HOULIHAN CAPITAL

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Valuation & Financial Advisory | Investment Banking

INDUSTRY UPDATE
BUSINESS SERVICES
Q2 2026

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1 Executive Summary

Key Takeaways

Key Trends

- **Technology-Enabled Delivery Drives Buyer Differentiation:** Sponsors and strategics are prioritizing business-services platforms where AI and automation are embedded in delivery, not merely promised, favoring measurable productivity, margin expansion, and defensible recurring revenue.
- **Consolidation Expands Across Regulated Services:** Buy-and-build activity is broadening beyond traditional outsourcing into cybersecurity, compliance, healthcare RCM, and BPO, where mission-critical workflows, recurring contracts, and fragmented markets continue to support strategic interest.

Market Overview

- Q2 markets were mixed: resilient service businesses held up, while tariff, geopolitical, and rate uncertainty kept buyers selective.
- Business-services M&A accelerated, led by strategics targeting digital transformation, IT, compliance, and outsourced solutions. Sponsors favored recurring revenue and clear margin-expansion opportunities.
- The Fed held rates at 3.50%-3.75% throughout Q2, while persistent inflation and limited financing visibility constrained underwriting.

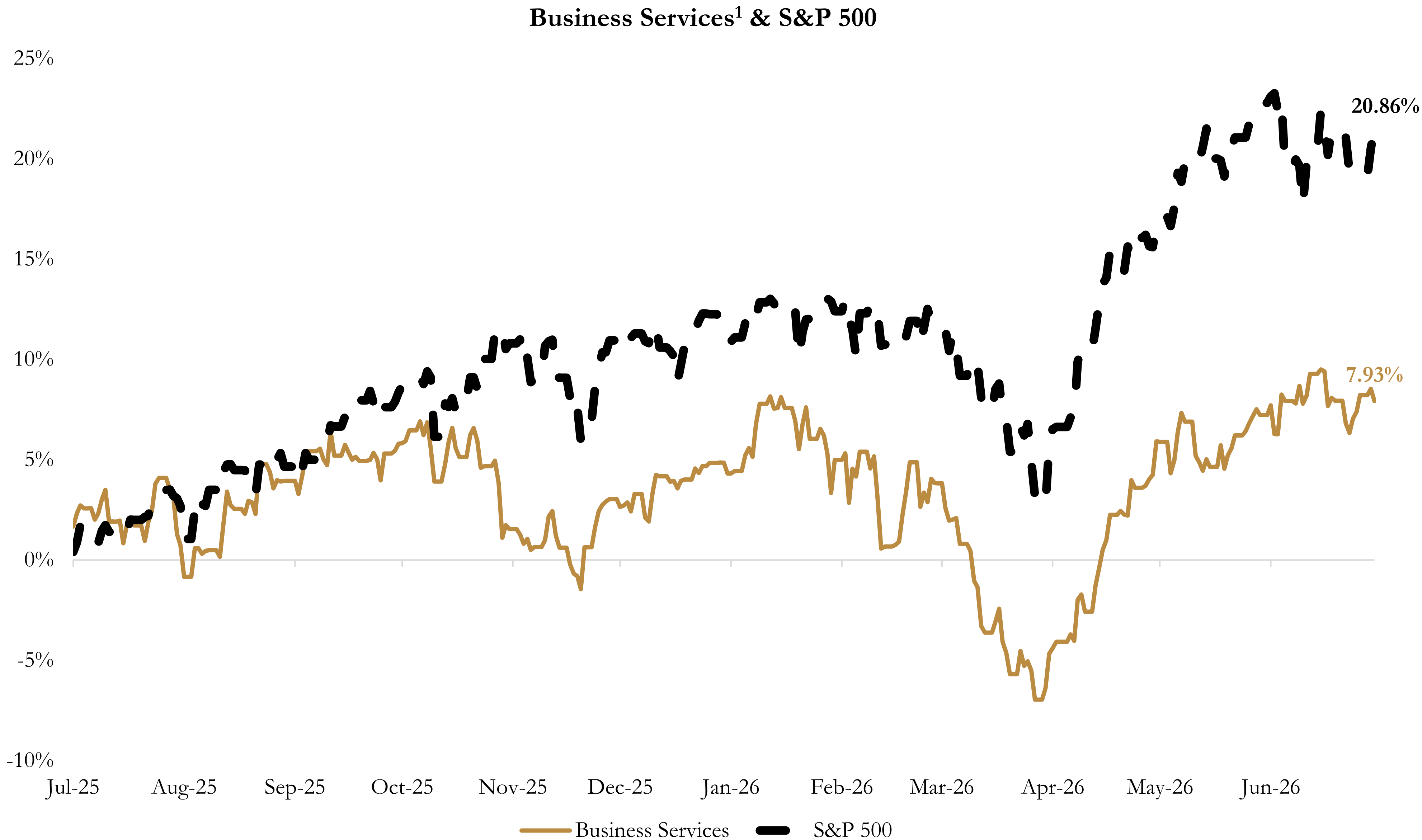
External Drivers

- Elevated rates, tariff exposure, and geopolitical risks kept buyers selective, while customers emphasized cost control.
- AI and automation became core underwriting considerations, supporting productivity and recurring revenue.
- Outsourcing broadened into cybersecurity, healthcare RCM, BPO, and regulated services as customers sought specialized expertise.

