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Valuation & Financial Advisory | Investment Banking

**INDUSTRY UPDATE
BUSINESS SERVICES
Q1 2026**

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Key Trends

- **AI-Native Delivery Reframes the Deal Thesis:** Sponsors and strategics are paying up for business services platforms with AI and automation already embedded in delivery – not promised – favoring measurable productivity, margin expansion, and defensible recurring revenue.
- **Consolidation Broadens Beyond Traditional Outsourcing:** Buy-and-build activity is accelerating into cybersecurity, compliance, managed IT, and regulated BPO subsegments, where scale, mission-criticality, and recurring contracts continue to attract premium multiples.

Market Overview

- Stock markets split in Q1: **service businesses and defensive sectors held up**, while companies more exposed to borrowing costs and economic swings sold off as markets turned turbulent.
- Mega-deals lifted aggregate value to the strongest Q1 since 2021, while overall deal count and middle-market volume declined.
- Fed **paused** after 75bps of late-2025 cuts, holding 3.50-3.75% as sticky inflation and a cooling labor market reinforced a data-dependent stance.

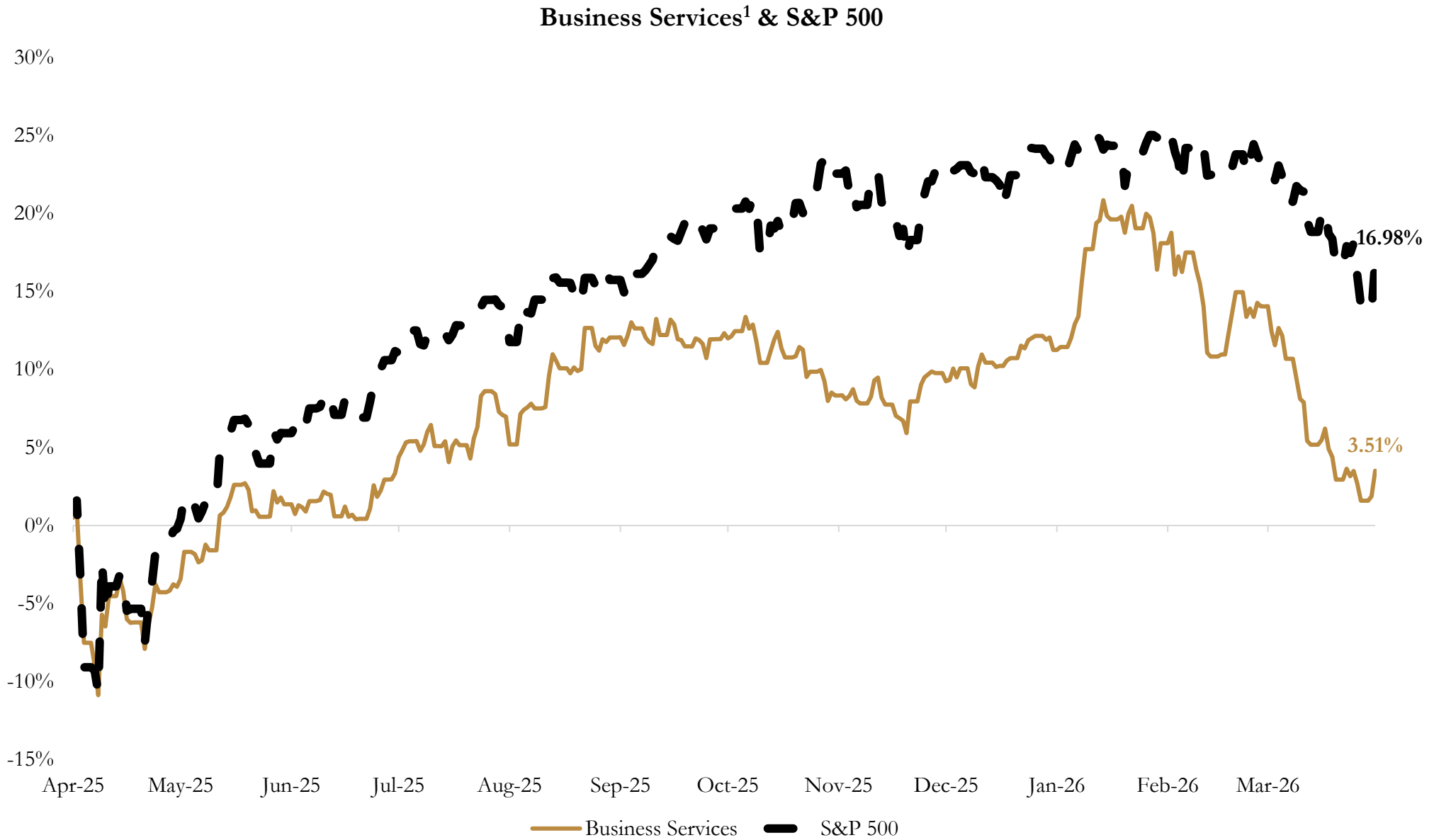
External Drivers

- Corporate sentiment **gradually improved** on easier financing, though tariff and geopolitical risk kept buyers selective.
- AI and automation **moved from theme to thesis**, with sponsors underwriting deals on tech-enabled delivery and recurring revenue.
- Outsourcing demand **broadened** beyond IT and compliance into cybersecurity, BPO, and other regulated segments.

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Public Market Performance

Sector ETF vs. S&P 500



Source: Capital IQ ¹Due to the lack of a formal Business Services ETF, Houlihan compiled the sector using companies covered in this report.

