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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.

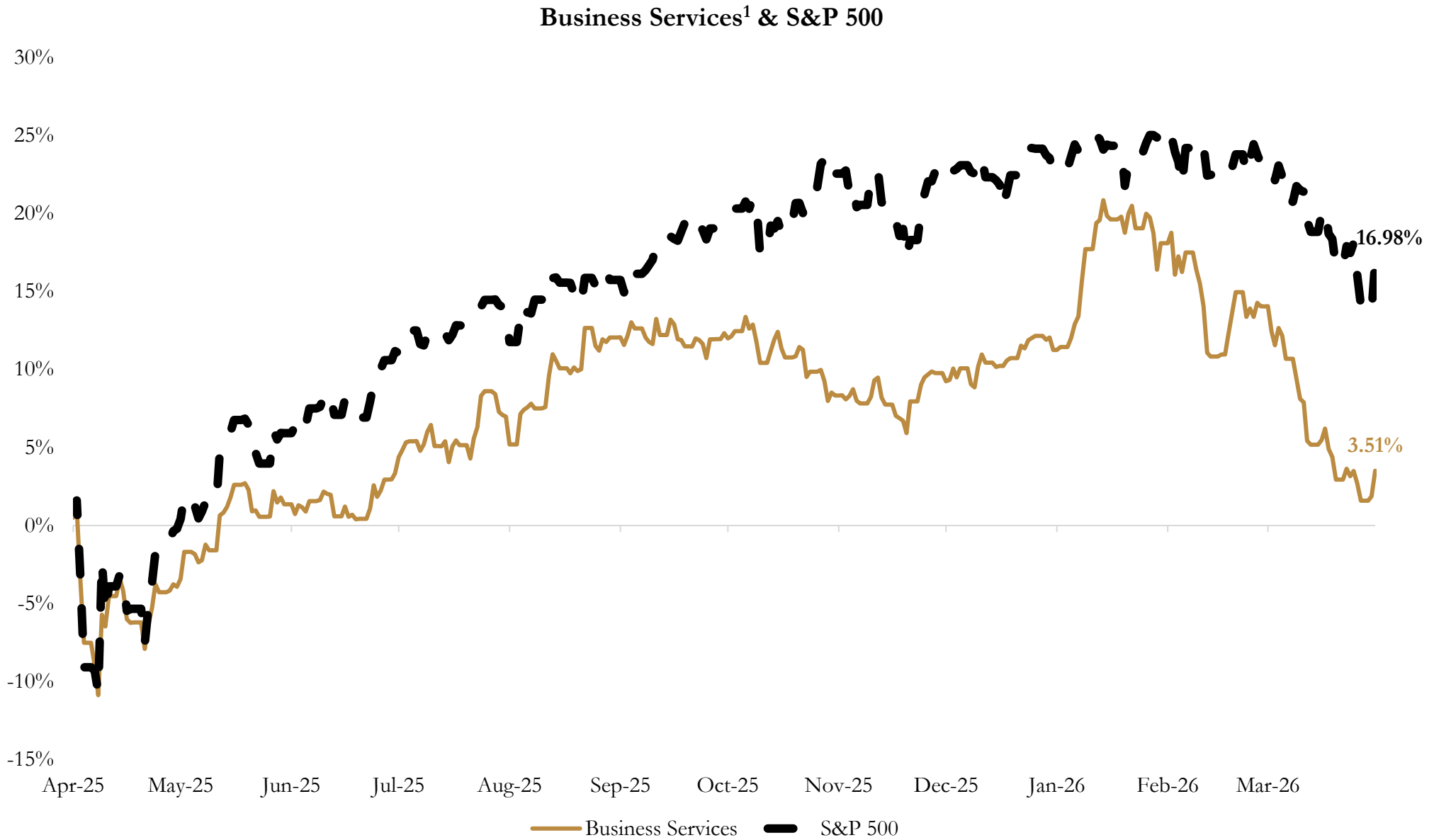
External Drivers

- 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)