Sources: RSM, BusinessWire, Grand View Research, Capital IQ, US Federal Reserve, S&P Global, PwC, FTI Consulting

2 Public Market Performance

Sector ETF vs. S&P 500



Source: Capital IQ [1]Due 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)

		Valuation Metrics					Financial Metrics			
Company Name	**Ticker**	**TEV**	**Price at 06/30/26**	**% 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										
Apple Inc.	AAPL	$4,932,992	$289.36	91.2%	10.9x	30.8x	$451,442	$159,976	12.8%	35.4%
Alphabet Inc.	GOOG	$3,971,478	$353.33	87.4%	8.9x	22.9x	$445,866	$173,164	20.1%	38.8%
Microsoft Corporation	MSFT	$2,969,179	$373.02	67.2%	9.3x	16.1x	$318,273	$184,457	17.9%	58.0%
Oracle Corporation	ORCL	$486,581	$146.55	42.4%	7.2x	16.0x	$67,357	$30,494	17.3%	45.3%
International Business Machines	IBM	$271,612	$281.21	84.6%	3.9x	16.5x	$69,095	$16,473	7.9%	23.8%
Booking Holdings Inc.	BKNG	$157,272	$178.24	76.3%	5.7x	15.2x	$27,687	$10,378	15.0%	37.5%
Automatic Data Processing, Inc.	ADP	$106,767	$223.95	70.9%	4.9x	16.8x	$21,600	$6,340	6.9%	29.4%
Adobe Inc.	ADBE	$100,500	$205.02	52.2%	4.0x	10.3x	$25,198	$9,729	11.5%	38.6%
Intuit Inc.	INTU	$85,734	$261.00	32.1%	4.1x	13.4x	$20,925	$6,410	15.1%	30.6%
Fiserv, Inc.	FI	$57,407	$55.80	24.6%	2.7x	6.9x	$21,090	$8,370	1.9%	39.7%
eBay Inc.	EBAY	$55,489	$111.75	93.7%	4.8x	18.6x	$11,604	$2,981	12.5%	25.7%
Fidelity National Information Services, Inc.	FIS	$43,617	$38.88	47.0%	3.8x	13.2x	$11,440	$3,308	12.3%	28.9%
Carrefour SA	CA	$32,411	$18.57	92.7%	0.3x	7.9x	$96,659	$4,101	4.0%	4.2%
Cognizant Technology Solutions Corp.	CTSH	$23,415	$38.73	44.5%	1.1x	5.8x	$21,642	$4,034	5.6%	18.6%
Tripadvisor, Inc.	TRIP	$1,863	$13.71	68.0%	1.0x	13.9x	$1,875	$134	2.0%	7.1%

Source: Capital IQ

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(USD in millions, except per share data)