2 Public Market Performance

Key Financial and Valuation Metrics for Large Industry Operators

(USD in millions, except per share data)

Company Name	Ticker	Valuation Metrics					Financial Metrics			
		TEV	Price at 03/31/26	% of 52 Week High	TEV / LTM Revenue	TEV / LTM EBITDA	LTM Revenue	LTM EBITDA	Revenue Growth	EBITDA Margin
Computer Programming, Data Processing, and Other Computer Related Services										
Alphabet Inc.	GOOG	\$3,949,968	\$286.86	81.9%	9.8x	26.3x	\$402,836	\$150,175	15.1%	37.3%
Apple Inc.	AAPL	\$3,853,393	\$253.79	87.9%	8.8x	25.2x	\$435,617	\$152,902	10.1%	35.1%
Microsoft Corporation	MSFT	\$3,183,471	\$370.17	66.6%	10.4x	18.2x	\$305,453	\$175,259	16.7%	57.4%
Oracle Corporation	ORCL	\$649,596	\$147.11	42.6%	10.1x	23.7x	\$64,076	\$27,441	14.9%	42.8%
International Business Machines	IBM	\$290,215	\$242.39	74.6%	4.3x	18.0x	\$67,535	\$16,118	7.6%	23.9%
Booking Holdings Inc.	BKNG	\$150,305	\$168.41	72.1%	5.6x	14.9x	\$26,917	\$10,110	13.4%	37.6%
Intuit Inc.	INTU	\$115,874	\$432.38	53.1%	5.8x	19.0x	\$20,121	\$6,107	17.2%	30.4%
Adobe Inc.	ADBE	\$99,681	\$243.08	57.5%	4.1x	10.5x	\$24,453	\$9,516	11.0%	38.9%
Automatic Data Processing, Inc.	ADP	\$83,738	\$203.18	61.6%	3.9x	13.5x	\$21,214	\$6,189	6.6%	29.2%
Fiserv, Inc.	FI	\$62,697	\$55.80	24.6%	3.0x	7.1x	\$21,193	\$8,859	3.6%	41.8%
eBay Inc.	EBAY	\$51,482	\$91.02	90.0%	4.6x	19.0x	\$11,100	\$2,714	7.9%	24.5%
Fidelity National Information Services, Inc.	FIS	\$37,267	\$46.91	56.7%	3.5x	11.9x	\$10,677	\$3,139	5.4%	29.4%
Carrefour SA	CA	\$31,982	\$18.34	98.3%	0.3x	7.7x	\$98,422	\$4,170	0.7%	4.2%
Cognizant Technology Solutions Corp.	CTSH	\$27,905	\$61.35	70.5%	1.3x	7.3x	\$21,108	\$3,834	7.0%	18.2%
Tripadvisor, Inc.	TRIP	\$1,505	\$10.66	52.9%	0.8x	10.2x	\$1,891	\$147	3.1%	7.8%

Source: Capital IQ

2 Public Market Performance

Key Financial and Valuation Metrics for Large Industry Operators

(USD in millions, except per share data)