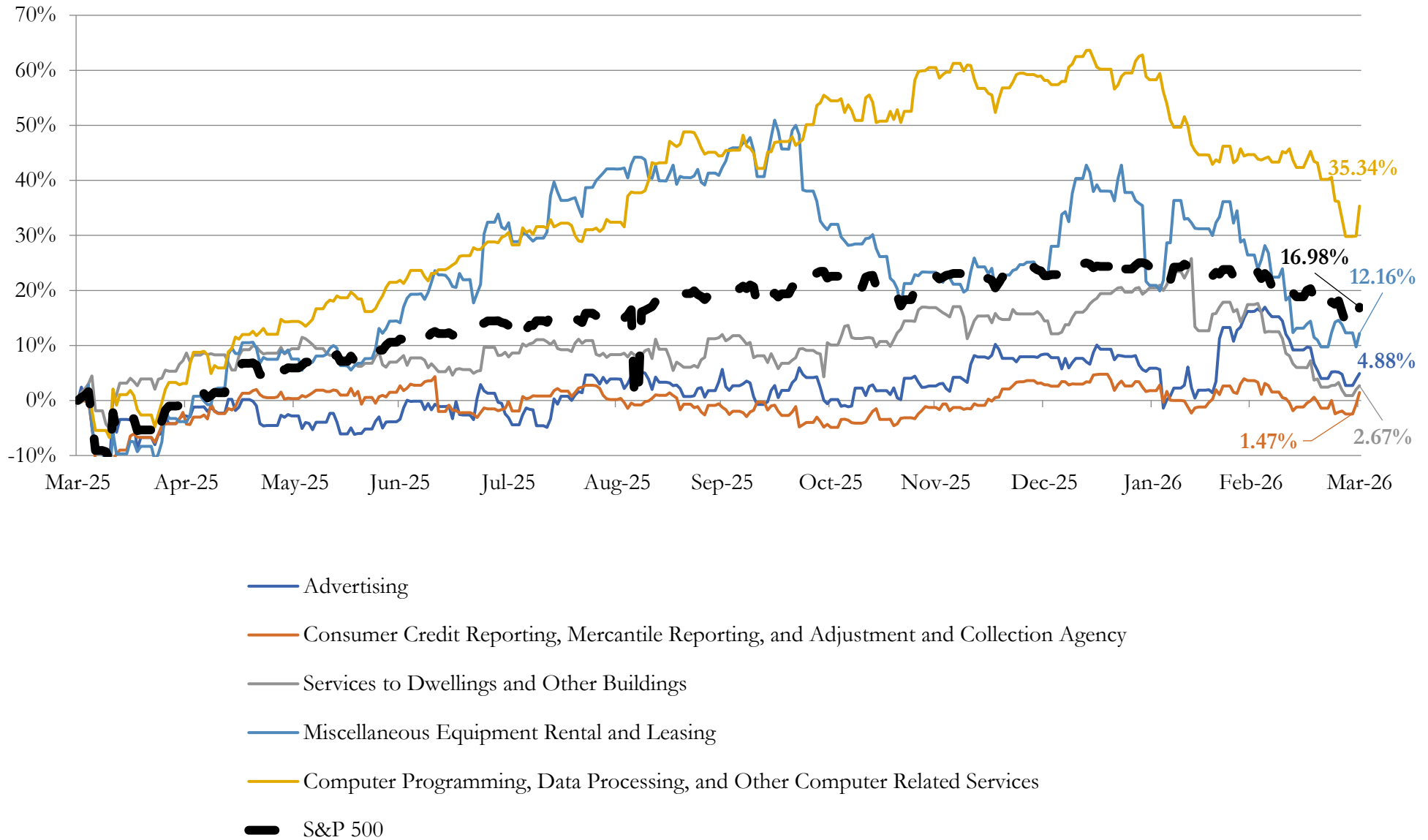
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| | | TEV | Price at 03/31/26 | % of 52 Week High | TEV / LTM Revenue | TEV / LTM EBITDA | LTM Revenue | LTM EBITDA | Revenue Growth | EBITDA Margin |
| Advertising | | | | | | | | | | |
| Omnicom Group Inc. | OMC | \$27,647 | \$75.31 | 86.4% | 1.6x | 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