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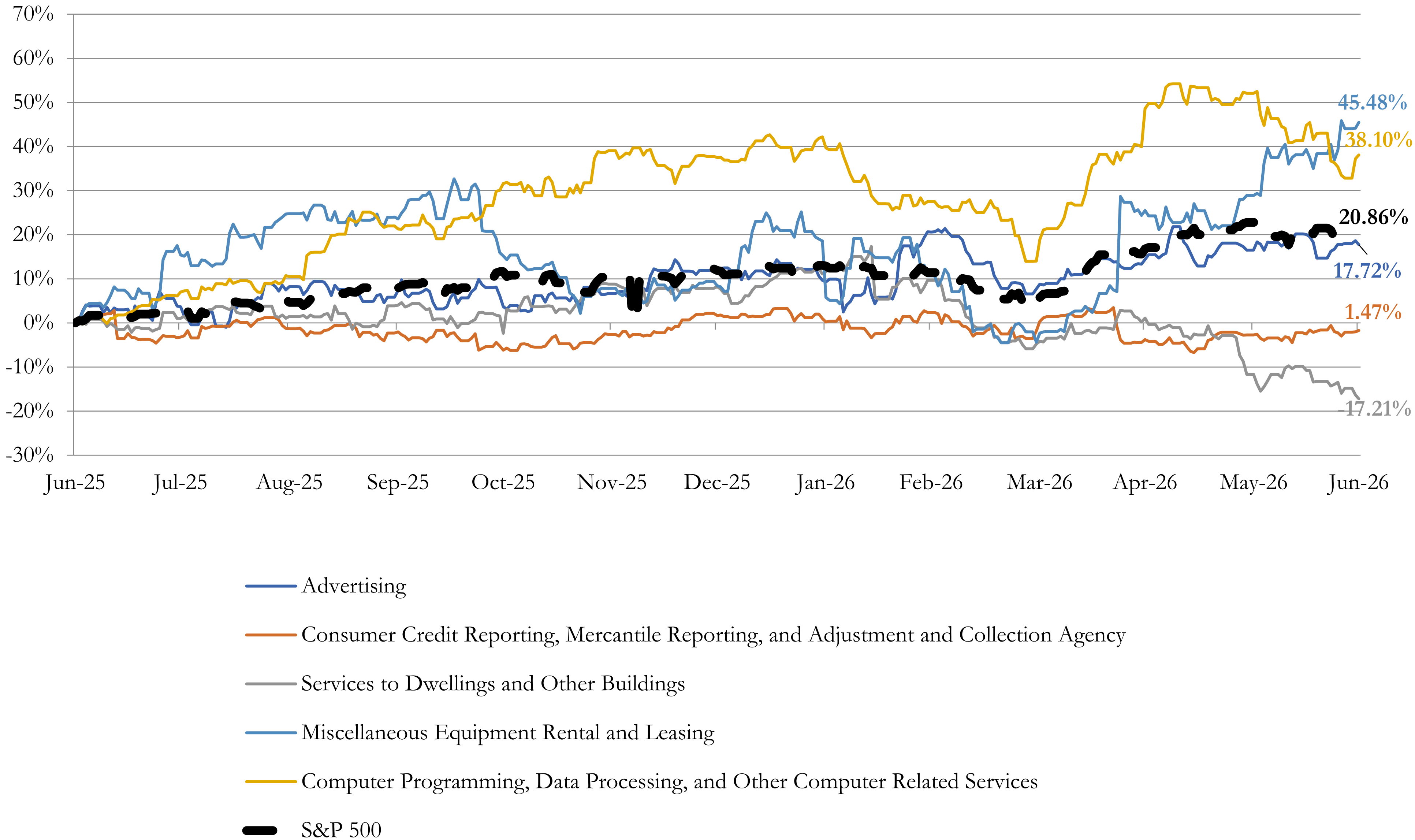
Advertising										
Omnicom Group Inc.	OMC	$32,780	$72.83	83.6%	1.5x	8.8x	$22,371	$3,716	40.6%	16.6%
Lamar Advertising Company	LAMR	$21,388	$155.98	98.3%	9.3x	20.6x	$2,289	$1,040	3.1%	45.5%
Clear Channel Outdoor Holdings, Inc.	CCO	$7,504	$2.42	99.6%	4.6x	14.9x	$1,644	$504	8.7%	30.7%
IPD Group Limited	IPG	$382	$3.93	87.3%	1.5x	13.4x	$247	$29	6.9%	11.5%
Consumer Credit Reporting, Mercantile Reporting, and Adjustment and Collection Agency										
S&P Global Inc.	SPGI	$141,595	$407.26	70.3%	8.8x	17.2x	$16,122	$8,254	9.7%	51.2%
Moody's Corporation	MCO	$90,119	$452.92	82.8%	11.0x	22.2x	$8,160	$4,053	11.7%	49.7%
Equifax Inc.	EFX	$27,409	$158.72	57.5%	4.3x	14.2x	$6,445	$1,924	10.3%	29.9%
Services to Dwellings and Other Buildings										
Rollins, Inc.	ROL	$19,776	$41.74	63.1%	5.0x	22.9x	$3,924	$865	9.9%	22.0%
ABM Industries Incorporated	ABM	$4,758	$44.24	88.3%	0.5x	10.8x	$9,053	$441	6.5%	4.9%
Healthcare Services Group, Inc.	HCSG	$1,483	$24.56	98.6%	0.8x	10.9x	$1,865	$136	5.2%	7.3%