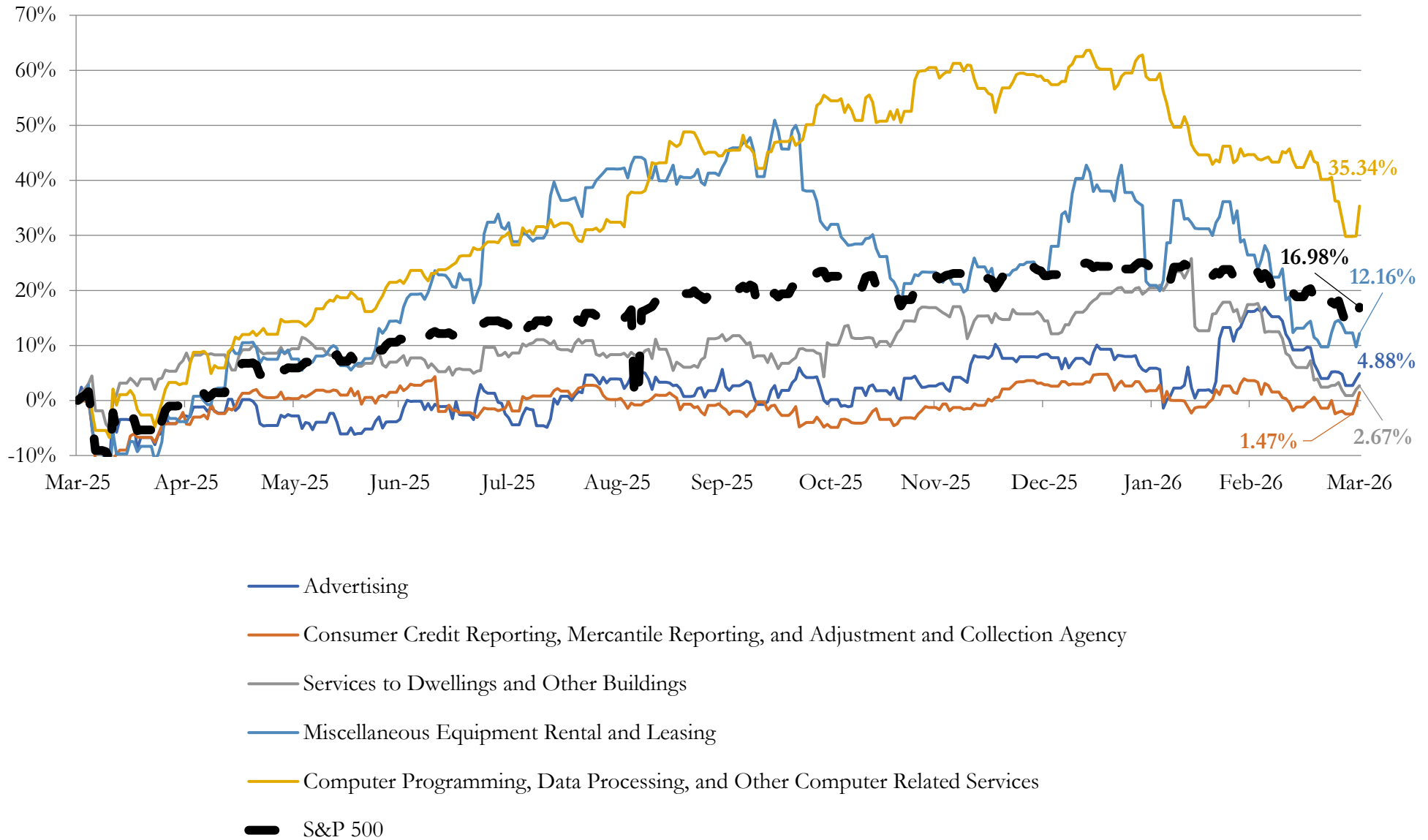
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		TEV	Price at 03/31/26	% of 52 Week High	TEV / LTM Revenue	TEV / LTM EBITDA	LTM Revenue	LTM EBITDA	Revenue Growth	EBITDA Margin
Advertising										
Omnicom Group Inc.	OMC	\$27,647	\$75.31	86.4%	1.6x	9.9x	\$17,272	\$2,793	10.1%	16.2%
Lamar Advertising Company	LAMR	\$18,460	\$126.66	90.6%	8.1x	18.0x	\$2,266	\$1,025	2.5%	45.2%
Clear Channel Outdoor Holdings, Inc.	CCO	\$7,464	\$2.37	97.5%	4.7x	15.6x	\$1,604	\$480	6.6%	29.9%
IPD Group Limited	IPG	\$441	\$3.00	83.7%	1.8x	15.5x	\$247	\$29	6.9%	11.5%
Consumer Credit Reporting, Mercantile Reporting, and Adjustment and Collection Agency										
S&P Global Inc.	SPGI	\$148,543	\$425.34	73.5%	9.7x	19.4x	\$15,336	\$7,644	7.9%	49.8%
Moody's Corporation	MCO	\$86,947	\$436.25	79.8%	11.0x	22.8x	\$7,873	\$3,814	9.0%	48.4%
Equifax Inc.	EFX	\$28,179	\$180.07	64.1%	4.5x	14.6x	\$6,281	\$1,929	9.6%	30.7%
Services to Dwellings and Other Buildings										
Rollins, Inc.	ROL	\$27,308	\$53.41	80.8%	7.3x	32.0x	\$3,761	\$854	11.0%	22.7%
ABM Industries Incorporated	ABM	\$3,992	\$38.52	72.8%	0.4x	9.3x	\$8,875	\$429	5.6%	4.8%
Healthcare Services Group, Inc.	HCSG	\$1,181	\$18.55	80.7%	0.6x	17.3x	\$1,852	\$68	6.5%	3.7%

