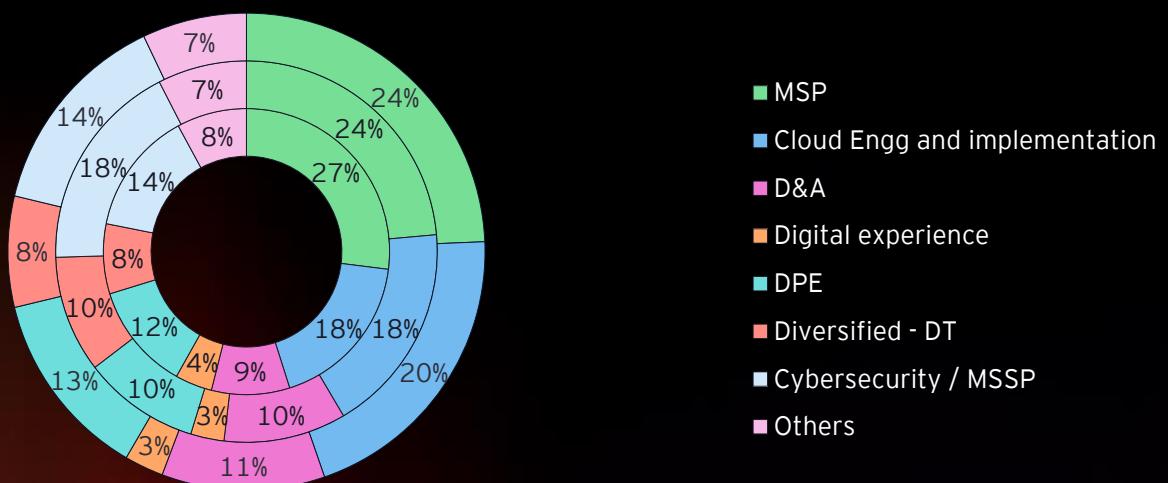
Source: Mergermarket, Pitchbook, EY research and analysis

PEs continue driving deal activity with 40+ direct investments and 80+ roll-ups

Deal volume by acquirer type



Deal volume by IT services sub-segment



Inner circle: Avg CY 2024; Middle circle: Q4 CY 2024; Outer circle: Q1 CY 2025

- PE: 20-plus direct investments in cloud and cybersecurity assets with platform specialists like Quisitive (Canadian Microsoft specialist), Netconomy (European SAP specialist), and Cloud for Good (4x Salesforce partner of the year) attracting interest
- Strategics: Select global strategics active including CGI (4 deals across D&A and DPE), Accenture (4), and IBM (1). Five deals announced by Indian-heritage strategics including Coforge (3 cloud tuck-ins), WNS (1 D&A tuck-in), and Happiest Minds (1 geo expansion tuck-in)

Attractive entry points drive new PE platform interest as 'buy-and-build' strategy continues



| Platform creation | | Growth equity | | PE roll-up | |
|-------------------------------|---|------------------------|--|-----------------------|---|
| Digital and Cloud Engineering | | D&A | | D&A | |
| HIG | ➤ Quisitive Microsoft Cloud & AI Solutions | Nexus Venture Partners | ➤ Cognida AI Solutions Provider | Lovelytics | ➤ Datalytics Interlock Equity, Databricks Ventures |
| TA Associates | ➤ Nous Info. Product & Data Engineering | Khazanah Nasional | ➤ Turing Gen AI Focussed Services | 3Cloud | ➤ Designmind Gryphon |
| Multiples | ➤ QBurst Digital Product Engineering | Cloud Implementations | | Cloud Implementations | |
| MSP/MSSP | | Tailwind | ➤ Cloud For Good Education focused Salesforce Partner | CoreX | ➤ Volteo Digital New Spring |
| Ridgemont | ➤ Strata Info Education focussed MSP | Waterland PE | ➤ Netconomy SAP CX Expertise | Accordion | ➤ Kavaliro Charlesbank |
| Agellus | ➤ Compass MSP SMB focussed MSP/MSSP | | | SER Group | ➤ AFI Solutions TA Associates |

Spotlight deals

| | | |
|-----------|-------------|---|
| Berkshire | ➤ Thrive | Berkshire Partners, along with existing investors Court Square, invested in Thrive, a leading IT MSP and MSSP servicing mid-market and sophisticated SMB clients across sectors |
| Multiples | ➤ Qburst | Digital product engineering services with strong presence of 3,000-plus employees across North America, Japan, Middle East, Europe and India Deal value: ~US\$200 million |
| HIG | ➤ TimeToAct | Germany-based IT services provider, TimeToAct, specializing in cloud platforms and digital solutions serving Fortune 1000 clients and public sector |