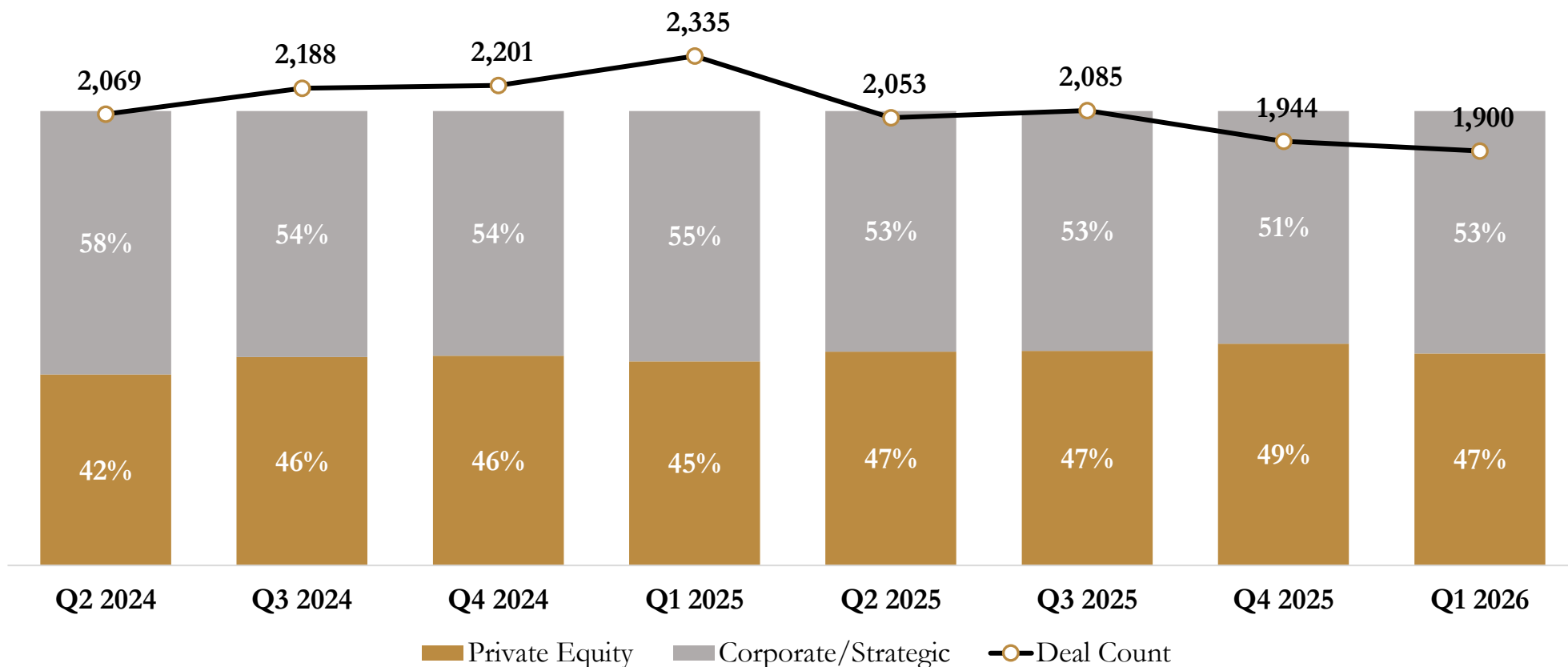
Source: Capital IQ

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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 |

