Equiteq

Global Buyers Report 2025

Contents

Executive Summary

With confidence returning strongly to the market, buyers are leaning into 2025 armed with capital, a focus on AI-driven transformation, and an appetite for deals that redefine industries–proving once again that innovation and adaptability are the true hallmarks of success in the Knowledge Economy

It is my pleasure to present the latest findings from our annual survey of global strategic buyers and private equity investors acquiring businesses across the Knowledge Economy - now in its tenth year!

The 2025 Knowledge Economy Global Buyers Report shares a unique look at the trends likely to shape M&A activity over the coming year. Our annual report combines proprietary data with the insights of the Equiteq global team across the Knowledge Economy's core sectors of management consulting, technology services and outsourcing.

As we step into 2025, the Knowledge Economy appears ripe with M&A potential. After navigating a period of economic uncertainty, we are starting to see renewed confidence among buyers who seem confident of more capital and more deals in the new year. These dynamics have set the stage for what many respondents anticipate to be a more confident and active year in deal-making.

We are seeing acquirers increasingly turn to new solutions to redefine industries and the rise in interest around generative artificial intelligence (AI), automation and analytics reflects a bold shift in priorities among buyers seeking a competitive edge.

Despite some persisting challenges, our findings reconfirm the resilience and adaptability of Knowledge Economy buyers. In 2024, the team at Equiteq repeatedly showcased our expertise as we completed a record 28 M&A transactions and advised on nearly $1.5bn of realized enterprise value, covering many of the hot areas outlined in this report.

As 2025 unfolds, and we enter our 20th anniversary, M&A activity promises to balance innovation with pragmatism, setting the foundation for sustainable growth in an increasingly interconnected and competitive world. I hope this report helps to shine a light on the factors shaping the year ahead, offering insights for stakeholders navigating this dynamic landscape.

80%

of respondents expect more or the same amount of capital to be available next year

The rapid evolution of digital services ecosystems means technology is increasingly a lever for revolutionary change, empowering businesses to scale, adapt and innovate like never before. While the quality of management, sound business models and ability to deliver sustainable revenue growth continue to dominate buyer considerations, the question of AI-readiness is moving rapidly up the list of priorities.

David Jorgenson
CEO, Equiteq

Artificial Intelligence

Key Takeaways

1. Buyers are prioritizing M&A deals for AI capabilities to enhance their services and unlock competitive differentiation

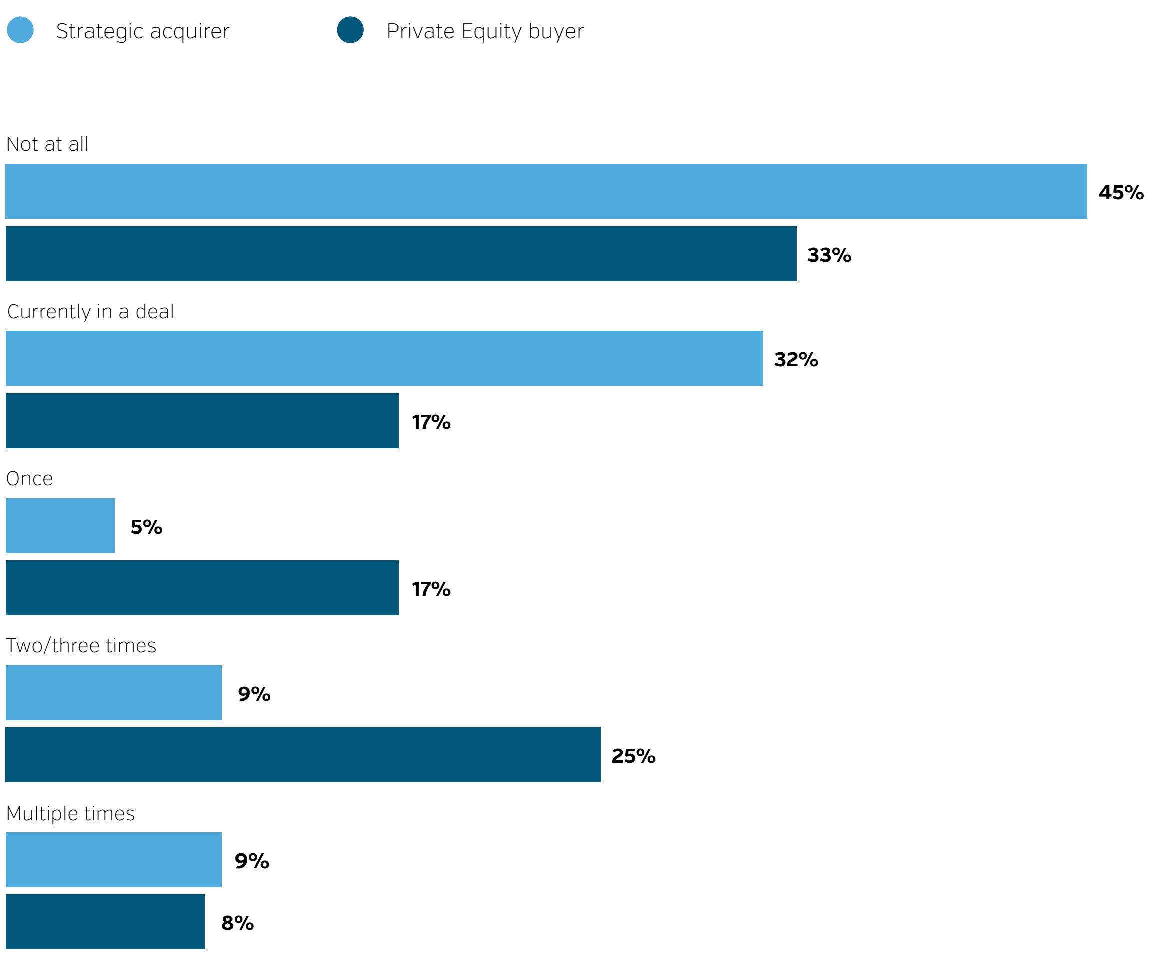
2. Despite enthusiasm for AI, many buyers remain cautious, with more than a third saying they've yet to make an AI-related deal

3. Deal-making activity is centering on more commercially viable AI technologies like predictive analytics and machine learning, although interests are tempered by concerns around ROI and obsolescence

The primary driver for acquiring AI capabilities remains consistent year-on-year, as buyers look to such technologies to enhance their service offerings and create a point of differentiation. Around three-quarters of strategics name service / experience enhancement (76 %) and differentiation (71 %) as key drivers of AI acquisitions. Efficiency gains and cost savings seem much less of a priority.

Our findings show the same factors are also important for private equity - although on behalf of their portfolio companies. Service differentiation (70 %) is of greatest interest to private equity with investors actively in search of a competitive advantage in an ever-more tech-enabled marketplace.

Frequency of AI acquisitions



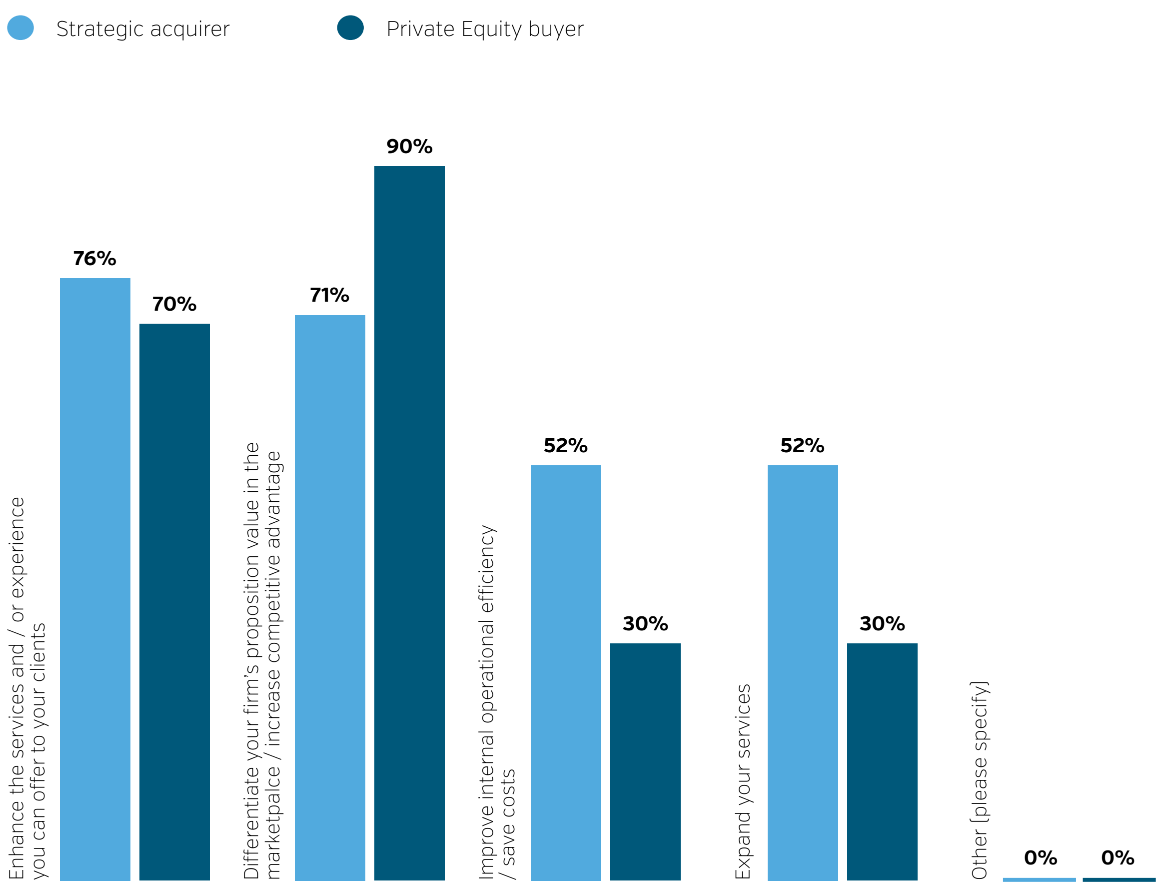
"It's taken companies some time to figure out practical use cases for AI that might create a differentiator but this is starting to accelerate as they better understand how to use tools like Gen AI to unlock functionalities they didn't have before," says John Cooper, Managing Director at Equiteq in New York, USA. "A lot of that hinges on data integration and having your data set up properly to inform AI and ML models, and as time goes on more businesses are able to get this set up properly."

While the drivers behind deals for AI capabilities remain strong, overall appetites appear to be quite moderate with more than one-in-three buyers reporting that they have yet to make any M&A investment in AI. This is broadly consistent with last years' findings, although we have seen an increase in the proportion of private equity buyers saying they have completed one or more deals for AI-related firms as the competition for a first-mover competitive advantage heats up. However, despite strategics having been less likely to make an AI-related acquisition previously, roughly a third say they now currently have deals in process.

"It's still early in the game when it comes to proof points around the use of generative AI or other functions of AI in enterprises," says John Gannon, Director, Coverage at Equiteq. "It's starting to cut through now and we're hearing more noise from enterprises looking to start spending more money on it. This is going to play a big role in helping AI to gain more traction and continue to grow."

