

TRANSLINK

C O R P O R A T E F I N A N C E

IT SERVICES VALUATION INDEX

Q1 2025

Disclaimer



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This Report is designed to provide an overview of valuation trends in the IT Services sector and should not be used as a definitive view on individual company valuations, which can vary based on a range of factors that are specific to individual businesses. Please contact a member of the Translink CF team who would be delighted to talk to you about the specific circumstances of your business.

References: sources used in this report include Mergermarket, Capital IQ, Megabyte, individual company data and Translink CF research

A mixed bag

H2 FY24 was a period of contrasting fortunes across the three sub-sectors, with General IT Services showing signs of recovery, compared to no significant change, or a decline in valuations across the other sub-sectors

The second half of the year met expectations for the DX and Transformation and Hosting sub-sectors, without any changes over the previous six months, as the drawn-out recovery trundled on.

Macroeconomic factors such as inflation, high interest rates and geopolitical uncertainties have remained an ever-present factor over the last couple of years and continued to impact valuations throughout FY24. However, the optimism some held at the start of the year finally began to shine through in the latter part of the year.

The outlook for FY25 is more positive, with cautious optimism supported by a gradually improving economic backdrop and easing political uncertainty. However, the Translink CF team are not expecting to see any strong signs of growth across the sector as a whole in the first half of the year.

71

IT Services companies included in our index

DX and Trans EV from **9.8x LTM EBITDA**

(Q2 2024)

UP TO

10.6x LTM EBITDA

(Q4 2024)

IT Services EV from **12.0x LTM EBITDA**

(Q2 2024)

UP TO

14.8x LTM EBITDA

(Q4 2024)

Hosting EV from **14.7x LTM EBITDA**

(Q2 2024)

DOWN TO

13.4x LTM EBITDA

(Q4 2024)

Meet the team



MARC IRISSON
PARTNER, HEAD OF TMT GROUP

Marc is a M&A professional with more than 12 years of experience. He started his career as an analyst with MK Finance and then completed his financial expertise with an MBA from Georgia State University, Atlanta, USA. In 2011, he co-founded Financiere Monceau, now Translink CF France, and heads up the Technology, Media and Telecommunication (TMT) sector.

He has completed dozens of transactions, both buy and sell-side, with French and foreign clients. He has participated in various deals within the IT sector.



ANDY HAIGH
PARTNER

Andy has been providing corporate finance and deal-making advice to privately owned businesses for more than 15 years, both within the M&A and Private Equity team of one of the large consulting firms and now at Translink CF. Andy is a proven deal leader and has a track record of delivering exceptional results for clients.

Andy has worked on a broad range of deals in the TMT sector.



AARON LOWERY
ASSISTANT DIRECTOR

Aaron has over nine years' experience in mid-market M&A, across Corporate Finance, Big 4 Transaction Support and as a Private Equity investor.

He has worked on a number of deals, both domestic and cross-border, with trade and private equity clients in the TMT sector.

Translink CF's valuation index

Understanding our sub-sectors

IT Services presents a broad and complex landscape, with many of the participants of scale having activities that fall across several sub-sectors. This raises challenges when seeking to analyse their activities and sub-categorise them. Here we have picked out what we consider to be the primary activity of the participants of the index and we have used this as the driver of the categorisation.