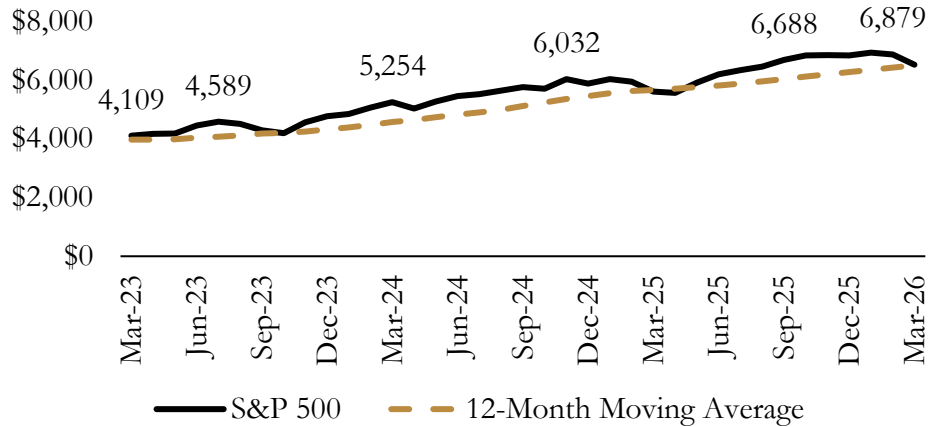
Source: Capital IQ

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Macroeconomic Environment

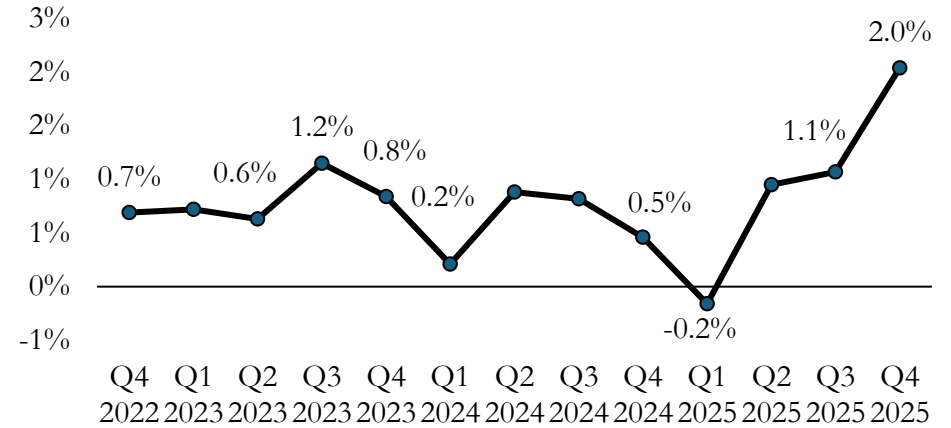
Macroeconomic Indicators

S&P 500



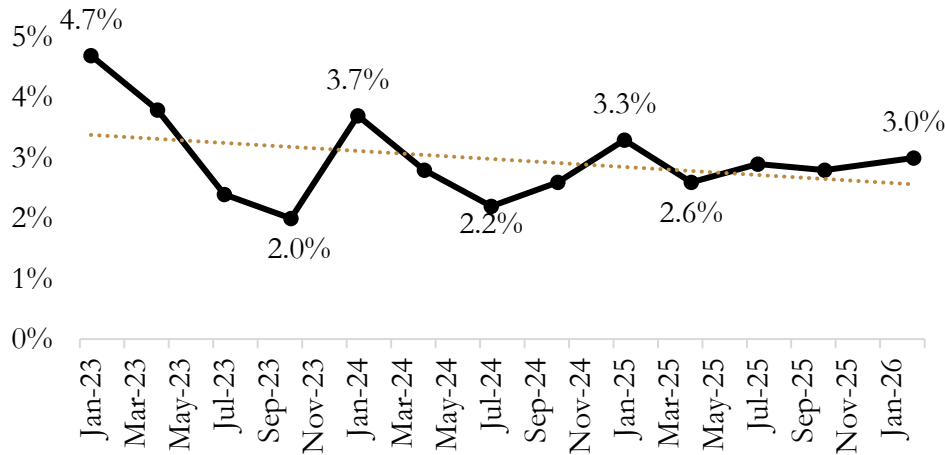
A leading equity index tracking the performance of 500 large U.S. companies.