> It's taken companies some time to figure out practical use cases for AI that might create a differentiator

Key reason for acquiring AI capabilities

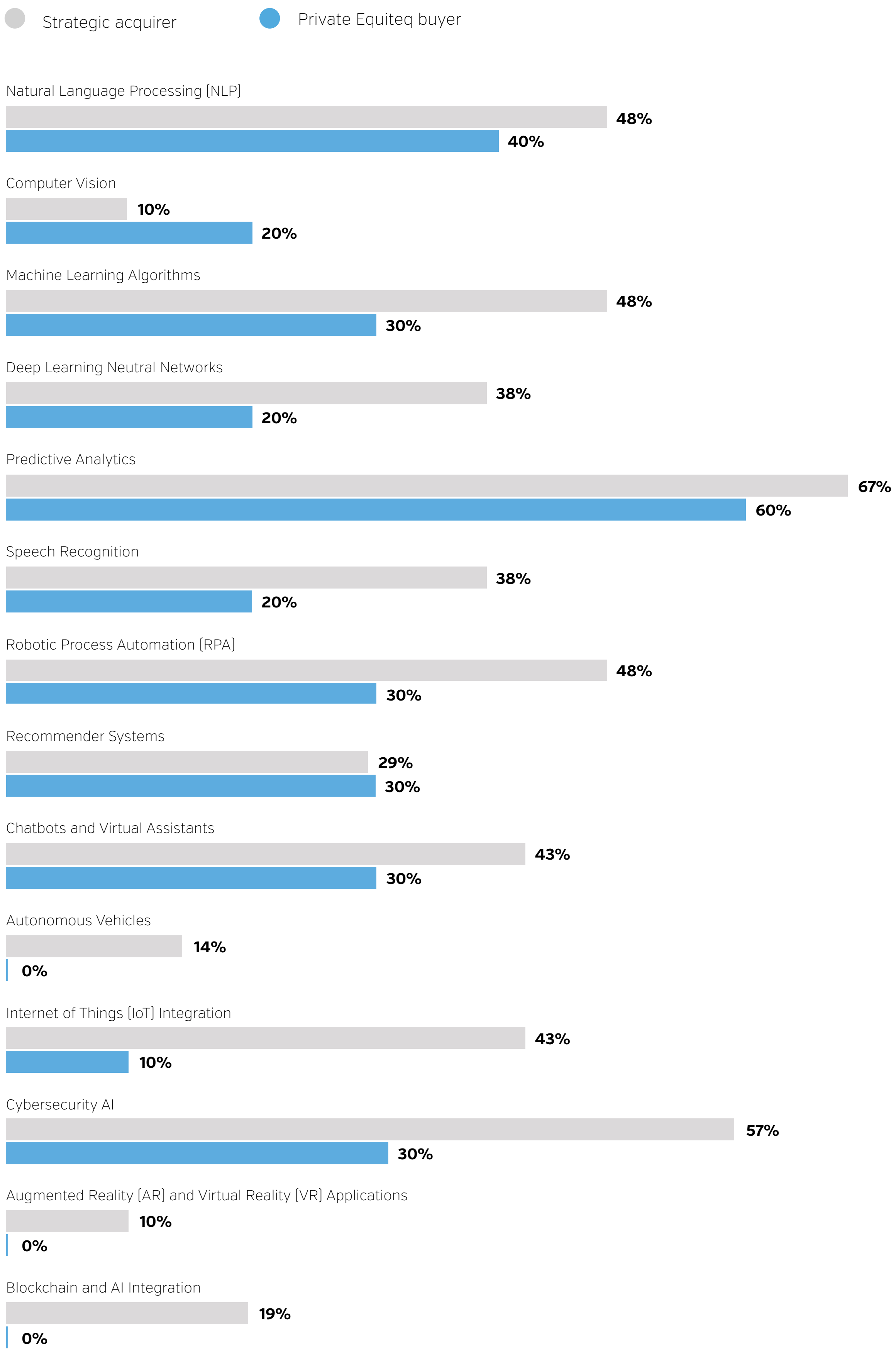


AI Technologies

Buyer interest remains strong across a wide range of AI technologies, with several key areas drawing consistent attention. Respondents continue to show robust inclinations towards those technologies that hold broad appeal and are more commercially viable, with our findings showing the greatest overall interest in predictive analytics (64 %), natural language processing (NLP) (44 %) and machine learning (33 %). While our findings show that interests in AI technologies among both strategics and private equity remain largely aligned, we have seen the interest in AI-enabled cybersecurity increase among strategics compared to last year.

"While much of the AI ecosystem is quite new by definition, it's a very fast-growing segment and one that is also very mature from many perspectives," says Jerome Glynn-Smith, Managing Director at Equiteq in London, UK. "Evaluation levels are already very high for these kinds of technologies because of the high growth. With things moving so quickly in the AI market, it's hard to know which technology, software and language programming companies will be dominant in the future and in turn where to invest."

AI Technologies most relevant to M&A



> [AI is] starting to cut through… and we’re hearing more noise from enterprises looking to start spending more money on it

AI key risks

Despite strong enthusiasm for AI, acquirers highlighted several risks that may temper their investment decisions. Valuations remain the top consideration, with almost 70% of respondents citing it as their biggest blocker.

"For me, any buyer reticence around AI is related to one of three major concerns," says Emmanuel Kostucki, Managing Director at Equiteq in London, UK. "These are risk aversion, the lack of expertise in the space and the regulatory and ethical concerns related to AI. Concerns around these three things can make clients and businesses hesitant to adopt. 'In contrast to clients, acquirers are still eager to acquire these skillsets early, as they will become increasingly important in the near future. This will change the way we work, and demand will definitely rise as we address these challenges"

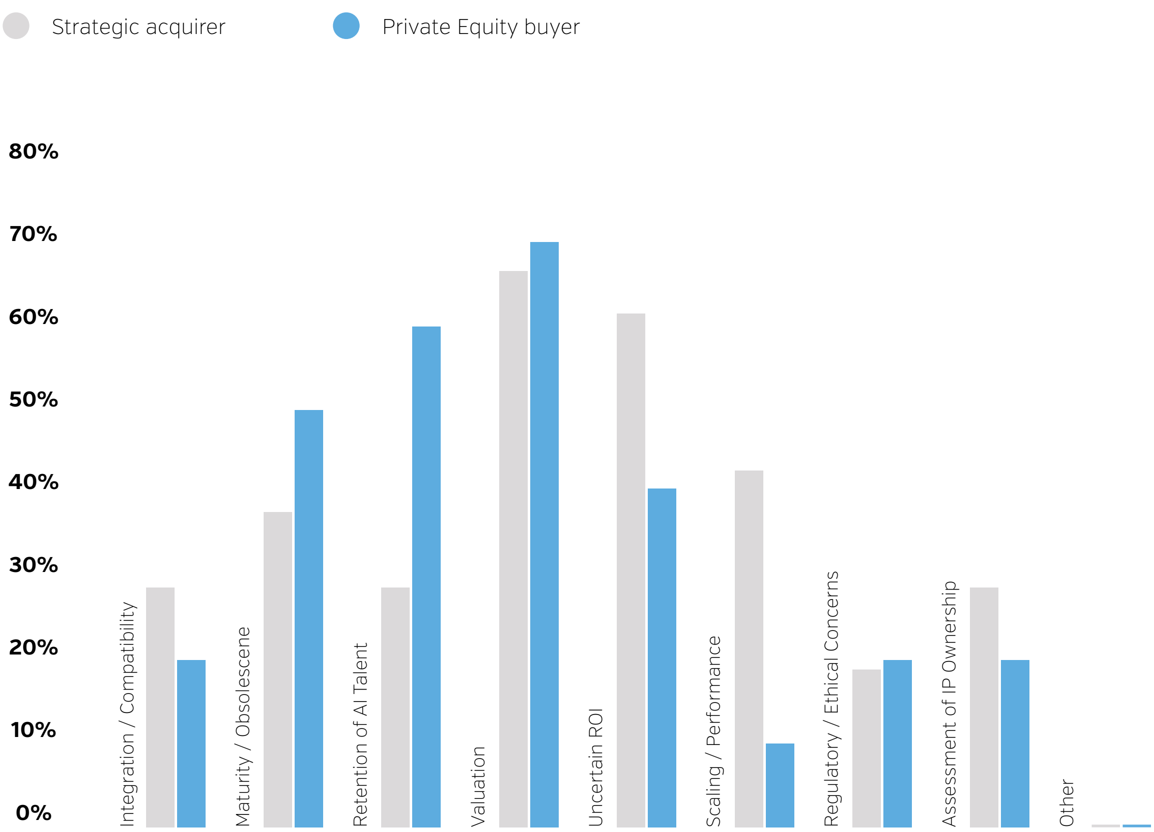
Buyer-specific nuances also emerged in the findings with talent retention a key concern for private equity (60%).

Given the pace of change around AI, it is somewhat unsurprising that concerns exist around keeping hold of skilled staff in a limited talent pool amid rapid technological evolution.

"A further challenge amplifying this uncertainty is that most attractive AI companies today are likely doing lots of great things on OpenAI with talent that's certified and knowledgeable in that specific application," says Glynn-Smith. "The question for financial buyers is whether those AI skills will be valuable and whether the asset will still hold value in five to seven years' time? That's the conundrum for AI deals."

Strategics, on the other hand, prioritize uncertainties around ROI (62%), particularly given the immaturity and potential future obsolescence of current AI technologies. Nearly half of all respondents expressed concern about these dynamics. It's clear that acquirers are wary of betting on assets that may run their course or fail to deliver returns in time, underlining the risks of AI deals in the face of rapid industry changes.

% of respondents mentioning the key risk



Propensity for Acquisitions

Key Takeaways

1. There is a bullish outlook for dealmaking in 2025 with stable if not improving levels of capital availability among buyers

2. The outlook for deal volumes in the longer term remains extremely strong - arguably at record highs, driven by post-election clarity in the US

3. Financial services returns to first position among the verticals of greatest interest to acquirers, followed by Healthcare and government services

The 2025 outlook for dealmaking in the Knowledge Economy suggests a marked uptick in sentiment compared to the tempered optimism of last year's survey. Following a challenging 2023 and the prolonged turbulence of early 2024, buyers and investors enter the new year with a cautious but distinct bullishness, driven by stabilizing interest rates, political clarity and the demands of pent-up capital.

"Buyers were actually probably more confident going into 2024 than they were going into 2023 - and I think that it was justified at the time," says Gannon. "Yet challenges around targets' ability to generate new revenue has led to a lot of processes being drawn out or falling apart in the past 12 months."

> The sentiment among buyers heading into next year is meaningfully stronger than it was this time last year

However, as 2024 progressed, a consensus emerged: macroeconomic conditions were finally beginning to stabilize. In the U.S. and Europe, clarity following elections and the prospect of more business-friendly policies have helped contribute to a more positive investment climate.

"The U.S. election has been a dampener on buyer optimism this year because of the uncertainty around the outcome," says Gannon. "2024 has been a year where acquirers have been unable to put capital to work as they would have liked to. That money continues to burn a hole in their pockets. With clarity around the election and an expectation of more high quality assets on the market in 2025, I think the sentiment among buyers heading into next year is meaningfully stronger than it was this time last year."

Despite pockets of caution - particularly in regions still contending with elevated rates - 2025 promises a more dynamic M&A environment. The appetite for larger deals is strong, underscoring optimism about sustained market stability. Yet, as ever, the ability to deliver robust revenue growth will remain the litmus test for successful transactions.

Capital Availability

The outlook for capital availability in 2025 also reflects a cautiously optimistic shift, particularly for private equity investors. While the capital expectations of strategics remain stable and relatively evenly divided evenly among those anticipating increases, decreases, or no change, private equity firms demonstrate a more positive trajectory. Nearly 40% of financial investor respondents expect capital availability to grow in the coming year, a notable rise on the one-in-four who expected increases in last year's survey.