Source: Capital IQ

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Public Market Performance

Sub-Industry Performance vs. S&P 500



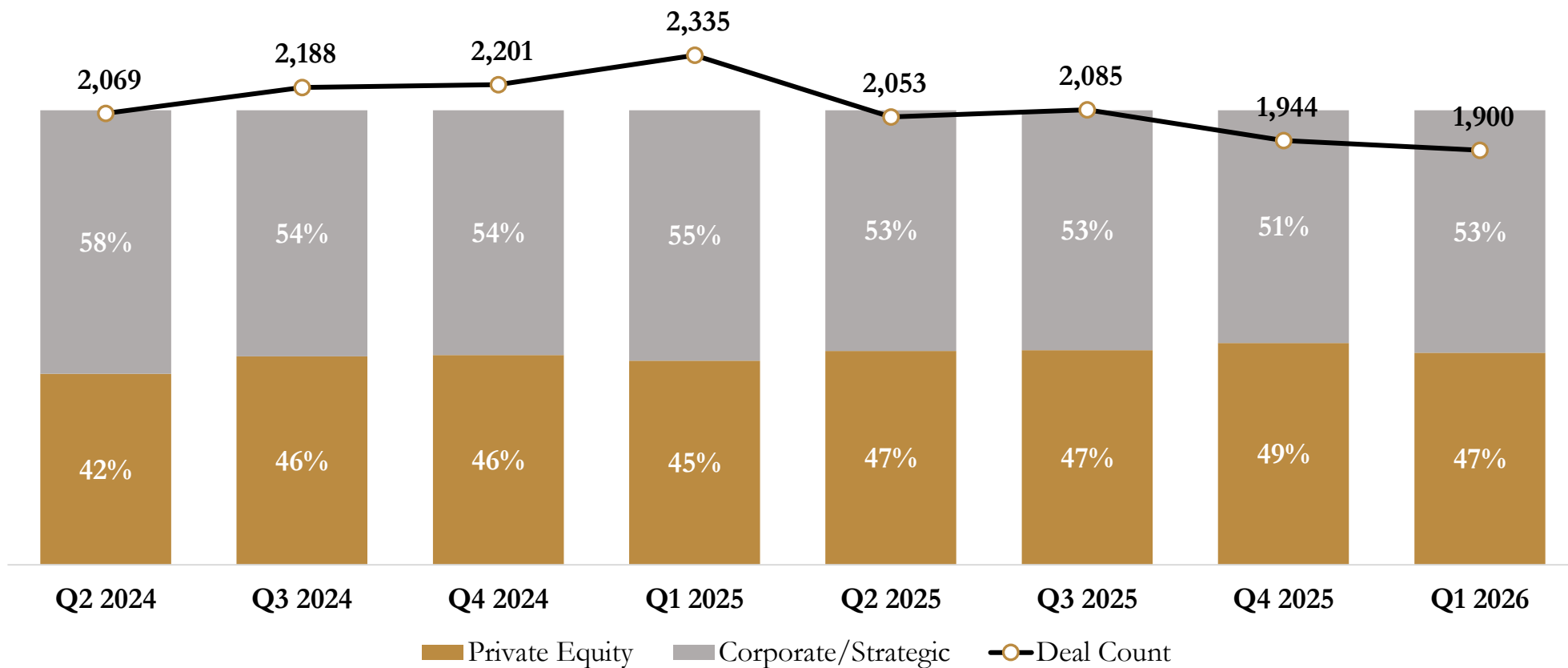
Source: Capital IQ

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M&A Trends

Quarterly M&A Volume (Strategic vs. Private Equity)

Business Services M&A activity declined further in Q1 2026, with total transaction volume falling to 1,900 – the lowest level in the past two years. Following a peak of 2,335 transactions in Q1 2025, deal activity has softened over four consecutive quarters as buyers remained selective amid regulatory uncertainty and uneven economic conditions. Strategic acquirers continued to represent a slight majority of deal volume, while private equity participation remained steady at 47%. Buyer focus increasingly centered on technology-enabled, efficiency-driven service models, with acquirers prioritizing scalable platforms, automation capabilities, and margin resilience.



Source: PitchBook

Note: Transaction data reflects completed U.S. transactions involving Strategic M&A, PE-backed Companies, and Buyout/LBO platform transactions

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M&A Trends

Recent M&A Transactions

(USD in millions)

Close Date	Target	Acquirer	Implied TEV
Feb-26	X.AI LLC	Space Exploration Technologies Corp.	\$250,000
Mar-26	Wiz, Inc.	Google LLC	\$32,000
Mar-26	Confluent, Inc.	International Business Machines Corporation	\$10,763
Feb-26	Celestial AI Inc.	Marvell Technology, Inc.	\$5,992
Jan-26	Chronosphere, Inc.	Palo Alto Networks, Inc.	\$3,350
Dec-25	Moveworks, Inc.	ServiceNow, Inc.	\$2,850
Jan-26	Jamf Holding Corp.	Francisco Partners Management, L.P.	\$2,188
Nov-25	Verint Systems Inc.	Calabrio, Inc.	\$2,058
Dec-25	Integral Ad Science Holding Corp.	Novacap Management Inc.	\$1,837
Dec-25	Securiti, Inc.	Veeam Software Group GmbH	\$1,725
Dec-25	PROS Holdings, Inc.	Thoma Bravo, L.P.	\$1,429
Mar-26	Veza Technologies, Inc.	ServiceNow, Inc.	\$1,250
Jan-26	Metronome Technologies, Inc.	Stripe, LLC	\$1,000
Dec-25	G Treasury SS, LLC (nka:Ripple solution)	Ripple Labs Inc.	\$1,000
Jan-26	Nozomi Networks Inc.	Mitsubishi Electric Corporation	\$949
Mar-26	Keypare industrial connectivity and ThingWorx Internet of Things businesses of	TPG Global, LLC	\$725
Feb-26	Observe, Inc.	Snowflake Inc.	\$636
Mar-26	Proficy® manufacturing software business from GE Vernova Inc.	TPG Capital, L.P.	\$600
Jan-26	Locusview Inc.	Itron, Inc.	\$525
Feb-26	tvScientific, Inc.	Pinterest, Inc.	\$450
Dec-25	MarkMonitor Inc.	Nom-IQ Limited	\$450
Feb-26	Tenna LLC	Deere & Company	\$440
Feb-26	Blackboxstocks Inc.	REalloys Inc.	\$400
Feb-26	Hatchify Inc.	Yelp Inc.	\$270
Feb-26	Synchronoss Technologies, Inc.	Lumine Group Inc.	\$262
Dec-25	Catchpoint Systems, Inc.	LogicMonitor, Inc.	\$250
Mar-26	Signing Day Sports, Inc.	BlockchAIIn Digital Infrastructure, Inc.	\$215
Dec-25	Corellium, Inc.	Cellebrite DI Ltd.	\$200