Real GDP Growth



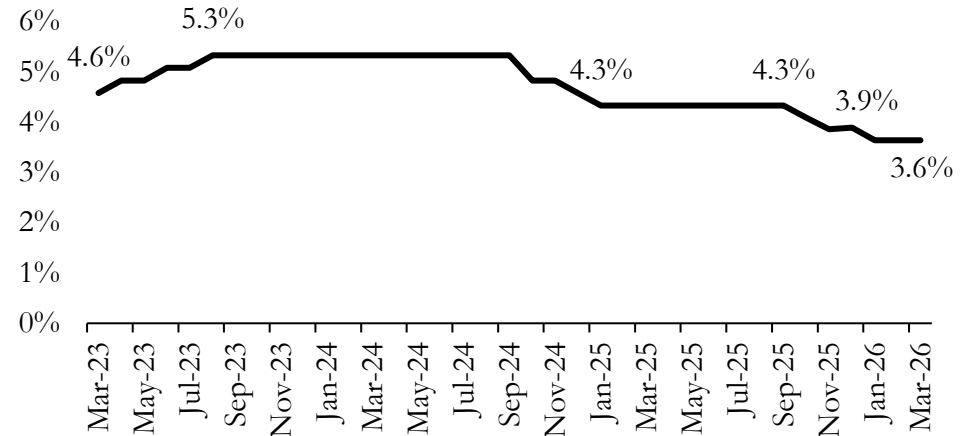
Tracks inflation-adjusted economic output, typically reported quarterly.

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.

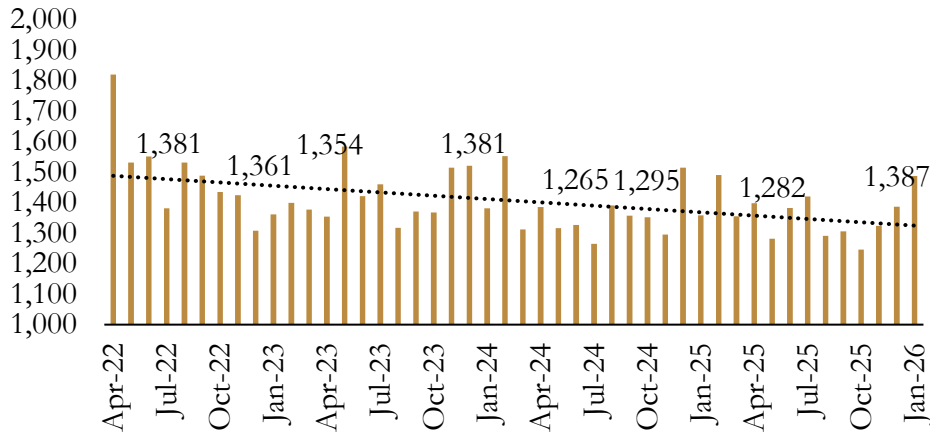
Source: Capital IQ, St. Louis Fed – FRED Economic Data

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Macroeconomic Environment

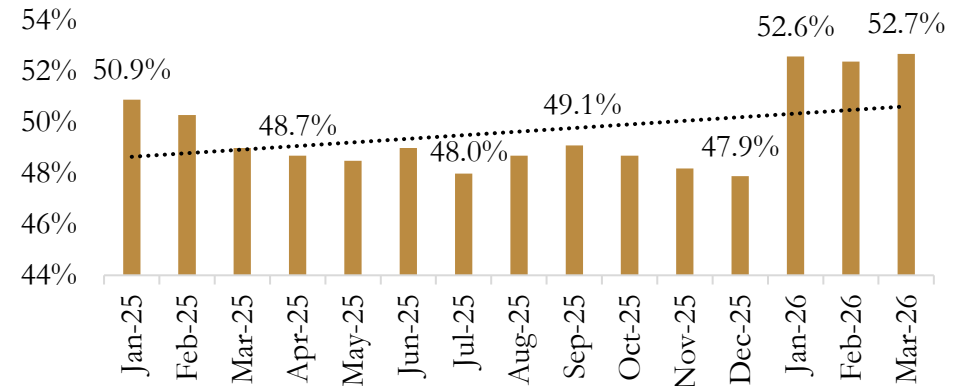
Macroeconomic Indicators (Cont.)