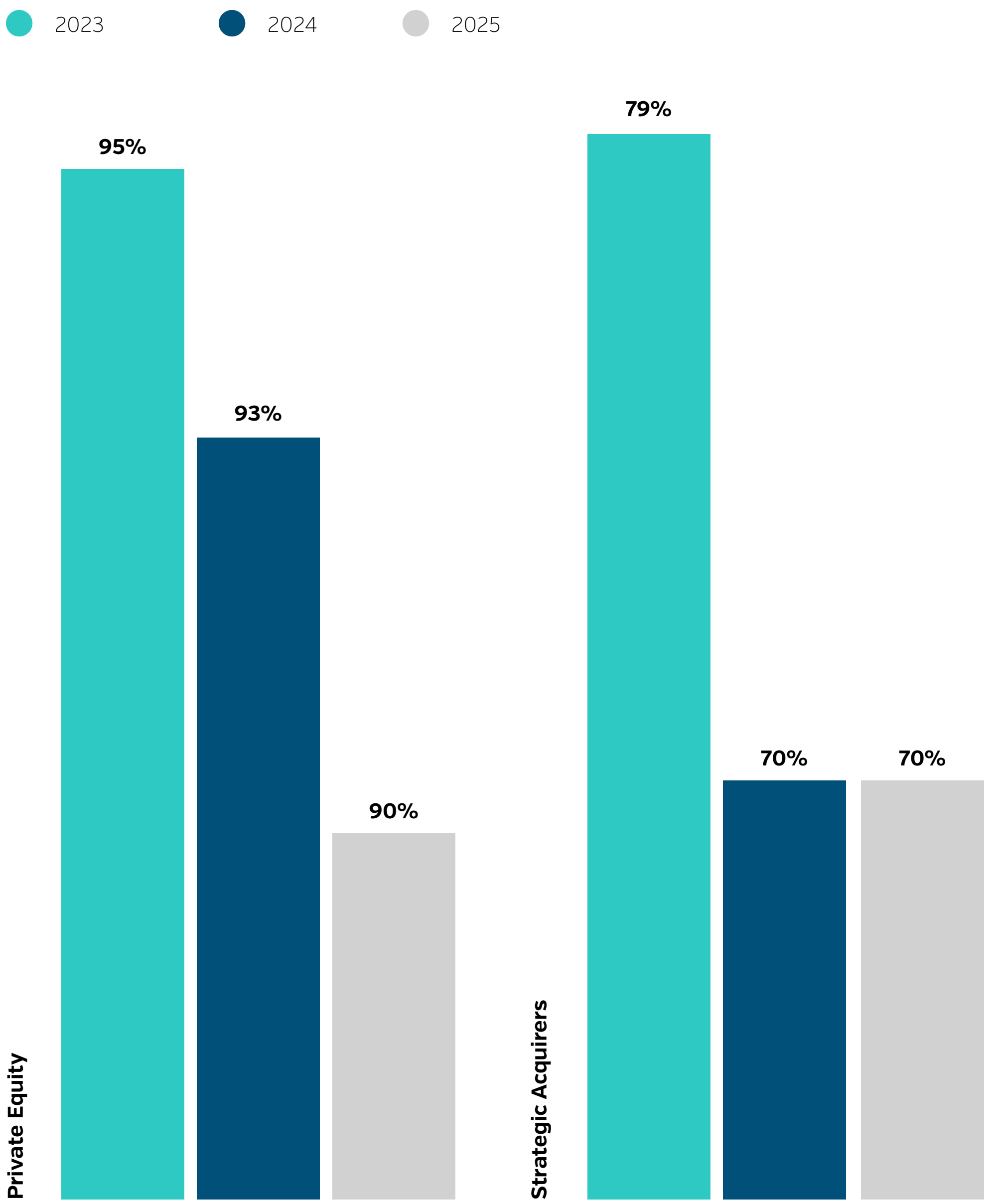
Driving this is the fact that private equity remains well-capitalized and continues to sit on record funds accumulated during the last investment cycle. The urgency to deploy this capital has intensified in the wake of a sluggish portfolio performance in the past 18 months. With economic uncertainty receding, funds need to justify their positions and meet performance targets, pushing many to now accelerate deal-making.

“The challenge that private equity players have faced is that they haven’t been able to invest and keep capital moving in the ways they’ve wanted to. Funds that have done well have been able to deploy capital consistently and creatively,” adds Alex Monck, Managing Director at Equiteq in Sydney, Australia. “What’s positive going into 2025 is that we’re aware of lots of fundraising happening in our market right now as well as more funds actively looking to deploy.”

Strategic buyers, on the other hand, remain more cautious. Their mixed sentiments suggest their investment strategies may remain somewhat conservative. However, greater clarity around interest rate trends and the geopolitical direction of travel could gradually unlock further activity.

“The combination of declining inflation, stabilization of interest rates and the fact that people are starting to reconsider sales should prove more attractive for buyers,” says Kostucki. “I think there is still a lot of capital to be deployed and not enough deals for it to be deployed onto. This is all positive and likely to energize the deal-making environment.”

Proportion of buyers that expect capital to increase or stay the same next year



Deal volumes

Buyer expectations for deal volumes in 2025 continue the optimistic thread of our survey findings. Almost three-quarters of buyers expect to make more deals in 2025, driven by stabilizing macroeconomic conditions and the need to deploy record levels of dry powder. This is a steep step up from the half of buyers that expected to make more deals last time around.

Private equity firms, in particular, are entering the year with renewed confidence, as nearly 90% of respondents expect to increase deal activity. With capital reserves still at historic highs, investors are now exploring opportunities in the lower middle market, seeking untapped potential for value creation.

> We'll start to see more access to cheaper capital, bigger budgets for M&A and more funds to deploy on larger digital transformation projects

"There's a lot of value to be captured in the lower middle market and it gives investors the opportunity to put capital to work when deal flow in macro markets isn't as robust as they might like," says Gannon. "These are much less sophisticated businesses compared to the larger deals private equity firms have gotten accustomed to in the past decade, which means there's a greater opportunity for value creation."

This pivot has broadened deal flow and intensified competition, leading to modest price increases for high-quality assets. Despite this, Gannon notes that private equity firms are exercising greater pricing discipline, which we can see reflected partially in the high proportion of private equity respondents (70 %) expecting deal sizes to stay at current levels.

Strategics also seem more bullish with around two-thirds of respondents expecting to pursue more deals, up from around one-in-two last year. Interestingly, almost 70% of strategics expect to pursue larger transactions in 2025. With improving revenue forecasts and a long-anticipated decline in interest rates, this is the first time in a few years that we have seen a majority of strategics expecting to make larger deals than private equity buyers.

"Major acquirers like Capgemini and Accenture have had a challenging year but are now forecasting high, single digit revenue growth for 2025," says Glynn-Smith. "As they come back to growth and the economic environment becomes friendlier to transactions, it feels like we'll start to see more access to cheaper capital, bigger budgets for M&A and more funds to deploy on larger digital transformation projects."

Looking ahead, the longer-term outlook also remains robust, with more than 70% of respondents expecting increased deal volumes in the next 2-3 years, suggesting the heightened expectations of both private equity and strategics will prevail for the foreseeable.

Verticals of interest

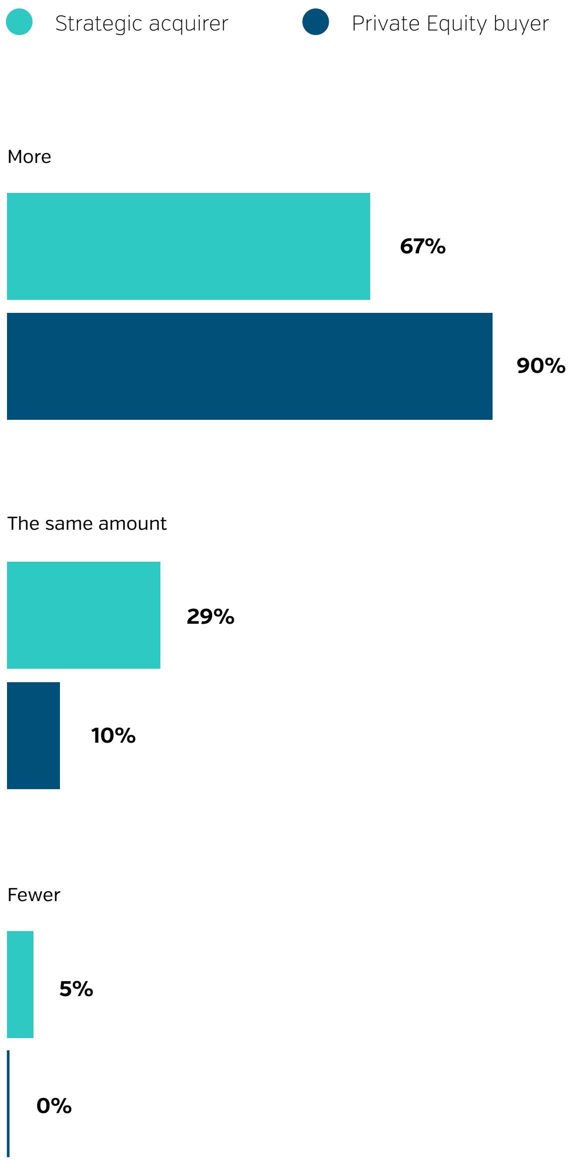
Financial services has reclaimed its position as the most sought-after vertical for acquirers in this years' survey, reflecting a resurgence of interest after being displaced by healthcare last year. However, interest in healthcare as well as life sciences remains strong with both also still highly attractive sectors for investment.

Buyers continue to gravitate toward those verticals that align most keenly with emerging trends and business transformation. The evolution of the office of the CFO and the consolidation of accounting firms are two central trends driving the demand for financial services assets as acquirers look to unlock new and stable revenue streams.

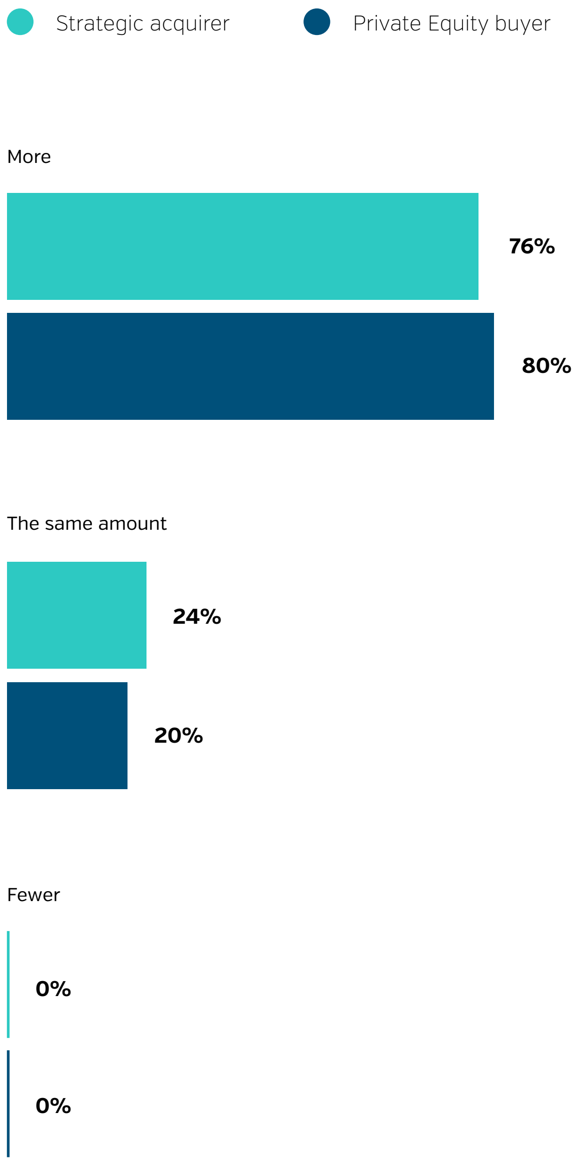
"There's been an incredible spike in public accounting deals over the last year, which is reflective of the evolution we see around the office of the CFO," says Gannon. "We're seeing investors traditionally focused on software, like Summit Partners, acquiring public accounting forms with the intent to push them closer to tech businesses and set them up to meet the evolving needs of the modern finance function."

Government services is another notable area of interest among buyers who are attracted by the resilience of the opportunities afforded by the sector. Dealmaking across these cornerstone sectors of the Knowledge Economy continues to be driven by the ongoing need for digital transformation in businesses and the services partners who can enable this.