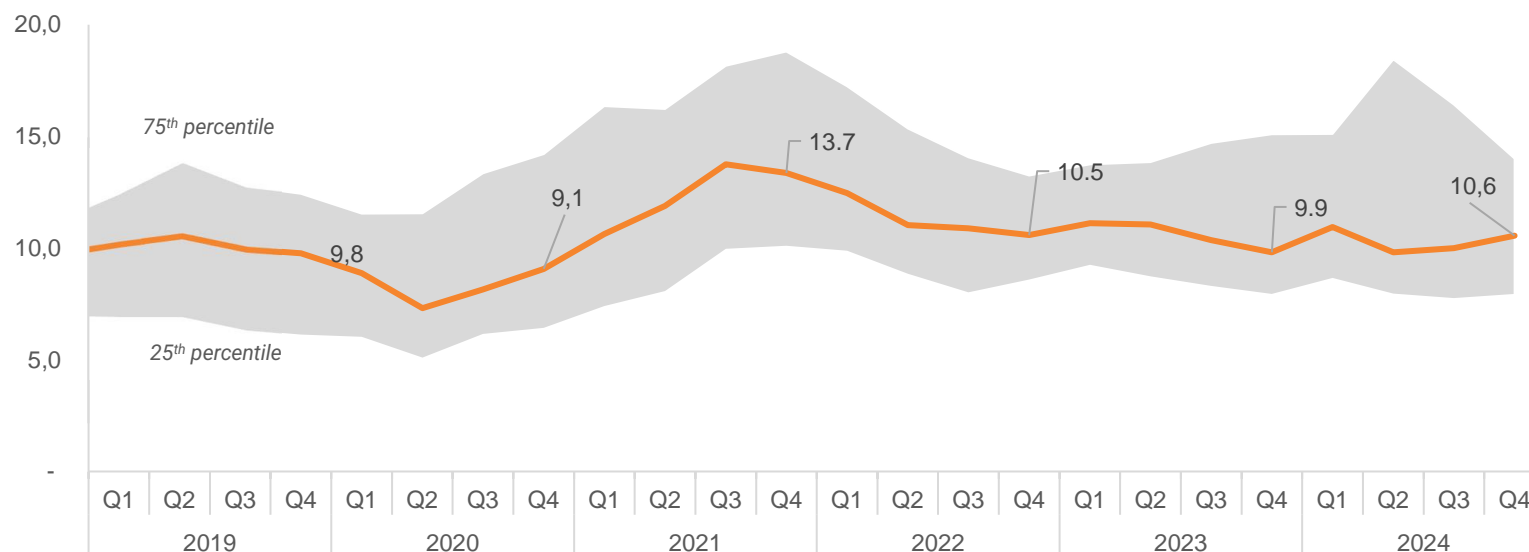
Ultimately, our goal is to provide a general overview of the overall trend and direction of travel with company valuations in the sector. Each company, whether one of those being used in the index or a market participant wishing to use the index as a benchmark, will have unique characteristics that drive its own valuation, and this should be considered in conjunction with expert advice.

The Index comprises listed businesses from countries across the Translink CF network, with a market capitalisation of c.€50m up to c.€5bn.



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DIGITAL CONSULTANCY & TRANSFORMATION - QUARTERLY EV / LTM EBITDA MULTIPLE (SAMPLE MEDIAN)



The Digital Consultancy and Transformation sub-sector focuses on businesses whose primary activities are advisory and consulting services, in a technology context, digital implementation and software integration.

During 2024, the sub-sector navigated a complex landscape impacted by various market dynamics, which led to little improvement in the demand environment. This was reflected by a small uptick in multiples compared to the previous year and a decrease from the Q1 peak.