New Privately-Owned Housing Units Started¹



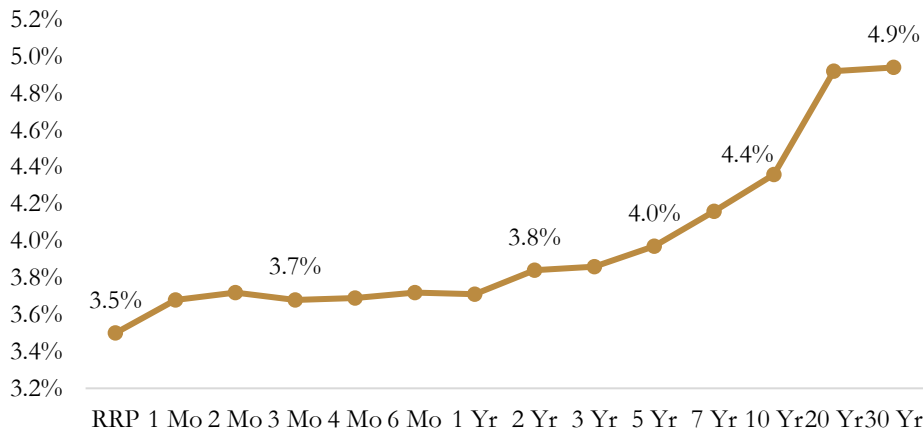
Measures the number of new residential construction projects begun each month.

Manufacturing PMI *Purchasing Manager's Index*



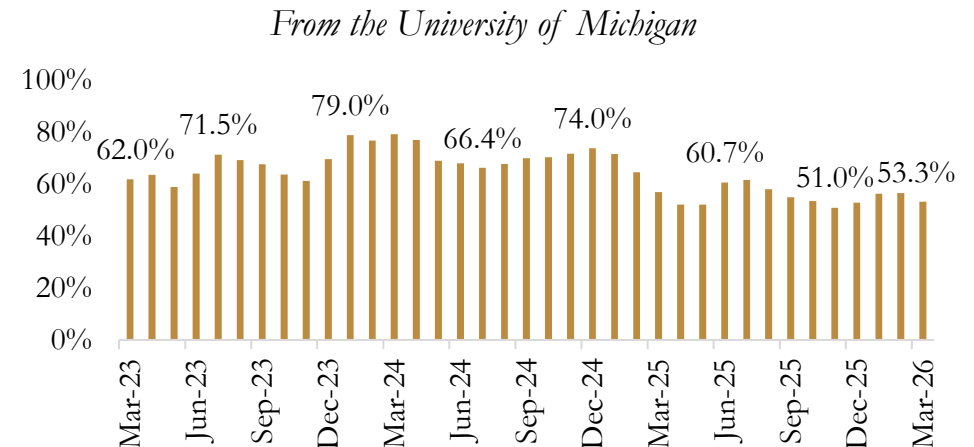
A monthly survey signaling manufacturing sector activity; readings above 50 indicate expansion.