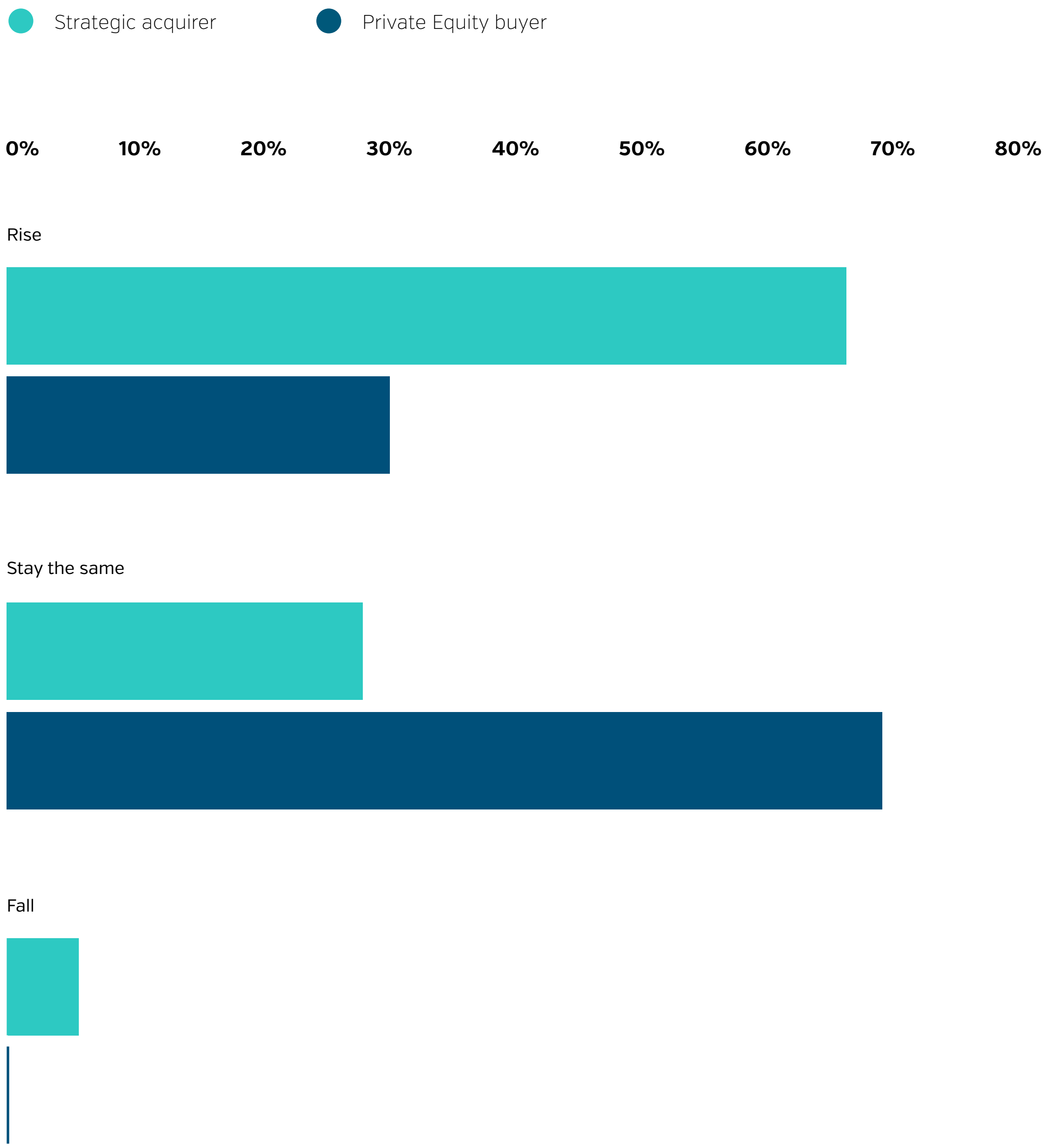
Volume of Deals - next 12 months



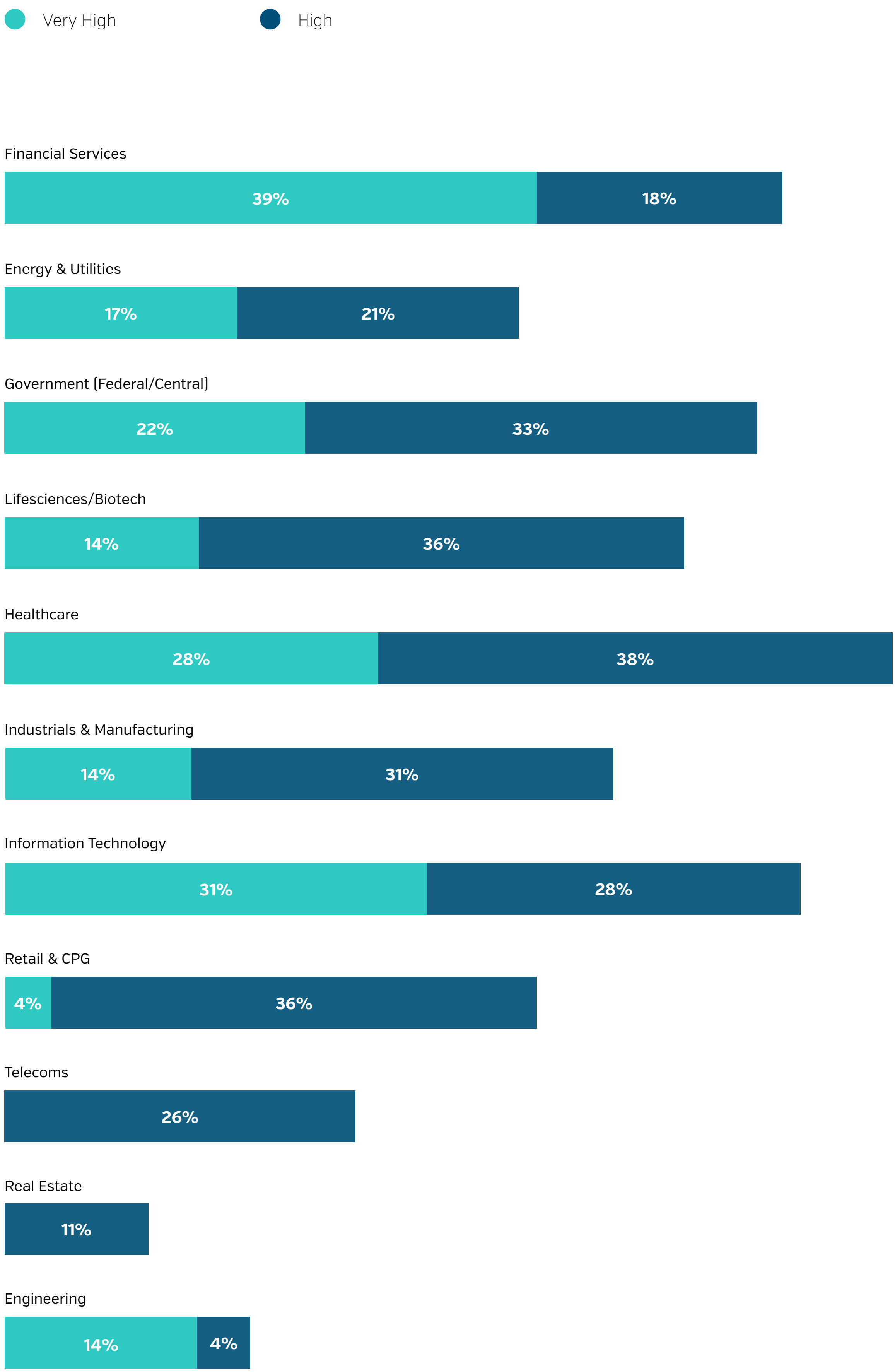
Volume of Deals - next 2-3 years



Deal Size


Strategic acquirer
Private Equity buyer
0%
10%
20%
30%
40%
50%
60%
70%
80%
Rise
Stay the same
Fall

Demand by industry vertical



Geographies of Interest

North America continues to dominate M&A interests, with more than 80% of respondents holding a 'high' or 'very high' interest in the region. Post-election clarity and optimistic economic signals, coupled with a relatively favorable regulatory climate, underpin its appeal.

"The U.S. market has come back faster this year than the markets in the UK and Europe," says Glynn-Smith. "And post-election, it does feel as though there could be a reduction in regulation next year that will benefit the local market and reward investment."

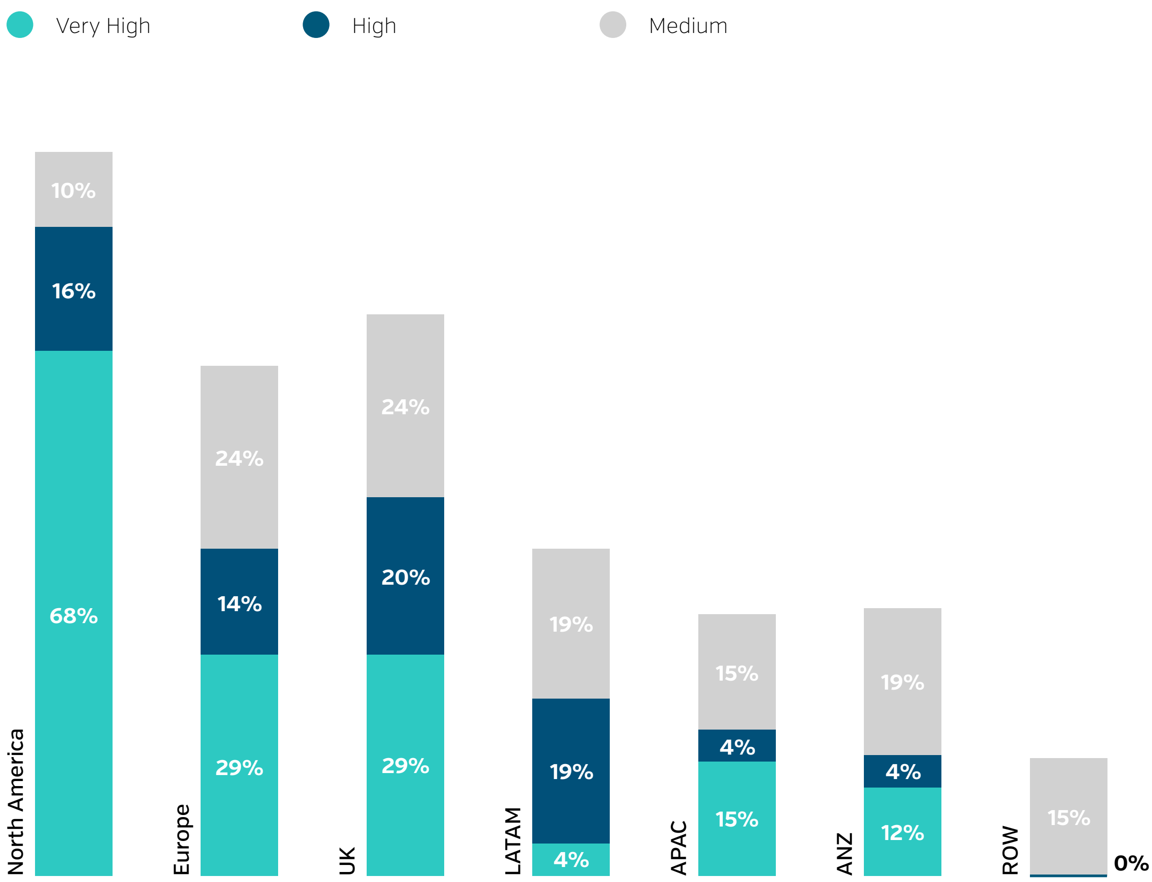
Buyers maintain moderate-to-high levels of interest in Europe (~43 %) and the UK (~49%) despite economic headwinds. The UK's evolving political and economic landscape offers a mixed outlook, with potential long-term benefits in workforce upskilling contrasting with short-term profitability concerns.

Interest in the Australia-New Zealand (ANZ) region has seen a slight upswing among acquirers this year - up from ~6 % last year to ~16 % this year - as companies aiming to position themselves as international players recognize the need for a presence in the market.

"We're seeing more mid-tier and challenger brands trying to grow their presence in Australia as they look to expand," notes Monck. "Having a presence in the region, not just in Australia, is essential if you want to paint a picture of being truly global."

While the global M&A landscape remains diverse, our survey findings remain consistent year-on-year as buyers look to the most resilient global regions for potential deals.