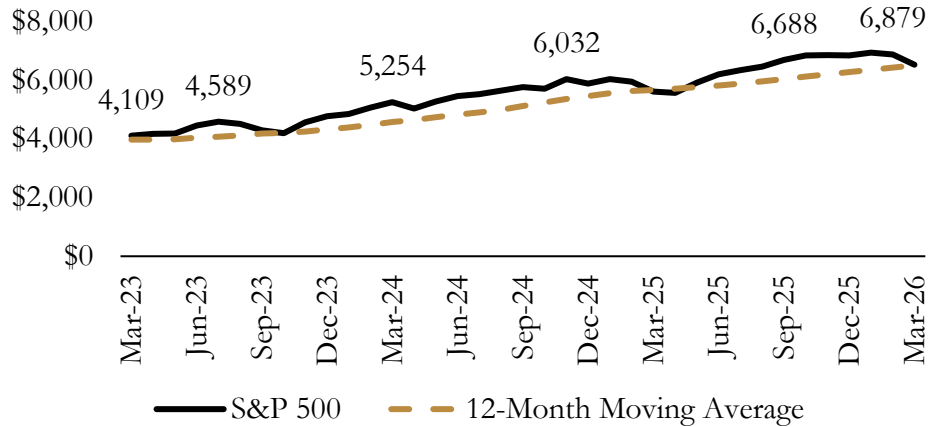
Source: Capital IQ

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Macroeconomic Environment

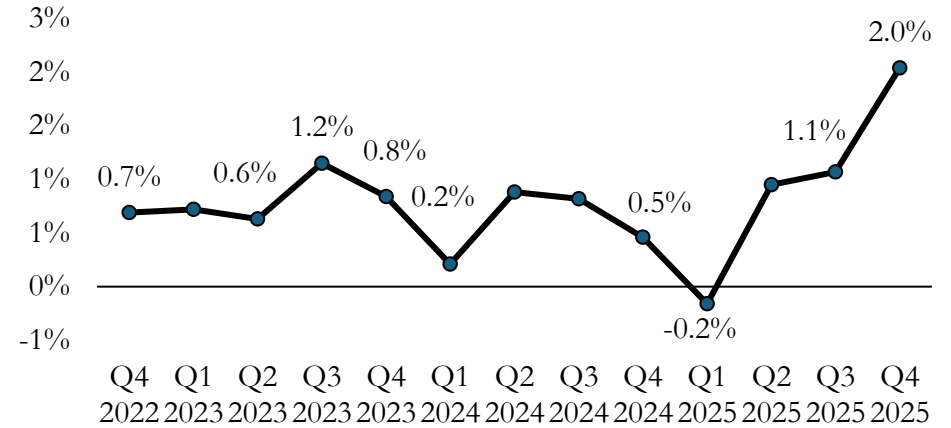
Macroeconomic Indicators

S&P 500



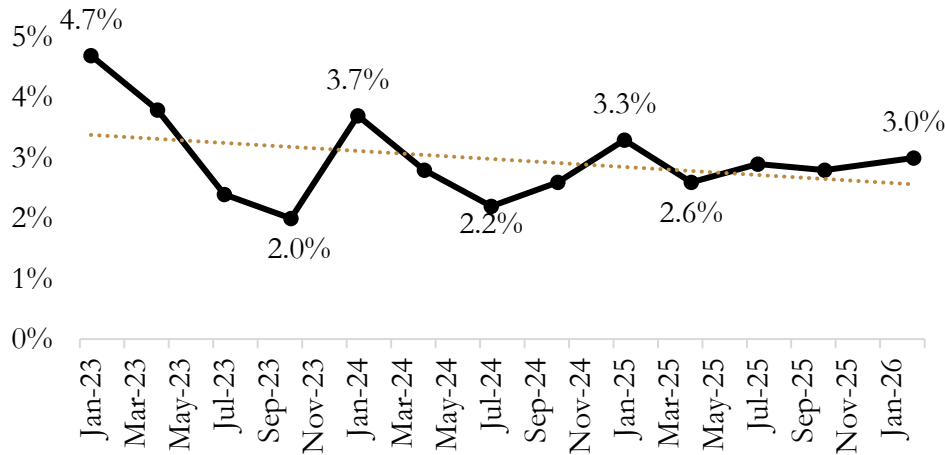
A leading equity index tracking the performance of 500 large U.S. companies.

Real GDP Growth



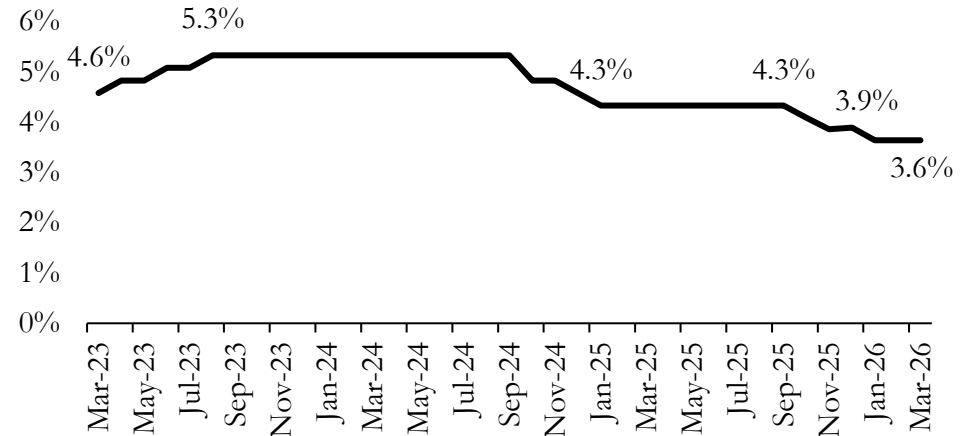
Tracks inflation-adjusted economic output, typically reported quarterly.

Core PCE



A key inflation gauge that tracks consumer spending, excluding volatile food and energy prices.

Federal Funds Rate



The Fed's benchmark interest rate that influences borrowing costs throughout the economy.