Treasury Par Yield Curve Rates



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

Consumer Sentiment *From the University of Michigan*



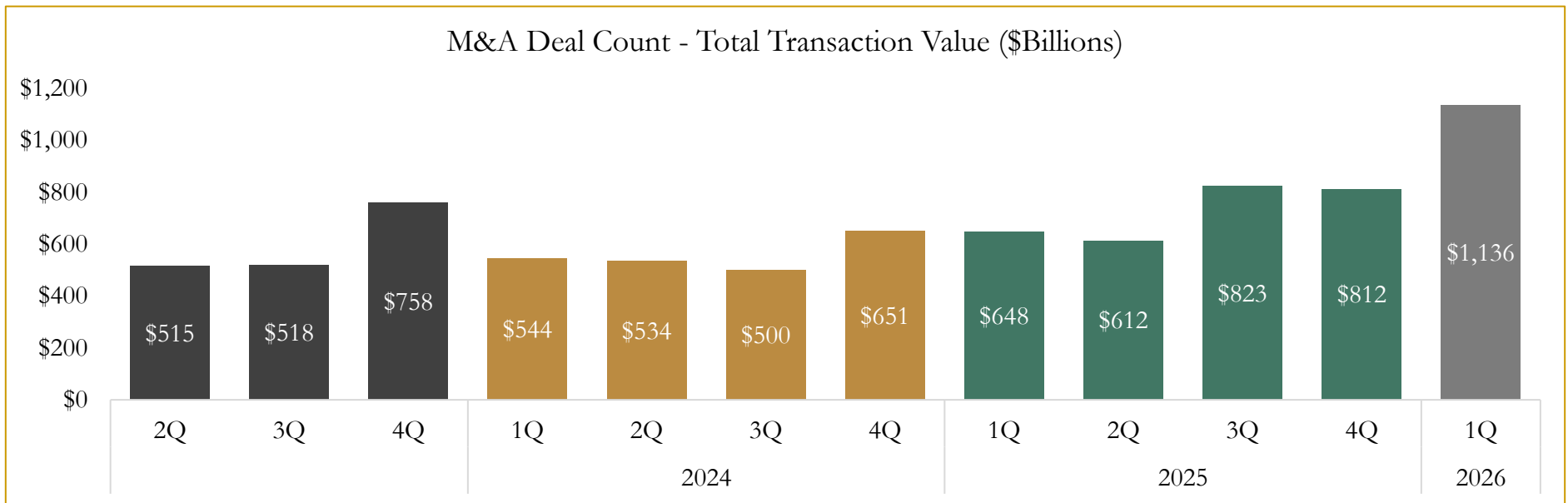
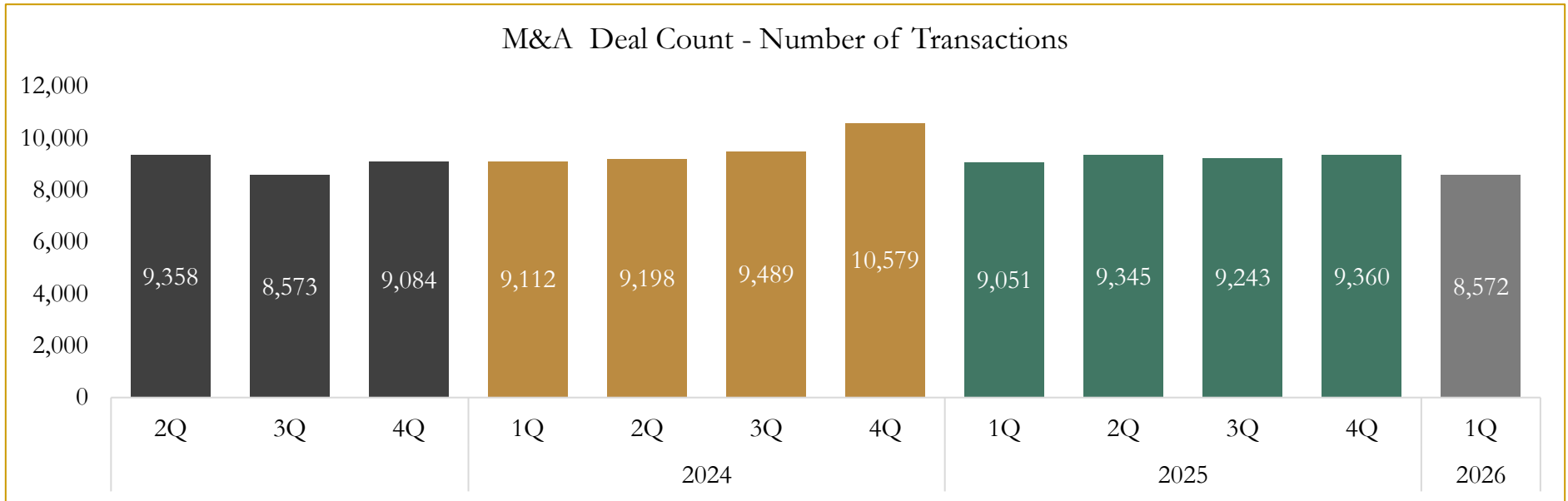
Measures consumer confidence in the economy based on monthly survey data.