Demand by Geography



Digital and Consulting Industry

Key Takeaways

1. Data analytics remains a critical priority for Knowledge Economy buyers with almost nine-in-ten respondents ranking it as a top M&A focus

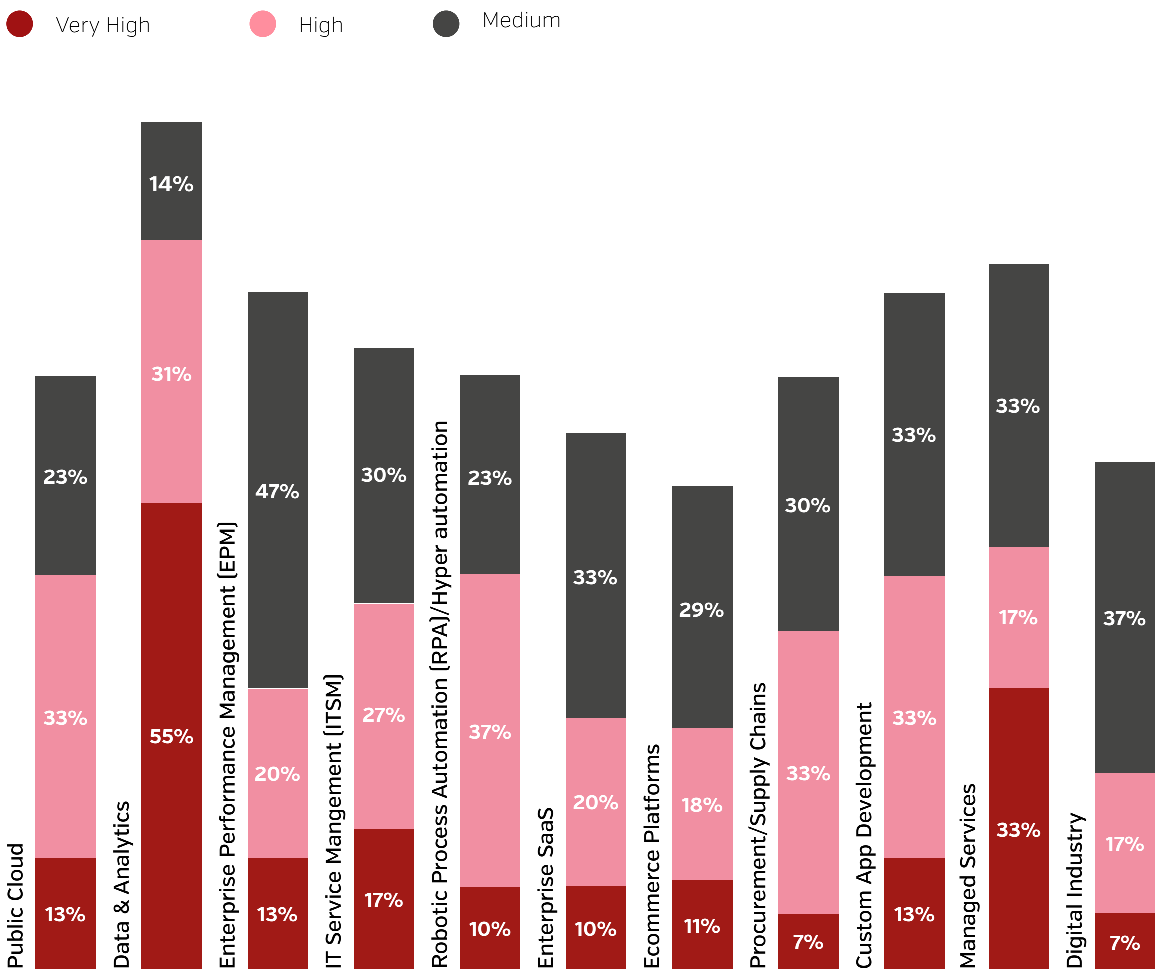
2. There is strong buyer interest across a wide range of digital services, with particular appetites for public cloud, custom app development and managed services

3. Interest in consulting practices remains moderate but broad, with operational, corporate strategy and ESG/ sustainability consulting the main areas of interest to buyers

Interest in the digital services M&A landscape looks buoyant heading into 2025, with strong buyer interest across core sectors including data analytics, custom application development and managed services. Data analytics continues to be a standout priority, with all respondents showing some level of interest and 86% ranking it as a 'high' or 'very high' acquisition focus.

With hotspots across multiple platforms like Anaplan, Salesforce, ServiceNow and Atlassian, this level of interest reflects the strategic importance of data to modern business and its importance in unlocking competitive advantage.

Buyer interest across Digital service lines in the next 2-3 years



"Data analytics remains essential among buyers in the IT Services sector, and we expect to see AI unlock further opportunities in this space next year," says Sylvaine Masson, Managing Director, Head of APAC at Equiteq. "However, at the same time, there's also some wariness around AI because while many actors see it as a big opportunity and want to ride the wave, there's also a lot of talk about AI's impact on the relevance of certain digital services going forward."

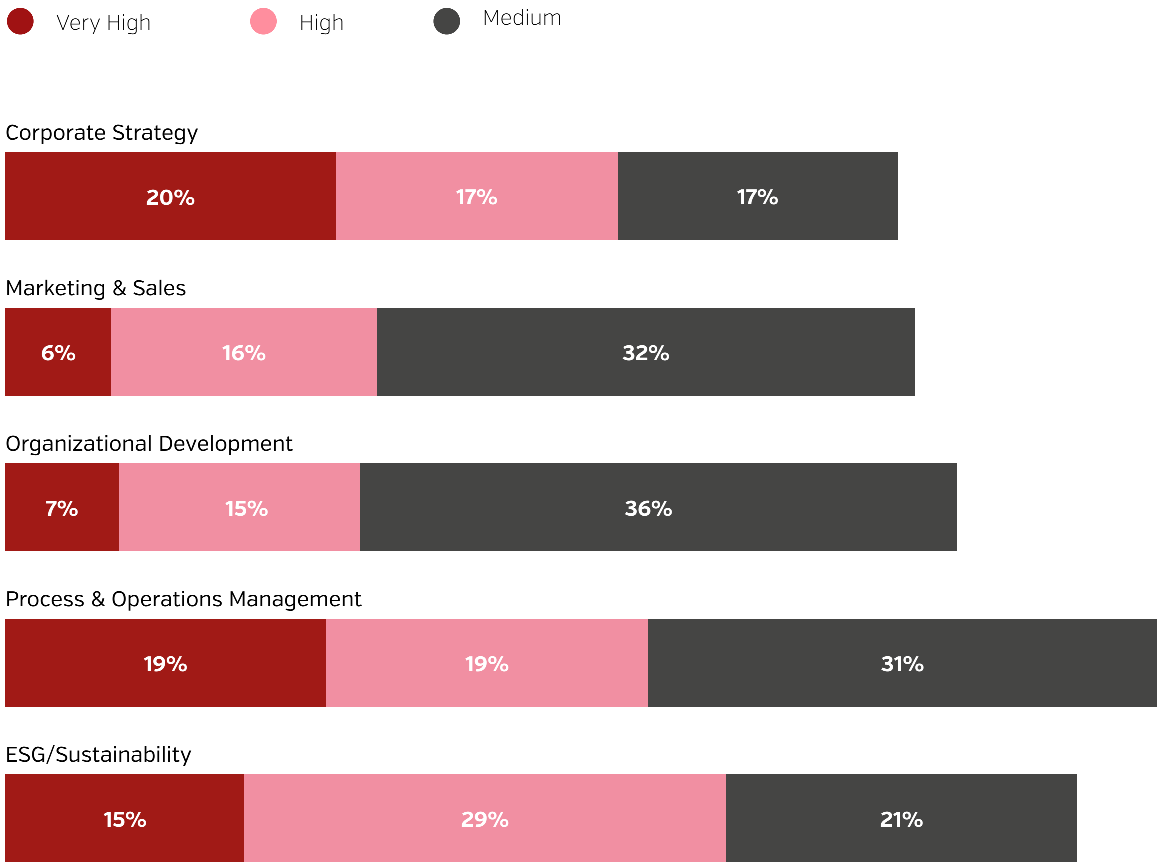
Demand for managed services (50%) and custom app development (46%) also remains robust year-on-year, driven by enterprises' need for secure, scalable and tailored solutions across their operations. Cybersecurity, in particular, remains an essential investment opportunity for acquirers amid escalating digital threats.

"Cybersecurity is non-negotiable - you have to spend to protect the business," says Monck. "If these kinds of investments aren't prioritized, firms are taking enormous risk. Add to this the recurring revenue models associated with managed services providers and this makes these sorts of companies very attractive for buyers."

Our findings also show a broadening of buyer interest in enterprise performance management (EPM) (33%) and the digital industry spaces (24%), as businesses further prioritize efficiency and agility amid lingering economic headwinds.

> Data analytics remains essential among buyers in the IT Services sector, and we expect to see AI unlock further opportunities in this space next year

Importance of Potential Acquisition Evaluation Factors



Beyond digital service lines, consulting practices continue to see more moderate interest from acquirers. Almost two-thirds of respondents (61%) say they hold some level of interest in process and operation management consulting, followed closely by corporate strategy (52%) and sustainability (46%) consulting.

Our findings reflect a consulting market driven by the need for specialized skills in more complex and regulated industries, such such financial services or healthcare, rather than for more generic digital transformation projects.

Data Analytics

Technology consultancies specializing in data analytics remain in very high demand among buyers, with Databricks (96%) and Snowflake (91%) continuing to dominate interest.
The broad-based appetite for analytics services providers reflects the critical role of data in driving strategic decision-making and operational efficiency.

"What's interesting is that because of consolidation in both the Snowflake and Databricks ecosystems there is now a scarcity of scalable, pure-play consultancies, leaving mostly smaller, fragmented service providers," says Cooper. "While they are very attractive ecosystems, buyers are having to be more patient and flexible in their choice of platform, or pursuing some other, larger data-focused business that already has a partnership with Snowflake or Databricks."

As services providers look to meet the growing complexity of enterprise data demands, we are also seeing considerable buyer interests in ecosystems around SAP HANA (51%) and Tableau (49%), as well as less mature platforms like Boomi (42%). This spread of interest underscores the dynamism of the data analytics space and the depth of opportunity for buyers.

"Snowflake and Databricks may dominate the conversation in the data analytics world, especially among private equity, but our findings also suggest there are some interesting ebbs and flows in terms of the ecosystems that are proving attractive," adds Gannon. "This is a reflection of the significance of the data analytics sector and one that means that it will remain a cornerstone of Knowledge Economy M&A in 2025."

Top three Data Analytics ecosystems of interest

*Shown relative to maximum buyer interest across all ecosystems.

Noteable deals

Deals advised by Equiteq

Hso acquisition of Aware AN Hso COMPANY

marlabs acquisition of onebridge a marlabs company

INTERLOCK EQUITY investment in evolv consulting. evolved.

SYNTAX NOVACAP acquisition of solutions beyond technologies

Capgemini acquisition of Syniti

GRYPHON INVESTORS investment in phData

Enterprise Performance Management (EPM)

Enterprise Performance Management (EPM) ecosystems are experiencing increased attention as technology spending shifts toward empowering the office of the CFO. Anaplan has emerged as the leading platform in this space with 62% of buyers saying they had an interest in the platform and its ecosystem. Acquirers also showed a strong preference for both the OneStream (49%) and Oracle Hyperion (47%) platforms too. In turn, we have seen interest in both Workday and SAP soften significantly compared to last year's findings.

"The survey findings reflect the ongoing evolution of the tech and business services market that we've seen over the past decade," says Cooper. "In today's market what we're seeing is the digitization of the office of the CFO. Finance leaders play an increasingly important role in tech spend and this is why we see ecosystems around Anaplan and OneStream becoming more interesting areas for buyers."

Both private equity and strategic buyers are fueling activity in the EPM space by targeting tech services providers that can support and transform the finance function.

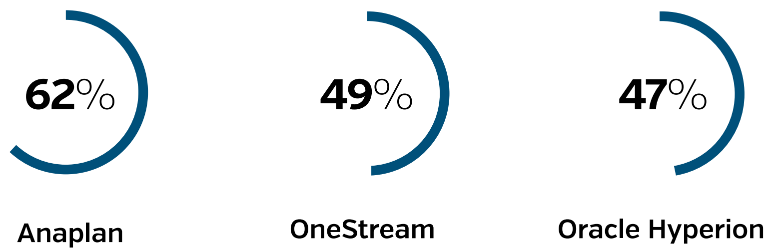
While other areas like ERP modernization and HR technology remain of interest, the increasing prominence of the CFO's domain reflects a strategic shift in enterprise technology priorities toward improving financial oversight and operational efficiency.

"We saw a bump in interest among respondents to last year's survey that reflected a little wave of interest in Workday driven by the digitization of HR but this seems to have softened," adds Cooper. "Instead, buyers are now responding to the need for robust finance and forecasting insights that can help businesses navigate complex environments."