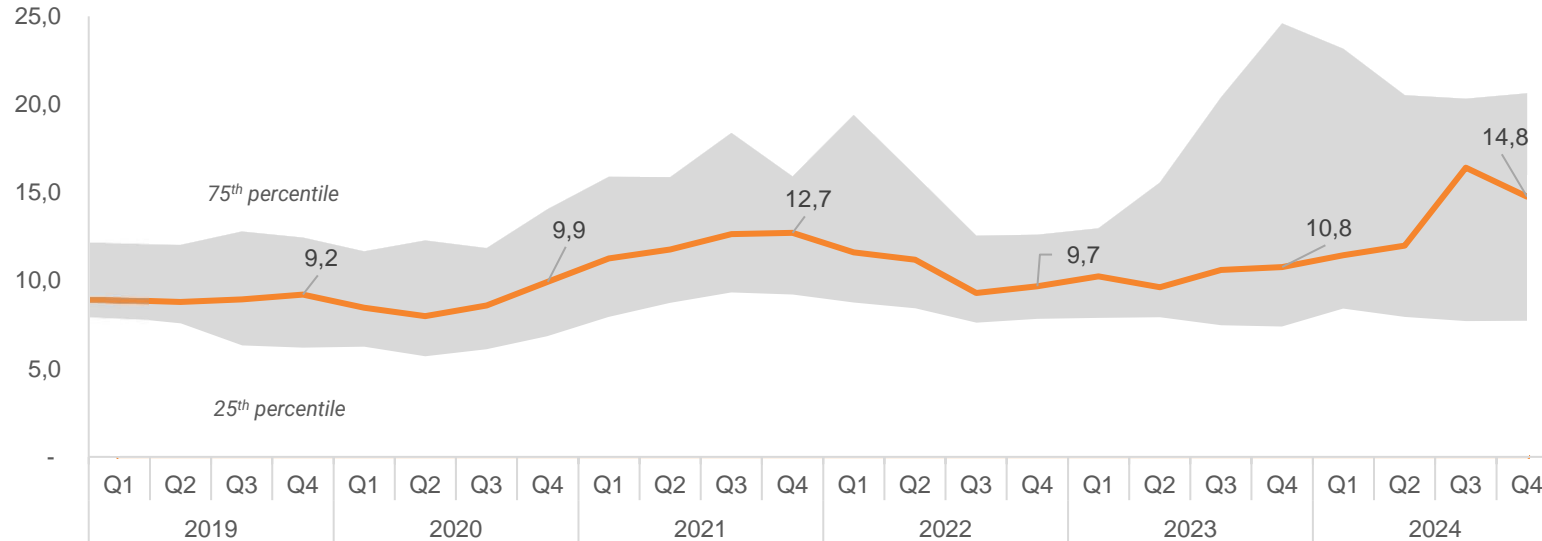
DX and consulting continued to be impacted by recurring challenges, including pricing sensitivity due to reductions in discretionary spending, extended sales cycles and delays in existing projects, all of which have contributed to the stagnation in valuations.

Deal volume continued to soften, with a 17% decrease in global volumes compared to 2021 and the number of mega deals (\$5bn) decreasing significantly.

The gulf between cloud/AI-enabled businesses and those with legacy technology stacks continues to grow, which will drive demand for DX in the longer term. However, the outlook is understandably more conservative in the near term.

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GENERAL IT SERVICES - QUARTERLY EV / LTM EBITDA MULTIPLE (SAMPLE MEDIAN)



The General IT Services sub-sector focuses on businesses providing mission-critical IT infrastructure, systems and software on an outsourced basis.

The recovery of the General IT Services sub-sector accelerated during H2 of 2024. Although a number of companies continued to battle similar headwinds to those seen in DX and Consultancy, investors favoured the sub-sector's higher levels of recurring revenues due to the predictability of trading results. This resulted in an increase in valuations.