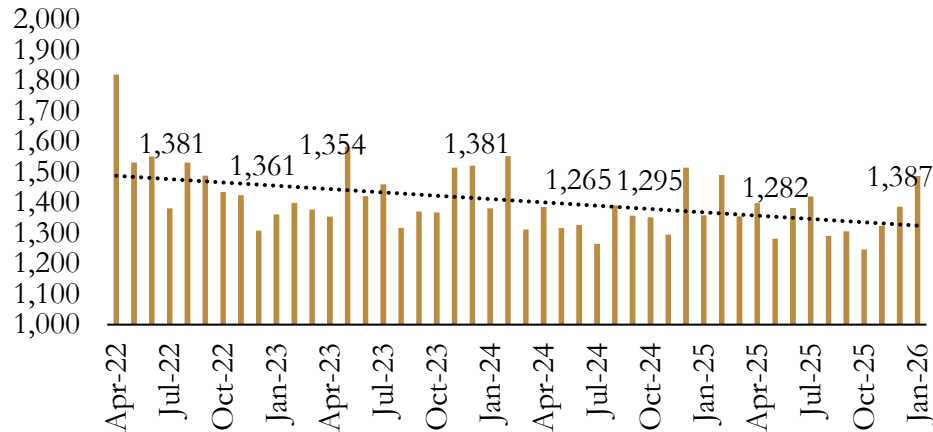
Source: Capital IQ, St. Louis Fed – FRED Economic Data

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Macroeconomic Environment

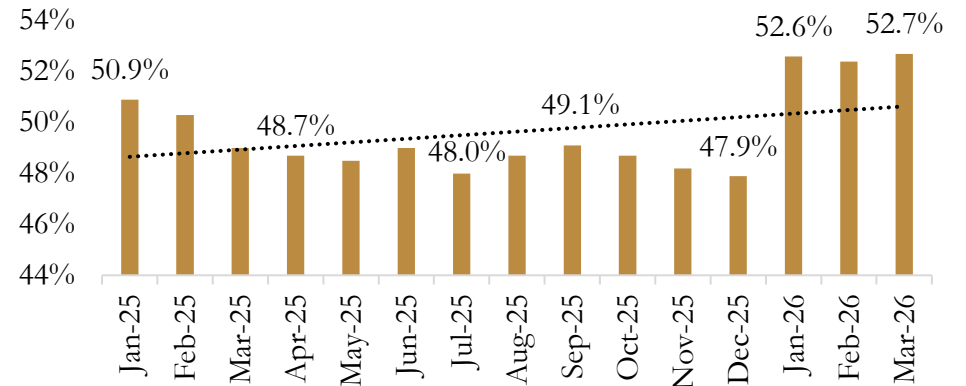
Macroeconomic Indicators (Cont.)

New Privately-Owned Housing Units Started¹



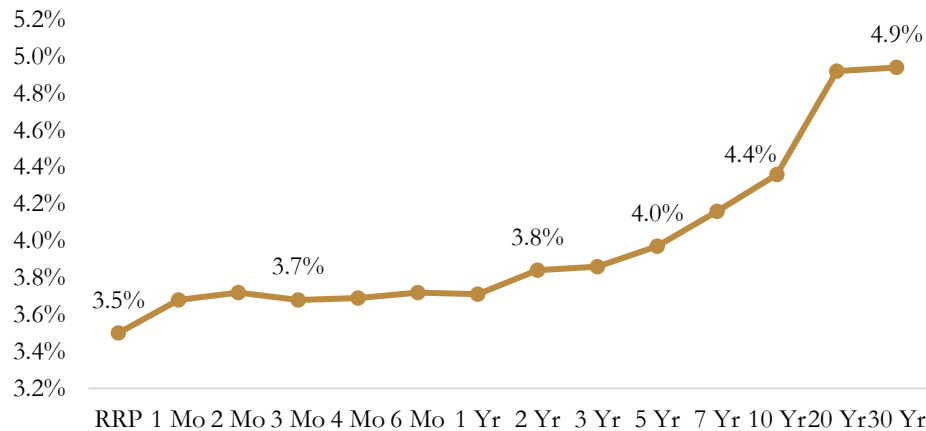
Measures the number of new residential construction projects begun each month.

Manufacturing PMI *Purchasing Manager's Index*



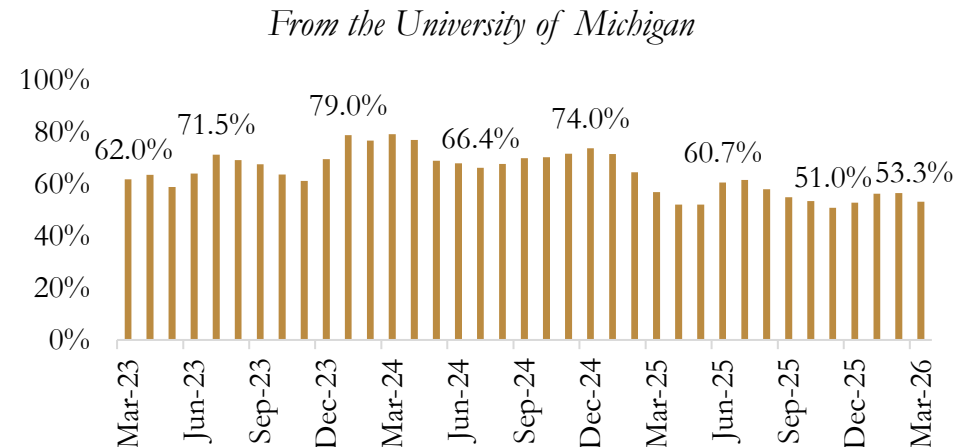
A monthly survey signaling manufacturing sector activity; readings above 50 indicate expansion.