The strength of interest in EPM highlights its growing importance to the digitization of enterprise processes and within the broader technology services market.

Top three EPM ecosystems of interest

*Shown relative to maximum buyer interest across all ecosystems.



Noteable deals

Deals advised by Equiteq

avvale acquisition of REPORTWISE CONSULTING

THOUGHT LOGIC / ENovus inc. acquisition of e|CAPITAL

ACHIEVE PARTNERS investment in ASCEND

superstep capital acquisition of Tru CONSULTING

cenit acquisition of ANALYSISPRIME

Public Cloud

Demand for public cloud services providers, centered on Microsoft Azure (100%), AWS (91%) and Google Cloud Platform (80%), remains very robust, even if interest has moderated slightly year-on-year. All three ecosystems continue to be attractive to buyers, reflecting their role as foundational components of digital transformation initiatives.

“Microsoft Azure, in particular, has had a very strong year, which we can see in the survey responses,” says Kostucki. “I believe this has been driven by the holistic approach that Azure can enable. The Microsoft ecosystem is very broad, the company is a dominant player in Machine Learning and AI, and Azure is a very well-rounded, multi-cloud offering. It’s an attractive suite for acquirers.”

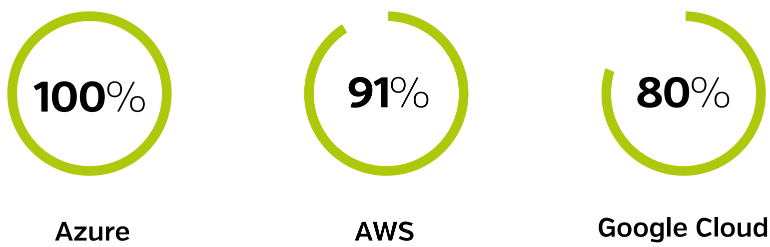
With enterprises in need of more flexible, secure and tailored solutions that meet ever-more complex demands, such well-rounded offerings are increasingly attractive. In turn, we may start to see greater interest in solutions that integrate on-premise and cloud environments.

“While AWS, Azure and GCP remain dominant, there is a bit of a shift towards players that can offer hybrid as well as public cloud,” says Gannon. “We’re seeing Oracle Cloud gain traction among buyers that want to focus more on hybrid cloud environments than purely public cloud.”

As public cloud adoption reaches critical mass, the emphasis is moving from pure cloud migration to optimizing and integrating these environments. Although public cloud may be moderating as a top business priority, the shift towards optimization should keep the sector relevant for dealmakers amid growing interest in other emerging technologies like AI and advanced automation.

Top three Public Cloud ecosystems of interest

*Shown relative to maximum buyer interest across all ecosystems.



Noteable deals

Deals advised by Equiteq

NTT Data acquisition of Niveus

Haven Capital Partners majority recapitalization of TMC

Devoteam / KKR acquired of Ubertas Consulting

CIVC Partners acquired of Datavail

Egen / Recognize acquired of Qarik

CACI acquired of applied insight

Robotic Process Automation (RPA)

Robotic process automation (RPA) technologies continue to hold moderate to high interest among buyers, with key players like ServiceNow Intellibots (58%), UiPath (51%) and Appian (49%) leading the pack. However, the enthusiasm that once defined this sector, particularly for UiPath, has softened as generative and agentic AI solutions take center stage in business process transformation.

The RPA landscape has also been affected by the entry of broader enterprise platforms, such as ServiceNow Intellibots and Microsoft Power Automate. The enhanced channel reach and functionality of these platforms is proving attractive to enterprises and has created significant competition for pure-play RPA providers.

"We've seen larger companies, such as ServiceNow, actively invest in the automation suites within their larger product. That has been a key change in the RPA space and created pressure on pure automation products" says Glynn-Smith. "The most attractive companies in the RPA space have broadened their capabilities to focus on what businesses actually do with the automation of tasks and productivity rather than being a pure platform consulting partner full stop."

With platforms that encompass digital transformation, data management and productivity optimization now emerging as leaders, those that remain narrowly focused on automation services face potential challenges in maintaining relevance. A further consideration lies in the fact that while RPA remains an essential tool in enterprise tech, its ability to adapt to the potential impacts of AI will determine its long-term role in business operations.

Top three RPA ecosystems of interest

*Shown relative to maximum buyer interest across all ecosystems.

58% ServiceNow Intellibots

51% UiPath

49% Appian

Noteable deals

Deals advised by Equiteq

ASHLING PARTNERS acquisition of reveal group

bakertilly acquisition of ALIRRIUM

Magellan Consulting acquisition of Oligos MagellanPartners

Enterprise SaaS

Demand for enterprise SaaS-focused tech services providers remains strong among buyers, although it has eased from its peak levels of previous years. Major ecosystems like Salesforce (76%), Microsoft (67%) and Oracle (56%) continue to dominate buyer interest, with Oracle surpassing SAP in prominence for the first time in a number of years. This shift perhaps reflects the growing importance of Oracle Fusion Cloud's broad ecosystem of services providers to modern enterprise operations.

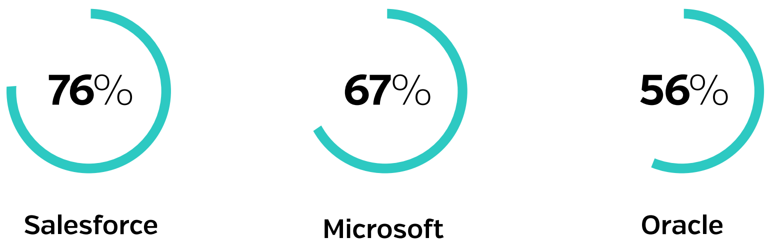
Salesforce, while still pivotal, has responded to lower growth expectations by trying to actively evolve, with its $1.9bn acquisition of Own expanding the company's cybersecurity and data management capabilities.

"Salesforce is still of interest to buyers but it is an ecosystem that has struggled a bit over the past 18 months," says Glynn-Smith. "It's been quite interesting seeing how less specialized ISVs of Microsoft, Oracle and SAP have proven more resilient and able to weather market volatility better than smaller, specialized SaaS ecosystems, simply because they're so big and their installation base is so significant."

Further buyer interest in the enterprise software and SaaS segment is being fueled by the evolving office of the CFO which is shaping M&A theses across the Knowledge Economy. The need for a modern tech stack that combines advanced tools for financial efficiency and automation is a fundamental driver of software M&A in the current market.

Top three Enterprise Saas ecosystems of interest

*Shown relative to maximum buyer interest across all ecosystems.



Noteable deals

Deals advised by Equiteq

Bowmark Capital acquisition of transparity (transformation • partnership • clarity)

ZS acquisition of digital additive

rallyday partners investment in kicksaw

IBM investment in accelalpha (an IBM Company)

VSS acquisition of lane four

skyform investment in Rolling Arrays

IT Service Management

Buyer interest in ITSM-focused consultancies shows strong growth in this year's survey, with ServiceNow being the stand-out ecosystem. Almost all (96%) buyers expressed some level of interest in ServiceNow, compared to 57% last year, but buyer demand also increased for Atlassian (52%), and across a portfolio of other technologies.

"ITSM platforms have been expanding beyond their traditional IT domain into the broader Enterprise Service Management ('ESM') space, as well as harnessing Generative AI, " Kostucki explains. "This is making technology partners more attractive as acquisition targets both in terms of their increased growth potential, and as a route for buyers to access favorable trends in digital transformation worldwide."

ServiceNow in particular has had success with expansion across its enterprise clients, driving opportunity for its ecosystem, while the landscape of partners remains fairly fragmented across all scales - a clear recipe for M&A activity.

"We've seen accelerated consolidation from strategic acquirers and financial investors in the ServiceNow partner ecosystem", says Kostucki. "To date, a majority of the transactions have been in North America, with a number of private equity firms active in rolling-up the regional landscape through buy-and-build strategies. This year's survey results suggest a continuation of that trend, and the potential globalization of consolidation as partners in Europe and APAC scale."

Top Two Technology Platforms

*Shown relative to maximum buyer interest across all ecosystems.

ServiceNow Atlassian

Noteable deals

Deals advised by Equiteq

eficode / INVESTCORP acquisition of JODOCUS (NOW PART OF EFICODE)

valiantys acquisition of CONTEGIX

KEENSIGHT CAPITAL investment in PLAT4MATION

Insight investment in infocenter (An Insight company)

NTT DATA acquisition of Aoop (An NTT DATA Company)

AC3 investment in jds (an AC3 company)

Custom Software Development

Custom application development remains a core focus for buyers and investors, with robust interest across modernization (93%), application development (91%) and cloud devops (80%). While our survey findings suggest the segment is slightly lower in terms of priority year-on-year, its strategic importance persists as businesses continue to navigate digital transformation and operational optimization.

Modernization dominates the agenda, with firms prioritizing the transition of legacy systems to cloud environments. Microsoft-related modernization, particularly Azure integration, continues to drive activity, underscoring the importance of updating infrastructure to meet evolving business needs.

"The next wave of software development is really all around modernization, how businesses consume the cloud and use applications in the cloud," says Glynn-Smith. "It's about being forward-thinking and ensuring an application can meet the requirements of the business today, for example migrating payroll systems securely to the cloud while addressing regulatory changes, rather than those the requirements that may have existed a year ago when the app was being built."

Geographic factors are also influencing the custom app market's dynamics with Latin America now a hotspot for talent acquisition, offering cost-effective and highly skilled development resources that can deliver to U.S. markets.

"A lot of people are trying to find and acquire custom dev shops out of Latin America, especially while the situation in Ukraine persists," notes Gannon. "But until the situation in that traditional nearshoring hotspot is resolved, I think we will see acquirers continue to focus more so on LATAM for the skillsets and access to the U.S. market."

Top three Custom Software Development ecosystems of interest

*Shown relative to maximum buyer interest across all ecosystems.

93% Modernization

91% Application

80% Cloud DevOps

Noteable deals

Deals advised by Equiteq

CADMUS acquisition of ventera

Grid Dynamics acquisition of JUXT A GRID DYNAMICS COMPANY

NORTH HIGHLAND acquisition of THE BRIDGE

ASTEK acquisition of Aspire

MML acquisition of RAVL Build. Better.

Managed Services

M&A interest in Managed Services has returned to near-peak levels, driven by broad buyer appetites across multiple categories. Cybersecurity (89%) and Application Managed Services (AMS) (89%) remain the standout hotspots, reflecting their fundamental role in modern IT strategies. Both have seen a significant jump in interest among buyers following a moderation in last year's survey. This return of demand reflects the sector's resilience, even amidst shifting economic conditions.

"The need to safeguard digital infrastructure is essential so it's no surprise that cyber demand has been very resilient over the past 18 months," says Glynn-Smith. "It's a fundamental requirement and many traditional IT infrastructure providers are now acquiring cyber capabilities to integrate them into their offerings."

This trend aligns with the need for managed services firms to modernize and differentiate their portfolios, as clients look for all-in-one solutions. This is also fueling buyer interest in AMS too with enterprises in need of the expertise to ensure efficiency and reliability when migrating to and working in the cloud. The necessity of such partners is fueling interest among buyers.

"For dealmakers, there is nothing better than recurring revenue streams and managed services companies offer very strong recurring revenue opportunities," says Masson. "You can achieve good margins while also having visibility of future revenue, so deals for managed services firms are attractive for both private equity and strategics because of that stability and growth potential. I expect this to further strengthen in 2025."

Top three Managed Services ecosystems of interest

*Shown relative to maximum buyer interest across all ecosystems.

Noteable deals

The 20 MSP acquisition of Collabrance

Evergreen Services Group acquisition of IT Builder

Evergreen Services Group acquisition of certum

Evergreen Services Group acquisition of CIS

magna5 acquisition of

New Charter Technologies acquisition of Dynamic Edge

Digital Industry

As a new digital service line in this year's Buyers Report survey, it is clear that interest in digital industry technology services providers is steadily rising, fueled by the reshoring of U.S. manufacturing and the need for modernized factory operations. Many U.S. facilities lag behind global standards, creating significant demand for solutions that integrate IT and operational technology, such as PTC's ThingWorx (44%) or IBM's Maximo (36%).