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

Muted quarter for strategics as tariff reset dampens inorganic imperatives

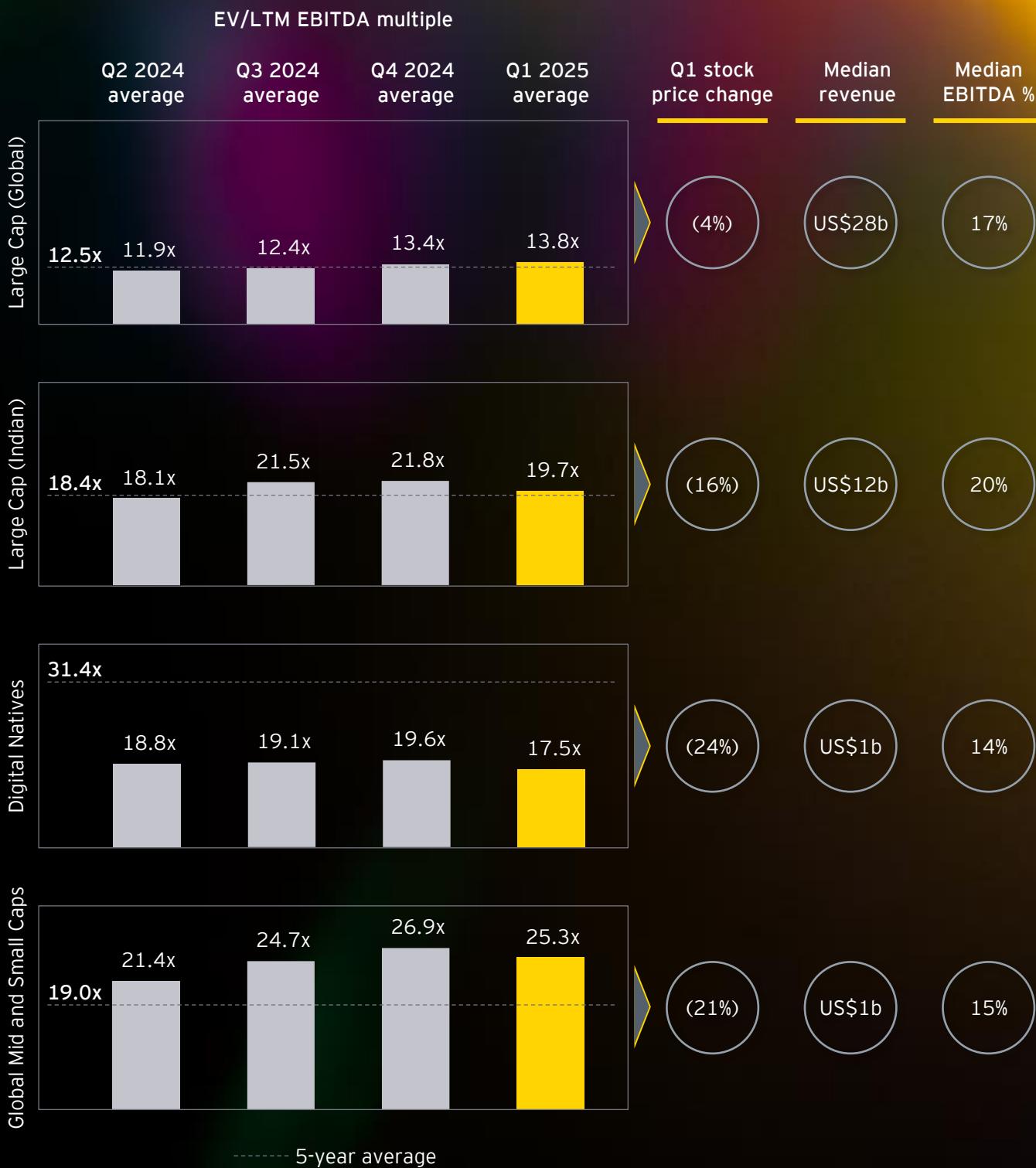
| Global Large Cap | | | Mid and Small Cap | | |
|----------------------|---|--|--------------------------|---|---|
| Vertical Play | | | Capability Strengthening | | |
| Accenture | » | Altus Consulting Insurance and Investments (UK) | Coforge | » | TMLabs ServiceNow Elite Partner |
| CGI | » | Novatec Automotive, Manufacturing | Sesa | » | IT PAS ServiceNow Premier Partner |
| Accenture | » | Staufen Manufacturing, Supply Chain | Coforge | » | Xceltrait ServiceNow for Property & Casualty insurance clients |
| Geographic Expansion | | | Vertical Play | | |
| CGI | » | BJSS UK-based digital transformation player | Coforge | » | Rythmos Data and cloud service for airlines industry |
| Accenture | » | Halfspace Nordics-based AI services player | | | |

Spotlight deals

| | | | |
|------|---|---------|--|
| IBM | » | AST | Oracle Cloud Applications expertise within the public sector, strengthening IBM's services across North America, UK, Ireland |
| ASGN | » | TopBloc | Workday Services Partner enhancing ASGN's ERP solution capabilities for the federal government sector while also strengthening overall client base Enterprise value: US\$340 million |
| WNS | » | Kipi.ai | Elite Snowflake Partner strengthening data modernization and adding one of the world's largest Snowflake talent pools with 600 SnowPro certifications Enterprise value: ~US\$85 million |

Tech services market performance mirrors the broader market reversals

Valuation trend over last four quarters





02

EY Technology
Investment Banking Advisory

EY Technology Investment Banking Advisory



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India



Karthik H
India



Irfan Iqbal
US



Sid Nair
Canada



Maurice Harbison
UK



Jack Dessay
UK



Robert Hussey
Ireland



Staffan Ekström
Sweden



Robert Klättborg
Sweden



Markus Fischer
Germany



Thomas Tofte
Denmark



Mark Sheikh
Belgium



Michał 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 | Mid and Small Cap IT Services | Digital Native IT Services | Other Large Buyers |
|---|--|---|---|
| TCS, Infosys, Wipro, HCL, TechM, LTIMindtree, Accenture, Capgemini, Cognizant, CGI, NTT Data, IBM | Coforge, Mphasis, Persistent, Zensar, Mastek, Birlasoft, Sonata, Perficient, Sopra Steria, SeSa, Saksoft, Lateview, Datamatics | EPAM, Globant, Endava, Nagarro, Kainos, NetCompany, Happiest Minds, Grid Dynamics | 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 | VAR/VAD | Value Added Reseller/Value Added Distributor |

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