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

Company Overview

- Founded in 1996, Houlihan Capital is an employee-owned valuation and investment banking firm
- As a member of FINRA and SIPC, our team of 40+ professionals are committed to the highest levels of quality and professionalism

Divisions & Core Offerings

- **Valuation & Financial Advisory** – Portfolio Valuations and Transaction Advisory (i.e., Fairness Opinions) for Funds, with an industry specialization in cryptocurrency
- **Investment Banking** – M&A Advisory for Founders and Family-Owned businesses in the lower middle market

Houlihan Capital Locations



Chicago, IL

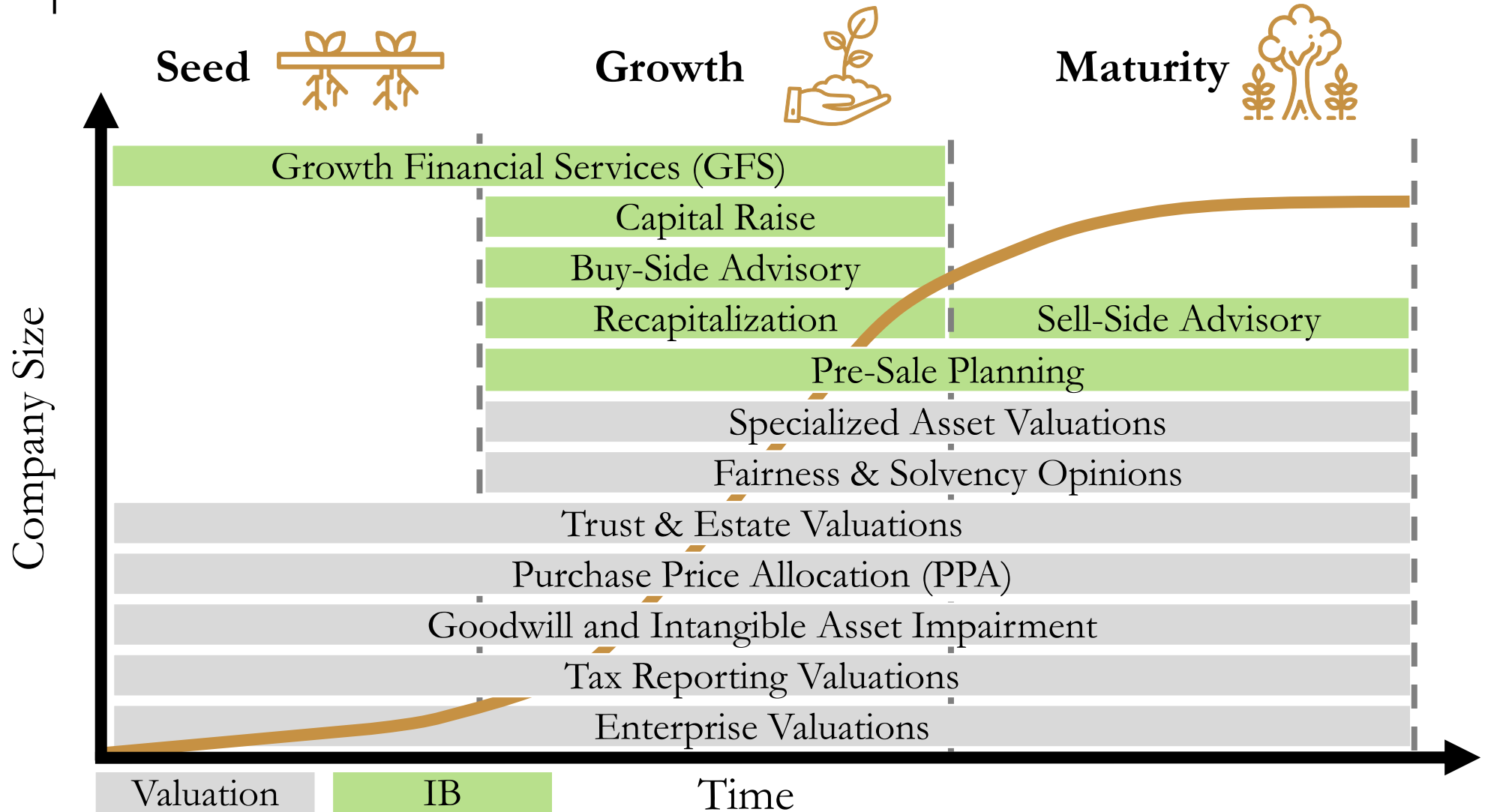


Cleveland, OH

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Houlihan Capital

Houlihan's Services Along the Business Lifecycle



For questions or inquiries regarding our services, please contact:

info@houlihancapital.com