"PTC's ThingWorx is the marquee software for IIoT (Industrial Internet of Things), enhancing not only remote monitoring and maintenance but allowing for predictive and optimized solutions," says Cooper. "It is a solution that is proving essential for enhancing operational efficiency, which I think is testified to by its wide adoption footprint across multiple industries such as healthcare, retail and food and beverage, among others."

Given the impact of disruption, cybersecurity remains paramount as IoT adoption grows, with a number of high-profile attacks exposing the vulnerabilities of such systems.

"Cybersecurity is probably the most important aspect of the whole IT/OT convergence," adds Cooper. "We can see the impact a breach can have, when a prominent food manufacturer had its factories hacked and it led to U.S.shelves being empty of particular food products for a month or maybe more. This only exacerbated the importance of security within IT solutions on the plant floor"

Top two Digital Industry ecosystems of interest

*Shown relative to maximum buyer interest across all ecosystems.

PTC/ThingWorx

IBM Maximo

Noteable deals

GALANTHUS PARTNERS

acquisition of

activeG

BPD ZENITH

acquisition of

eam

Management Consulting

Interest in consulting practices remains somewhat subdued with buyers most interested in process and operations management consulting (61%), followed by strategy (53%) and ESG/sustainability (46%) consulting.

"While the first half of the year was slow globally, we've seen improvements in the second half and it feels like there is light at the end of the tunnel for consulting firms," says Masson. "It's still a cautiously optimistic market and we can see this manifest in the deal structures for consulting firms, which now include bigger deferred or earn-out components to mitigate risk."

Despite the more moderate market, consulting firms with specialized expertise - particularly in regulated industries such as financial services and healthcare - can still attract attention.

"Firms specializing in regulatory and compliance consulting are proving attractive due to their deep sector knowledge and ability to navigate complex regulations," says Glynn-Smith. "This kind of consulting remains resilient, while another interesting niche is in engineering where we see consultancies thrive in managing the operations, safety and sustainability of large-scale infrastructure projects."

In the wider consulting market, RevOps consulting, while a secondary focus, appears to be gaining some traction among buyers as part of the wider finance function trend powering dealmaking right now.
In short, though generic transformation projects face headwinds, specialized consulting practices continue to find favor in a competitive and evolving market.

Top three Digital Consulting ecosystems of interest

*Reflecting 'very high', 'high' and 'medium' buyer interest.

61%	53%	46%
Process & Operations Management	Corporate Strategy	ESG / Sustainability

Noteable Management Consulting deals

Deals advised by Equiteq

EY acquisition of EY denkstatt

VSS investment in TREYA partners

ankura acquisition of lumeri AN ANKURA COMPANY

SLR acquisition of Malk PARTNERS

KRESK DEVELOPPEMENT investment in Citwell

WOOLPERT acquisition of Murphy GEOSPATIAL

CAMBRIDGE CAPITAL acquisition of S|T|A|T

Buyer interest across all major technology ecosystems

This year's survey collected detailed data on buyer and investor interest across major technology ecosystems. This illustration shows the level of interest relative to the maximum buyer interest across all ecosystems.

Evaluating Deals

Key Takeaways

1. Evaluation factors remain evergreen and strongly rooted in the leadership and cultural alignment needed for sustainable growth

2. Revenue growth and EBITDA are the core evaluation metrics for private equity, while strategic buyers also look for synergies across markets and services

3. AI readiness and resilience are wider considerations, as buyers contend with the impact of disruptive technologies on businesses

When evaluating potential acquisition targets, both private equity and strategic buyers remain rooted in the fundamentals, emphasizing the importance of quality leadership, financial growth, and cultural alignment. Each continues to play an essential role in driving growth and delivering returns, particularly in today's competitive market and uncertain economic climate.

Private equity investors prioritize management quality above all else, followed closely by revenue growth, profit margins and cultural fit. These metrics, cited as 'high' or 'very high' by almost all respondents, remain evergreen. Strategic buyers share this focus but adopt a broader lens, weighing cross-selling opportunities, cultural fit and wider integration potential across service lines, geographies, and end markets. This reflects their need to unlock synergies and ensure seamless alignment across operations.

"Growth is critical because everyone's chasing it - and that's highly unlikely to change," says Cooper. "Buyers want deals where metrics outperform their existing business, but those results are powered by cultural fit and leadership buy-in. Success hinges on how successfully the businesses can collaborate, create a shared vision and align strategies."

"The strength of the management team is absolutely key, especially if the company wants to enter a new market or gain new capabilities," adds Masson. "In turn, we've seen a bit of a trend emerge around buyers allocating a higher proportion of equity to the management team, especially in cross-border deals. It gives them more skin in the game and can be a strong motivating factor to stay and drive results."

"When evaluating deals you ultimately can't get away from revenue growth and EBITDA," adds Cooper. "I think that EBITDA has regained focus since the leniency we saw for low margins in 2021-22 faded. Together, they remain the key factors shaping deal metrics."

Further important considerations among dealmakers can include recurring revenue streams, robust pipelines, and the resilience of business models against AI disruption.

"Buyers are increasingly probing how AI could impact their long-term competitiveness," adds Masson. "This is a topic we're encountering more and more, and it is something I believe entrepreneurs should get ready for because it is a question that's likely to be asked of them."

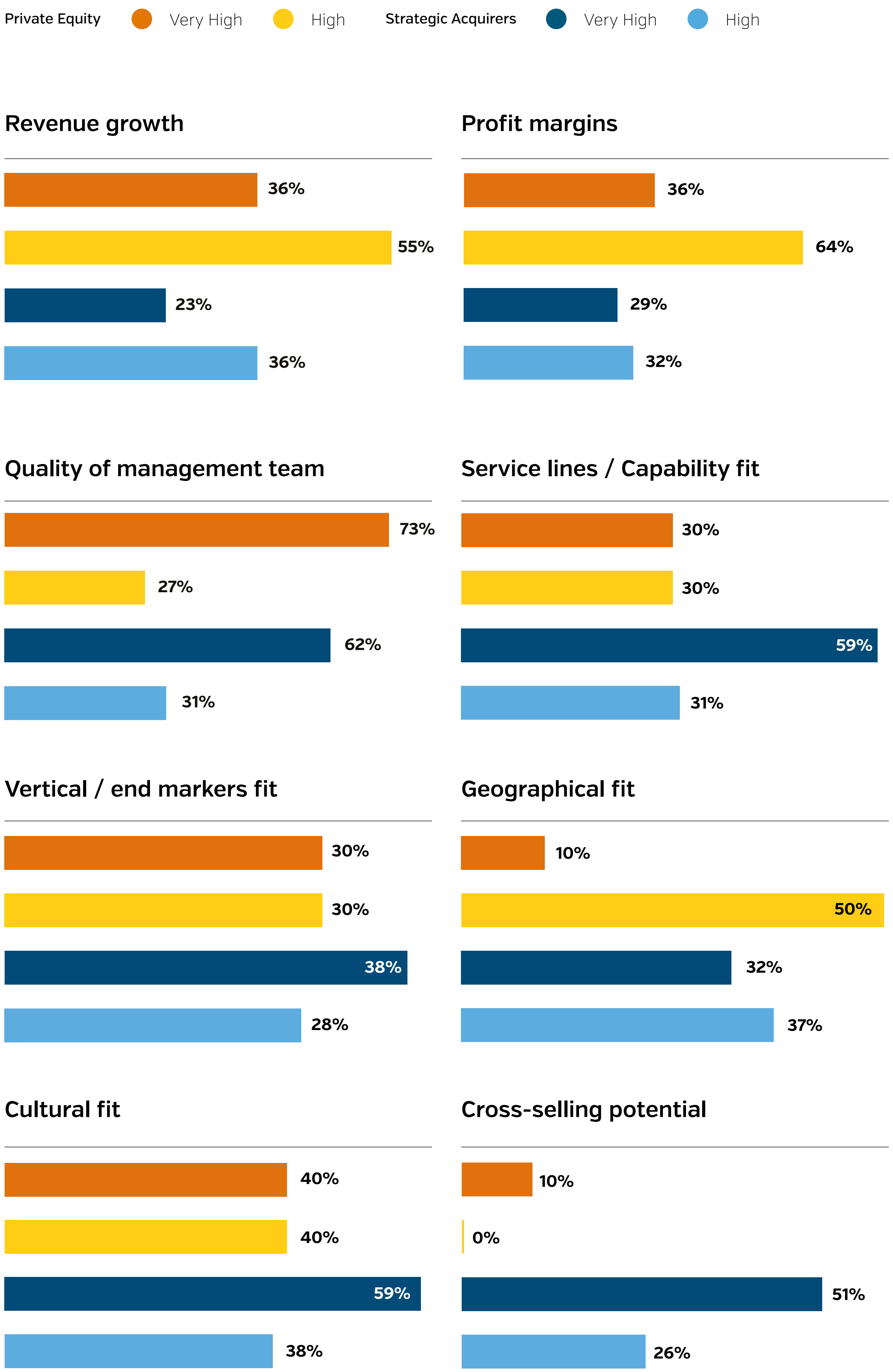
Overall, the consistency of evaluation criteria continues to hold steady, as it has done throughout each of our annual Buyers Report surveys with M&A in the Knowledge Economy landscape rewarding businesses that balance growth, profitability, and adaptability. The continued prioritization of management and financial growth metrics underscores the enduring importance of these fundamentals, even as markets and technologies evolve.

Evaluation Criteria (Long Term Averages to 2024)

	Strategics			Private Equity		
	Min	Max	Mean	Min	Max	Mean
Revenue Growth	9%	12%	10%	9%	14%	12%
EBITDA Margin	12%	15%	13%	11%	16%	14%
Gross Margin	26%	33%	30%	36%	38%	37%
Revenue per Employee $k	170	216	191	120	269	204
Retention Rate	80%	84%	82%	36%	84%	80%
%Permanent Staff	78%	82%	79%	79%	82%	79%
%Share Ownership	15%	27%	19%	15%	27%	21%

> The strength of the management team is absolutely key, especially if the company wants to enter a new market or gain new capabilities

Importance of Potential Acquisition Evaluation Factors (Long Term Averages to 2024)



Valuing and Structuring Deals

Key Takeaways

1.

The structure of deals remains largely stable, with upfront cash averaging just under 60%, complemented by performance-based earn-outs linked to EBITDA or revenue

2.

Private equity is leaning on a higher proportion of equity to bridge valuation gaps, shifting more risk to sellers

3.

Buyers' expectations for multiples have widened year-on-year, reflecting the premium value commanded by resilient niche players

Valuation expectations and deal structures in M&A transactions remain relatively stable year-on-year, reflecting a market that has settled off record highs but continues to outperform recent lows. Both strategic acquirers and private equity firms demonstrate consistent approaches to deal-making, emphasizing upfront cash - just under 60% of total consideration - complemented by deferred earn-outs tied to EBITDA or revenue performance.

However, compared to last year's findings, acquirers in the private equity world seem to be leaning towards utilizing a higher proportion of equity in lieu of a deferred consideration, with the practice seeing a modest uptick year-on-year.

"We've observed a slight increase in earnouts being used as a proportion of total consideration, which can help bridge valuation gaps without lowering the overall price," says Kostucki. "By changing the ratio of upfront payment from, say, 70% to 50%, buyers can reduce the level of risk they might assume otherwise."

Private equity deals also tend to favor shorter earn-out periods - averaging 1.5 years compared to 2.3 years for strategics - reflecting investors' preference for accelerated returns and tighter control. Overall, though, we have seen earn-out periods stabilize at a weighted average of 2.1 years, reflecting a leveling off after declining for several years in a row.

> "Some sellers, facing challenges, are accepting lower prices, while more resilient companies in niche sectors remain highly valued

Valuation multiples tell a similar story of relative stability, with multiples remaining in the 9-10x EBITDA range for targets growing at 10-20% annually, reflecting continued demand for mid-tier performers with reliable scalability. However, a widening spread in expectations is evident, particularly for high-growth targets exceeding 30% annual growth. These businesses, once commanding premium multiples, have seen slight declines in valuations.

"It's true that as growth rates have slowed, valuations should follow but the reality is mixed," says Glynn-Smith. "Some sellers, facing challenges, are accepting lower prices, while more resilient companies in niche sectors remain highly valued - sometimes as much as during peak market conditions. I think this is what has led to the widened range of valuations we're seeing today."