Source: Capital IQ

2 Public Market Performance

Sub-Industry Performance vs. S&P 500

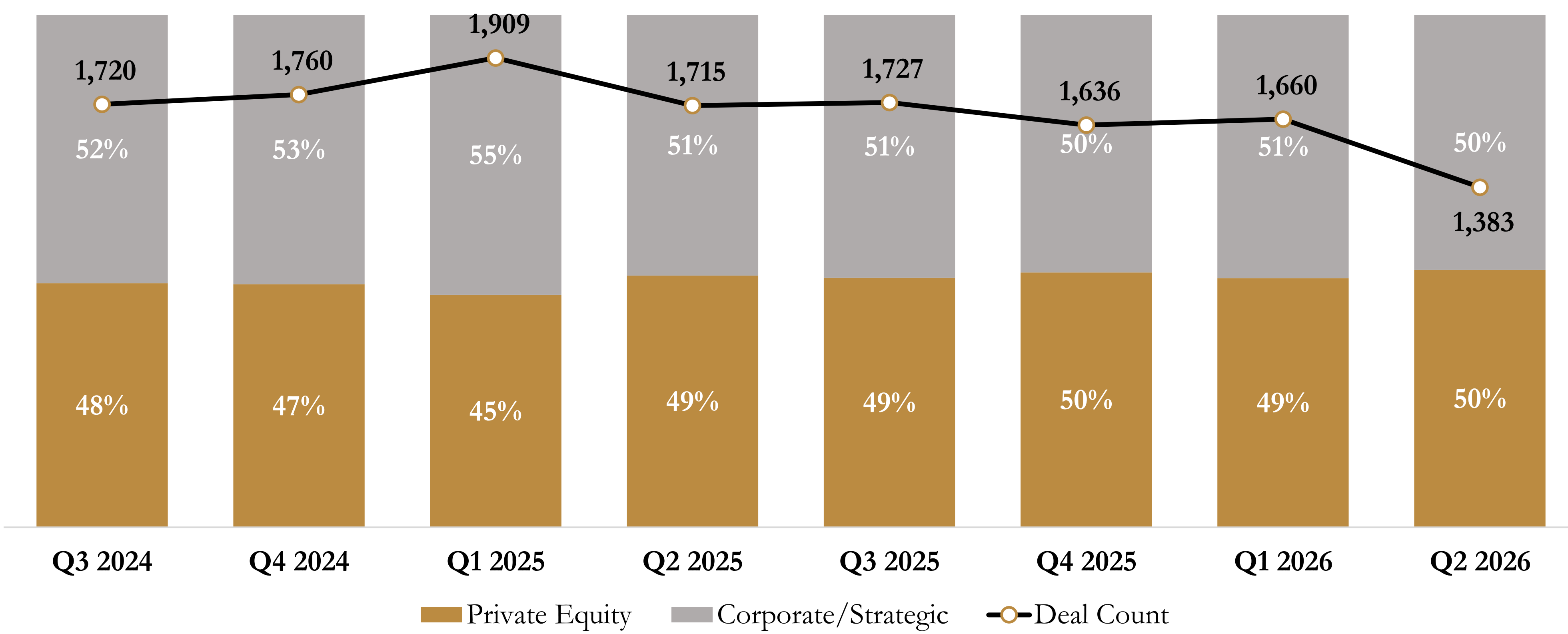


Source: Capital IQ

3 M&A Trends

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

Business Services M&A activity contracted sharply in Q2 2026, with total transaction volume falling to 1,383 – down 16.7% from 1,660 in Q1 2026 and 19.4% below the prior-year quarter, marking the lowest level in the past eight quarters. Following a peak of 1,909 transactions in Q1 2025, deal activity has trended steadily lower as buyers remained selective amid regulatory uncertainty and uneven economic conditions. Financial sponsors accounted for a slight majority of deal volume for the first time in this period, at 50% versus 49% in Q1 2026, with corporate and strategic acquirers representing the balance.