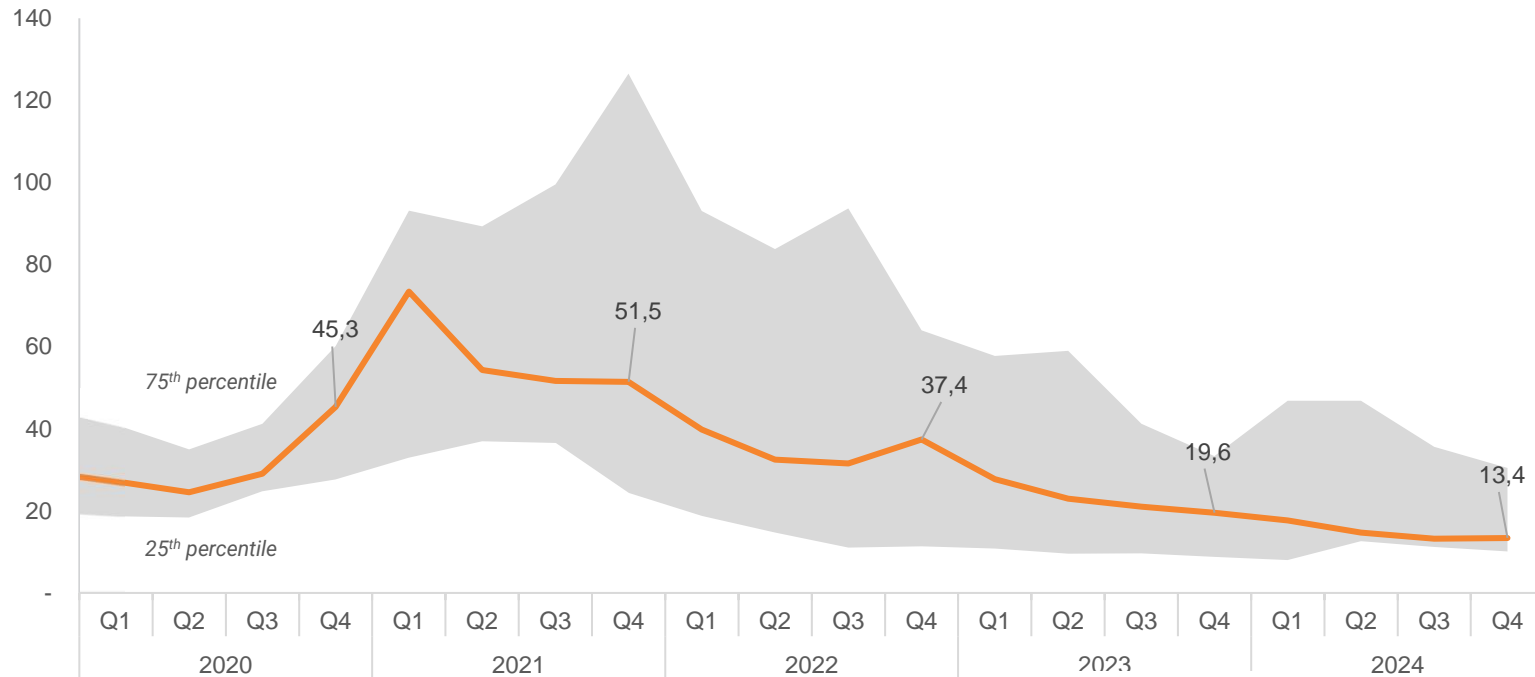
While 2024 presented challenges, the overall trend pointed towards growth. The year was underpinned by advances in technology and an increasing demand for outsourced IT services, with the median valuation reaching a five-year high.

The Indian IT services cohort showed strong signs of revival in 2024, driven by end customers in the financial services sector.

There was a notable uptick in corporate M&A deal volumes during the year, with valuations and multiples also following a similar trend.

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HOSTING - QUARTERLY EV / LTM EBITDA MULTIPLE (SAMPLE MEDIAN)



The Hosting sub-sector incorporates businesses offering a range of services including cloud infrastructure, website hosting and domain registration.

Hosting has continued to experience declining valuations, with the green shoots of recovery that looked to be making an appearance during H1 turning out to be short-lived.

H2 saw further softening, with several companies, including Infibeam and IndiaMart, reporting weak financial performance for the year. Bigger players in the market continue to dominate, impacting pricing and profitability, with higher churn rates being a recurring theme among our cohort.

Digital Ocean, somewhat bucked the trend reporting steady growth following the launch of a number of new products in 2024.

Primera's \$7.1bn acquisition of SquareSpace completed in Oct 2024, resulting in a delisting and removal from the index.