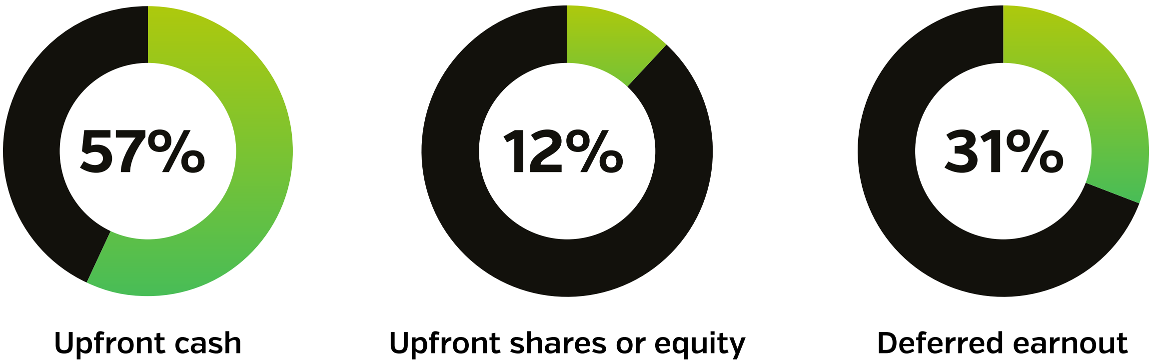
The retention of key personnel also remains a fundamental transaction success factor among dealmakers, particularly for strategic acquirers. While not used on its own but as part of wider earn-out agreements, it serves to highlight the importance of both human capital and cultural alignment to M&A in the Knowledge Economy.

"When you make an acquisition it's important to try and keep intellectual capital and client knowledge in the company," says Kostucki. "Retention is less about immediate financial results and more about locking in the talent that drives a business's growth trajectory."

As the Knowledge Economy M&A landscape continues to mature, deal structures reflect the need to address valuation pressures while retaining flexibility to reward performance. The stability observed this year offers a reassuring counterpoint to turbulence we have seen in the past, highlighting a more measured and strategic approach to deal-making.

> The stability observed this year offers a reassuring counterpoint to turbulence we have seen in the past

Buyer expectations of deal structure in 2025

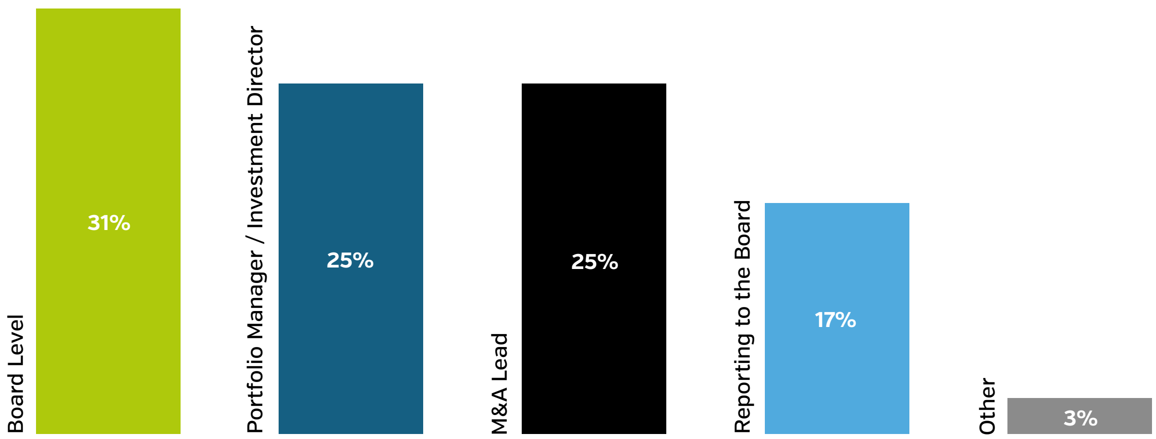


Buyer expectations of EBITDA multiples in 2025

	2025 bottom	2025 top	2024 bottom	2024 top	2023 bottom	2023 top	2022 bottom	2022 top
Not growing	4.9x	5.7x	4.8x	5.5x	5.3x	6.1x	5.1x	5.9x
Growing 0-10%	6.6x	7.5x	6.5x	7.4x	7.0x	8.0x	6.6x	7.5x
Growing 10-20%	8.8x	9.8x	8.5x	9.5x	9.0x	10.0x	8.9x	9.9x
Growing 20-30%	10.5x	11.6x	10.4x	11.4x	10.8x	11.9x	10.5x	11.6x
Growing 30%+	11.1x	12.6x	11.4x	12.5x	11.9x	13.0x	11.1x	12.2x

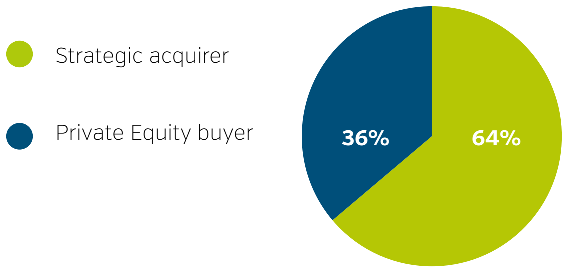
Demographics

Seniority

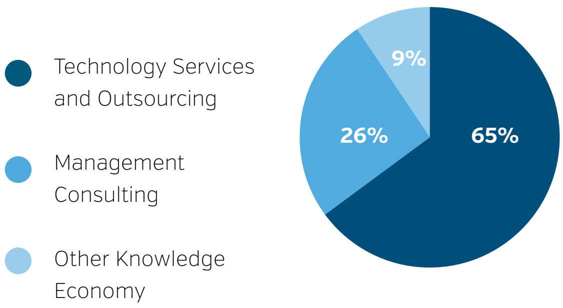


Note: Numbers rounded so may not total 100%

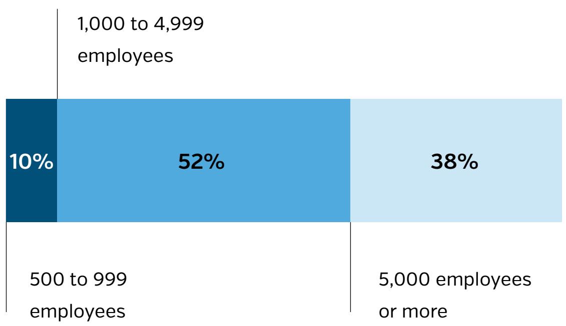
Type of buyer



Primary sector of focus

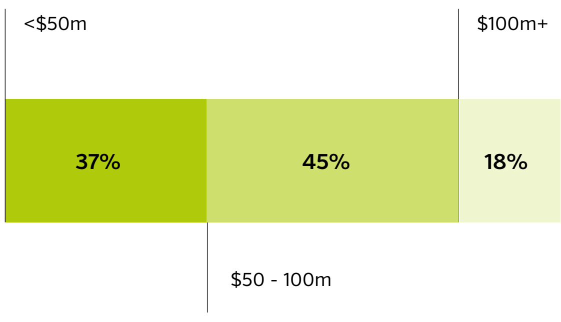


Firm size (Strategics)



Note: Numbers rounded so may not total 100%

Interest across deal sizes (Private Equity)



Note: Numbers rounded so may not total 100%

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Meet Equiteq

We are the leading global investment bank for the Knowledge Economy

Equiteq is the leading specialist in Knowledge Economy investment thanks to our first-hand insight and research, our close relationship with the key acquirers in the sector, and through the deals we complete.

Who are we?

Equiteq is a fast-growing, global M&A specialist. We sell the world's smartest knowledge-based and technology firms. Being close to active buyers and investors helps us to understand their acquisition needs and this informs how we can add value to founders and shareholders who want to sell their businesses.

Why Equiteq?

We are the recognized specialist advisor in the Knowledge Economy where intellectual property has historically been delivered through people in consulting firms, but more and more is delivered in combination with technology.

Our benchmarking studies – produced for the last 15 years – have become the industry standard and are supported with detailed insight reports on a range of disciplines within our sector.

Our aim

It's simple - our goal is to bring you to the smartest deal.

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Equiteq Services

Our clients sit at the heart of every transaction we advise upon, whether helping you to dramatically increase your return on M&A or by helping you to achieve the best possible valuation.

Our services in the Knowledge Economy cover the following key areas:

Sell Advisory

Equiteq supports owners of innovative knowledge-based and technology firms seeking to realize equity value. We advise on all aspects of M&A, from helping ambitious owners find capital to inject into their business to accelerate growth, through to a full company sale. We use our unparalleled understanding, experience and access to find you the right buyer or investor, at the best price and terms.

Buy Advisory

Equiteq supports Strategic Acquirers and financial sponsors seeking to dramatically increase their returns on M&A in knowledge-based and technology services businesses. After 15 years exclusively advising owners of firms towards exit, we have the assets, systems, and experience to help you enhance and execute your M&A strategy.

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We work with corporations to meet their divestiture objectives, including disposal of non-core or underperforming assets that either have synergistic potential within other businesses or could form part of a private equity portfolio investment. After 15 years exclusively advising owners of firms in the sector towards exit, Equiteq has the people, processes, sector insight and market access to deliver your transaction at the right price and with preferred deal terms.

Strategic deal origination

We work with Strategic Acquirers and financial sponsors to develop detailed, insight-driven plans for investment into new markets.
By leveraging our sector insight and purpose-built methodology, we can rapidly convert an attractive investment thesis ‘on paper’ into an actionable plan to realize the opportunity, helping you to exploit key innovation trends through a less crowded, lower risk route.

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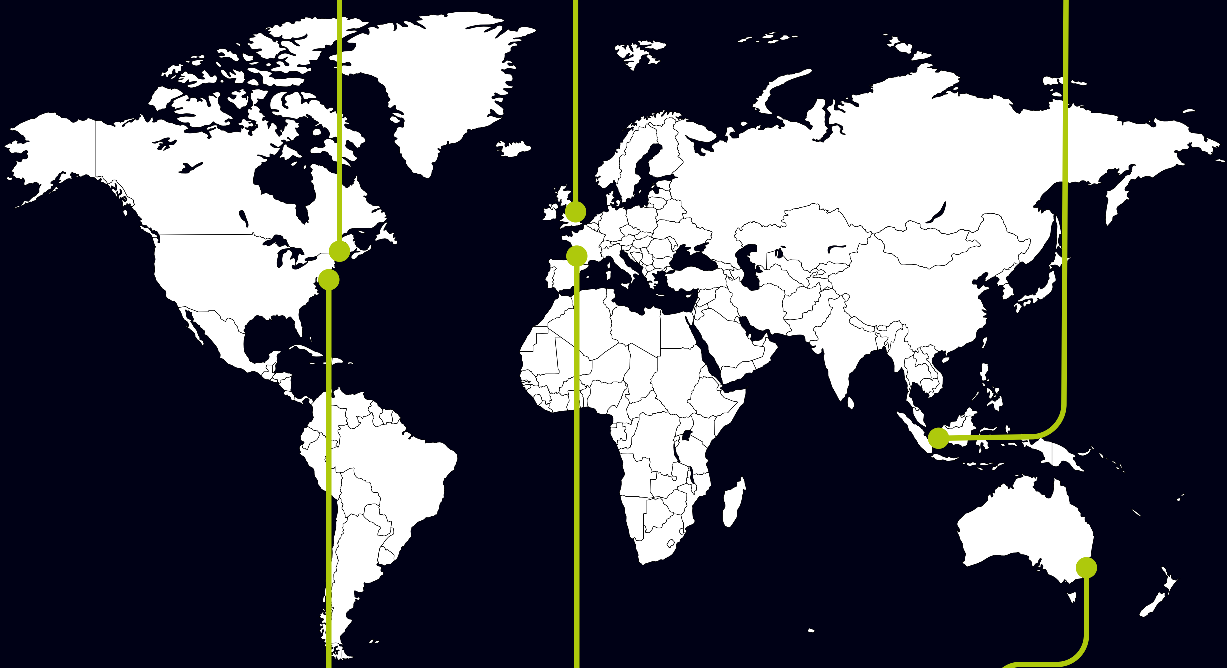

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