Treasury Par Yield Curve Rates



Displays yields across Treasury maturities, reflecting market expectations for future interest rates.

Consumer Sentiment *From the University of Michigan*



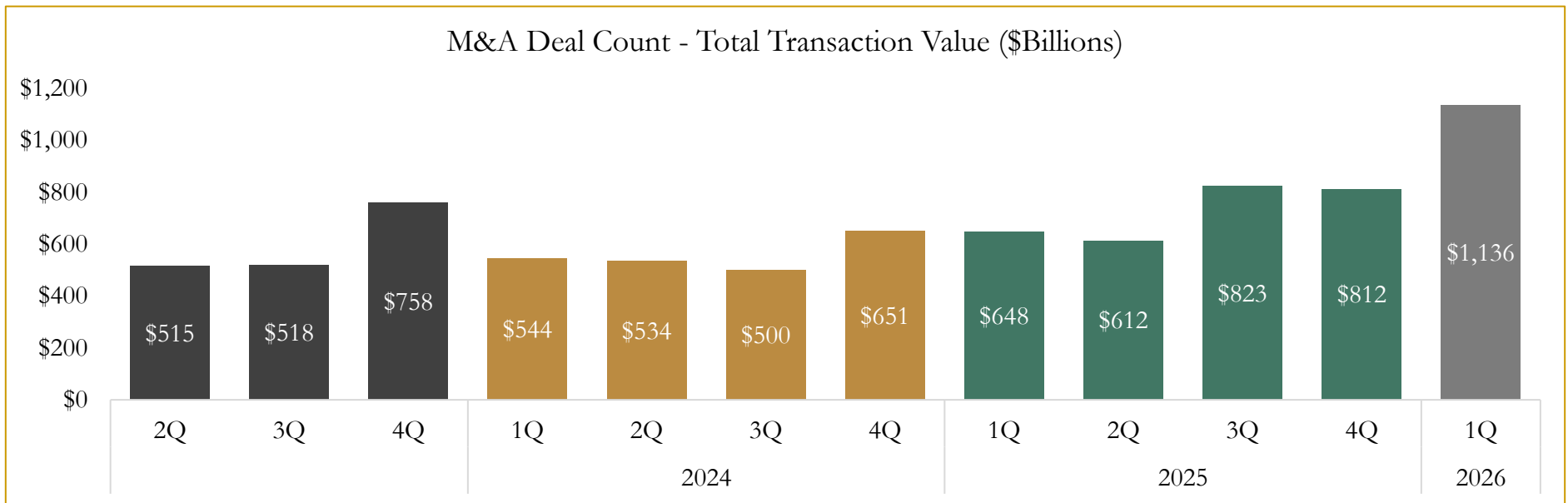
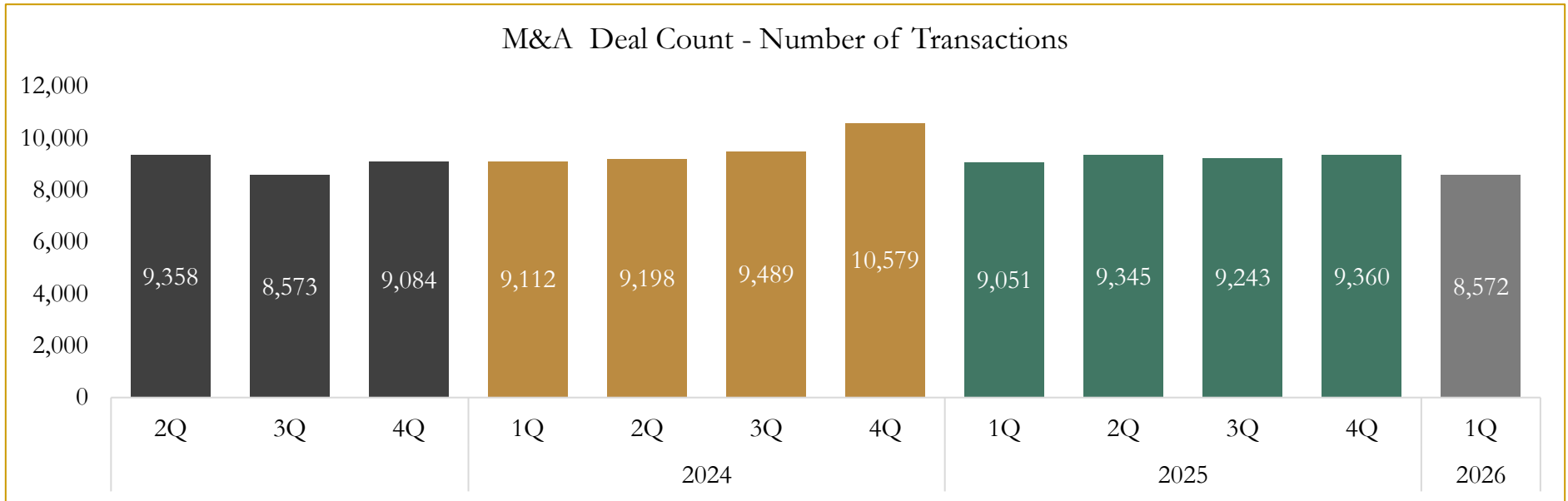
Measures consumer confidence in the economy based on monthly survey data.