IT Services

The global perspective

LONDON, UNITED KINGDOM

Exchanges: **LSE, AIM**
 Number of companies: **8**
 Mean Market Cap: **€858m**
 Median Market Cap: **€260m**
 Mean EBITDA Multiple: **12.64x**
 Median EBITDA Multiple: **13.5x**

PARIS, FRANCE

Exchange: **Euronext Paris**
 Number of companies: **9**
 Mean Market Cap: **€1,094m**
 Median Market Cap: **€583m**
 Mean EBITDA Multiple: **9.23x**
 Median EBITDA Multiple: **9.93x**

OSLO, NORWAY

Exchange: **Oslo Børs**
 Number of companies: **1**
 Mean Market Cap: **€669m**
 Median Market Cap: **€669m**
 Mean EBITDA Multiple: **13.06x**
 Median EBITDA Multiple: **13.06x**

HELSINKI, FINLAND

Exchange: **Nasdaq Helsinki**
 Number of companies: **5**
 Mean Market Cap: **€501m**
 Median Market Cap: **€60m**
 Mean EBITDA Multiple: **9.16x**
 Median EBITDA Multiple: **8.26x**

NEW YORK CITY, UNITED STATES

Exchanges: **NYSE, Nasdaq**
 Number of companies: **4**
 Mean Market Cap: **€4,351m**
 Median Market Cap: **€3,526m**
 Mean EBITDA Multiple: **9.98x**
 Median EBITDA Multiple: **10.60x**

STOCKHOLM, SWEDEN

Exchange: **Nasdaq Nordic**
 Number of companies: **4**
 Mean Market Cap: **€140m**
 Median Market Cap: **€86m**
 Mean EBITDA Multiple: **8.33x**
 Median EBITDA Multiple: **8.00x**

MADRID, SPAIN

Exchange: **BME**
 Number of companies: **1**
 Mean Market Cap: **€3,012m**
 Median Market Cap: **€3,012m**
 Mean EBITDA Multiple: **6.8x**
 Median EBITDA Multiple: **6.8x**

MILAN, ITALY

Exchange: **BIT**
 Number of companies: **2**
 Mean Market Cap: **€2,915m**
 Median Market Cap: **€2,915m**
 Mean EBITDA Multiple: **13.44x**
 Median EBITDA Multiple: **13.44x**

TEL AVIV, ISRAEL

Exchange: **TASE**
 Number of companies: **3**
 Mean Market Cap: **€624m**
 Median Market Cap: **€460m**
 Mean EBITDA Multiple: **8.22x**
 Median EBITDA Multiple: **7.36x**

MUMBAI, INDIA

Exchanges: **NSE, BSE**
 Number of companies: **23**
 Mean Market Cap: **€992m**
 Median Market Cap: **€197m**
 Mean EBITDA Multiple: **36.23x**
 Median EBITDA Multiple: **24.63x**

FRANKFURT, GERMANY

Exchange: **Deutsche Börse**
 Number of companies: **11**
 Mean Market Cap: **€644m**
 Median Market Cap: **€386m**
 Mean EBITDA Multiple: **9.25x**
 Median EBITDA Multiple: **8.33x**

FY24 key takeaways, FY25 and beyond...

FY24 key takeaways

The IT Services sector experienced a mixed bag across the three sub-sectors during 2024, with trading for several businesses remaining relatively flat throughout the year due to the recurring challenges of extended sales cycles and a decrease in customer discretionary spending. The exception was General IT Services, which bucked the trend during H2.

Macroeconomic factors such as inflation, high interest rates, and geopolitical uncertainties contributed to a cautious climate and continued to have a significant impact on valuations. However, the industry remained resilient, with companies focused on strategically investing in areas that would result in high growth in the longer term, such as AI, cloud computing and cybersecurity – which are faring better than their counterparts.

There was increased uncertainty in Q4 around the US presidential elections. The outcome was expected to have a positive impact on valuations in the tech sector, particularly those with higher levels of recurring revenues. However, the full impact of this is still to be seen.

M&A activity saw a 29% decrease in deal volume compared to the previous year, suggesting there were deals to be done for the right assets.

Outlook for FY25

There are some early signs of recovery in the sector, particularly in the General IT Services sub-sector, as the pipeline continues to build. However, the UK, may present a challenge for 2025, as business confidence was significantly damaged by the autumn budget.

As highlighted in this index (and previous versions), the backdrop for discretionary spending has been impacted by soft trading and the tightening of customer budgets. However, there is optimism that this will start to ease during 2025.

Those organisations with a cybersecurity focus are expected to continue to benefit from strong market tailwinds driven by the ever-present threat and increasing severity of cyber-attacks. The cybersecurity sector is poised for an increase in M&A activity, with larger vendors seeking to expand and consolidate their market positions.

While challenges such as economic uncertainties and geopolitical risks remain, there is optimism that 2025 will present further growth opportunities in the sector. With the potential for increased M&A activity, strategic investments in AI and cybersecurity, and expanding regional markets, it could be a promising year of transformation and growth.

Spotlight on: Translink CF landmark deals

Translink CF advised the shareholders and founding partners of Nitor Group, a leading digital engineering company, on the acquisition of 30% of the outstanding equity by Juuri Partners and Mutual Pension Insurance Company Ilmarinen.

Nitor is a highly renowned digital engineering business, with c.200 employees creating adaptive business-critical systems and services with a lifetime guarantee. Nitor is a Red Herring Global Top 100 winner and Tivi ICT Company of the Year in Finland. The Group tripled during the last five years to €30m while increasing the market-leading profitability.

The investment will enable the Group to focus on employee and client satisfaction, which have been the foundations of Nitor's success. The Group is well equipped to develop its strengths without changing the culture and customs, continuing to ensure that it is the best place for digital engineers.

JUURI
PARTNERS

ILMARINEN

Acquired a
minority stake in


NITOR

Advisor to the seller

Finland

04 ABOUT TRANSLINK CF AND IT SERVICES
SECTOR EXPERTISE

Translink

Recent IT Services sector deals

For more information on Translink's expertise in TMT, visit:

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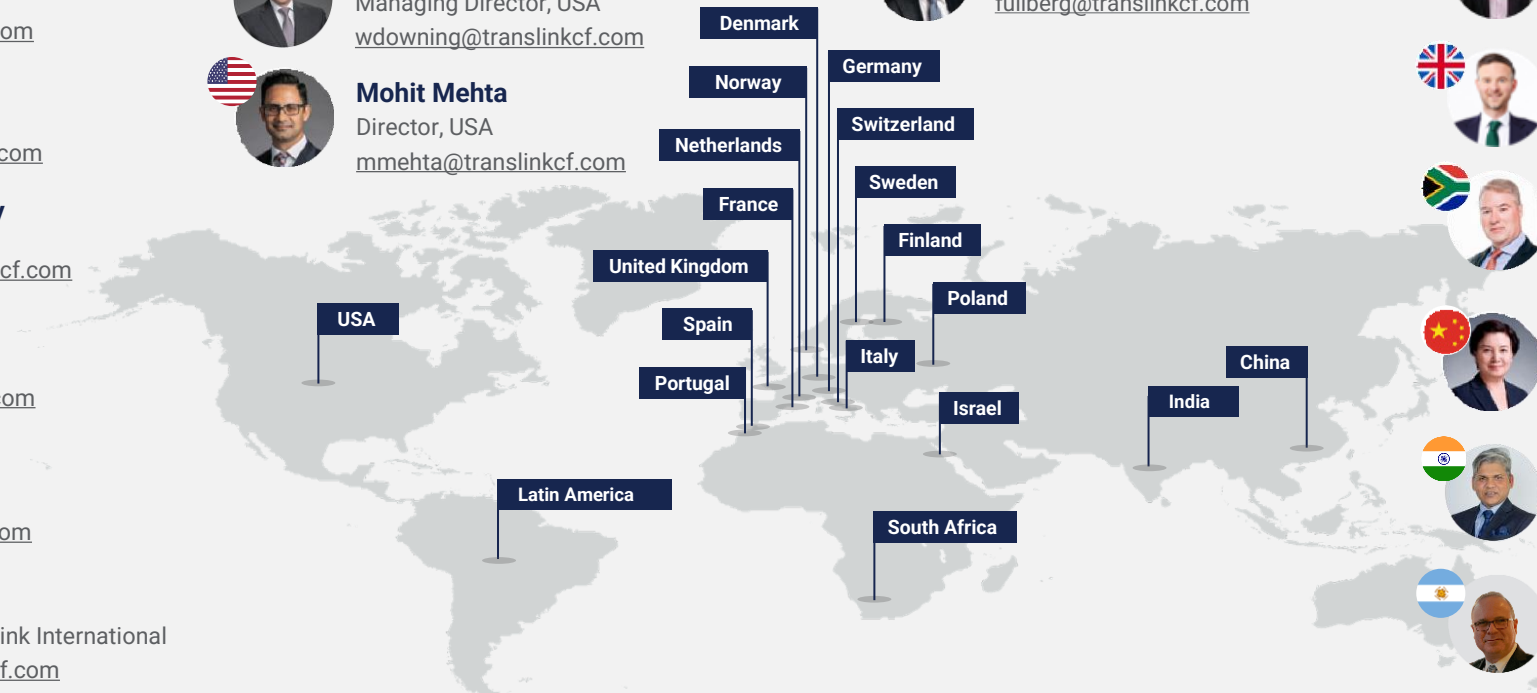
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The dynamic landscape of the IT Services sector