Source: St. Louis Fed – FRED Economic Data, Institute for Supply Management, ¹Figures in Thousands

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Macroeconomic Environment

Total M&A Volume (Past Three (3) Years)

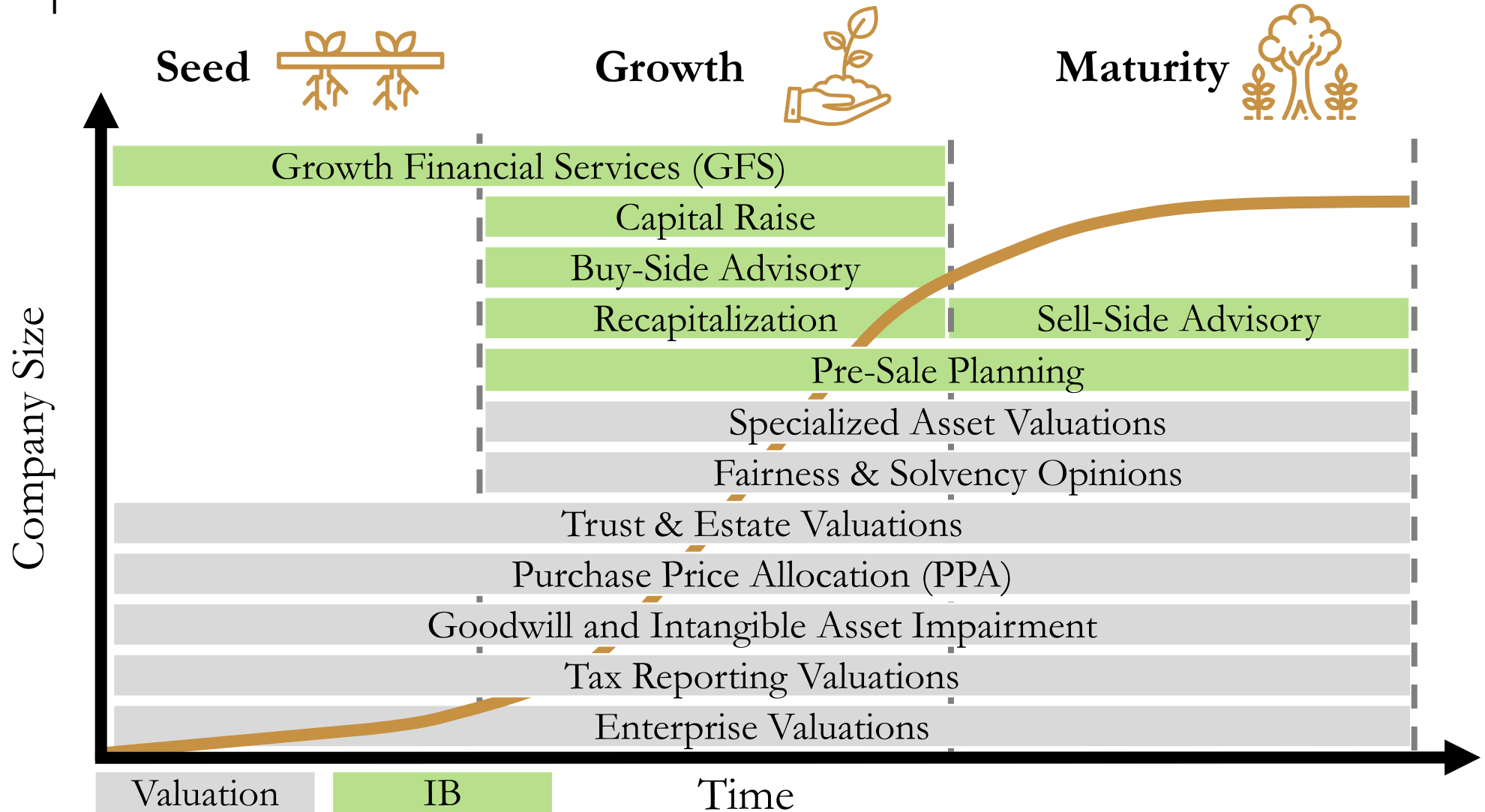


Source: Capital IQ; Data derived from M&A activity over the past three years. Q1 2026 consisted of 22 megadeals valued at over \$10 billion each

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Houlihan Capital

Houlihan's Services Along the Business Lifecycle



For questions or inquiries regarding our services, please contact:

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Houlihan Capital

About Us

Houlihan Capital is an employee-owned valuation, financial advisory and investment banking firm with expertise dating back to 1996. With a team of senior-level professionals, the firm serves business owners, institutional clients, and their trusted advisors across complex transactions and specialized industries.

Houlihan Capital is SOC-compliant, a FINRA and SIPC member, and committed to the highest levels of professional ethics and standards.

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- **Complex & Illiquid Securities (Level 3)**
- **Cryptoasset /Blockchain Valuations**
 - Locked Token Valuations
- **Enterprise Valuations**
- **Fairness & Solvency Opinions**
 - SPAC Fairness Opinions
- **Estate & Gift Valuations**
- **Purchase Price Allocation (ASC 805)**
- **Goodwill Impairment Testing (ASC 350)**
- **Stock-based Compensation (ASC 718, IRC 409A)**

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For questions or inquiries regarding our services, please contact:

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