A summary of the key technological trends shaping the future of the sector

	Artificial Intelligence (AI) and Machine Learning (ML)	Blockchain technology	Cloud computing	Internet of Things (IoT)	Cybersecurity mesh	Quantum computing	Big data and analytics
Impact	<ul style="list-style-type: none"> Automates repetitive tasks, enhances decision-making and helps drive innovation and new business models 	<ul style="list-style-type: none"> Enhances transparency and security in transactions and increases efficiency 	<ul style="list-style-type: none"> Provides scalable IT resources, driving cost optimisation and agility 	<ul style="list-style-type: none"> Enables interconnected devices for efficient operations and data analytics 	<ul style="list-style-type: none"> Provides a transformative approach by decentralising and distributing security perimeters 	<ul style="list-style-type: none"> Promises efficient solutions for complex problems, affecting fields like cryptography 	<ul style="list-style-type: none"> Enables data-driven decision making, improving efficiency, customer experiences and innovation
Adoption rate	<ul style="list-style-type: none"> Increasingly widespread across numerous industries 	<ul style="list-style-type: none"> Growing, especially in financial services, healthcare and supply chain management 	<ul style="list-style-type: none"> Continues to soar, pivotal for digital transformation 	<ul style="list-style-type: none"> Growing with advancements in connectivity and sensor technology 	<ul style="list-style-type: none"> Gaining momentum for enhanced security posture 	<ul style="list-style-type: none"> Early stages but growing interest and investment 	<ul style="list-style-type: none"> Widespread, with significant momentum
Implications	<ul style="list-style-type: none"> Requires workforce upskilling and infrastructure updates; raises privacy and ethical concerns 	<ul style="list-style-type: none"> Faces challenges such as regulatory clarity and technical complexity 	<ul style="list-style-type: none"> Necessitates attention to security, compliance, privacy and data sovereignty 	<ul style="list-style-type: none"> Raises data security and privacy concerns; needs interoperable standards 	<ul style="list-style-type: none"> Requires comprehensive security strategies and ongoing investment 	<ul style="list-style-type: none"> Could revolutionise various industries; necessitates new cybersecurity measures 	<ul style="list-style-type: none"> Presents challenges to data privacy, security and technical complexities

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