Source: PitchBook

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

3 M&A Trends

Recent M&A Transactions

(USD in millions)

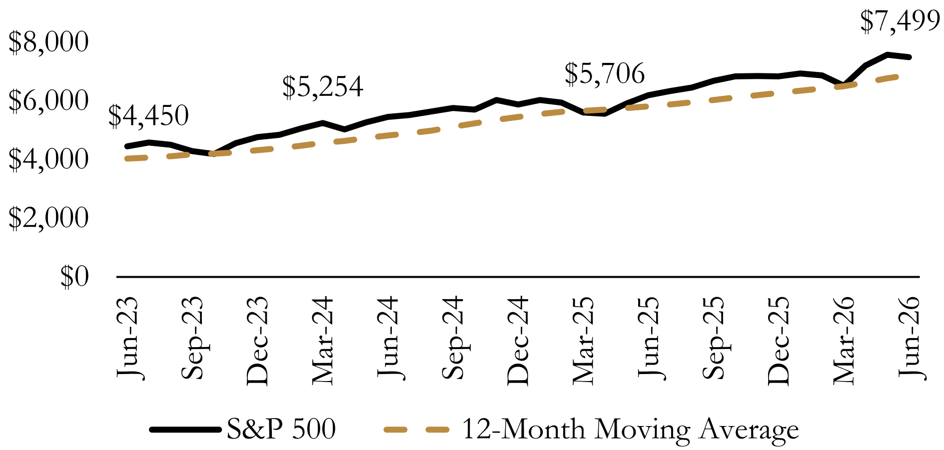
Close Date	Target	Acquirer	Implied TEV
Mar-26	Wiz, Inc.	Google LLC	$32,000
Mar-26	Confluent, Inc.	International Business Machines Corporation	$10,763
Apr-26	Armis Inc.	ServiceNow, Inc.	$7,750
May-26	Forsta group	Qualtrics, LLC	$6,750
Apr-26	OneStream, Inc.	General Atlantic Service Company, L.P.; HgCapital LLP; Hg Saturn 1;	$5,797
May-26	CSG Systems International, Inc.	Netcracker Technology Corporation	$2,804
Apr-26	Semrush Holdings, Inc.	Adobe Inc.	$1,716
Mar-26	Veza Technologies, Inc.	ServiceNow, Inc.	$1,250
Mar-26	Kepware industrial connectivity and ThingWorx Internet of Things businesses	TPG Global, LLC	$725
Jun-26	MagicByte AI, Inc.	Nebius Group N.V.	$623
Mar-26	Proficy® manufacturing software business of GE Vernova Inc.	TPG Capital, L.P.	$600
Jun-26	Kumo AI, Inc.	NVIDIA Corporation	$400
Apr-26	Koi Security Inc.	Palo Alto Networks, Inc.	$400
Feb-26	Blackboxstocks Inc.	REalloys Inc.	$400
Jun-26	Excelsa Labs, Inc.	Sitecore Corporation A/S	$225
Mar-26	Signing Day Sports, Inc.	BlockchAIn Digital Infrastructure, Inc. (nka:AIB Data Centers Inc.)	$215
Apr-26	ON24, Inc.	Decision Street, LLC	$184
Apr-26	CQG, Inc.	Broadridge Financial Solutions, Inc.	$173
Feb-26	Origin Wireless, Inc.	ADT Inc.	$170
May-26	Vertica Systems, Inc.	Rocket Software, Inc.	$150
Mar-26	Trailblazer Holdings, Inc.	Cyabra Strategy Ltd. (nka:Cyabra, Inc.)	$147
May-26	Portkey, Inc	Palo Alto Networks, Inc.	$140
Apr-26	observIQ, Inc.	Dynatrace, Inc.	$100
Apr-26	Non-core Upserve U.S. hospitality product line of Lightspeed Commerce Inc	Skyview Equity, LLC	$81
May-26	Eigen Inc.	Asana, Inc.	$75
Feb-26	Illumex Technologies Inc.	NVIDIA Corporation	$75
Apr-26	Urgent.ly Inc.	Agero, Inc.	$71
Mar-26	Alia Software Inc.	dotdigital Group Plc	$60

Source: Capital IQ

4 Macroeconomic Environment

Macroeconomic Indicators

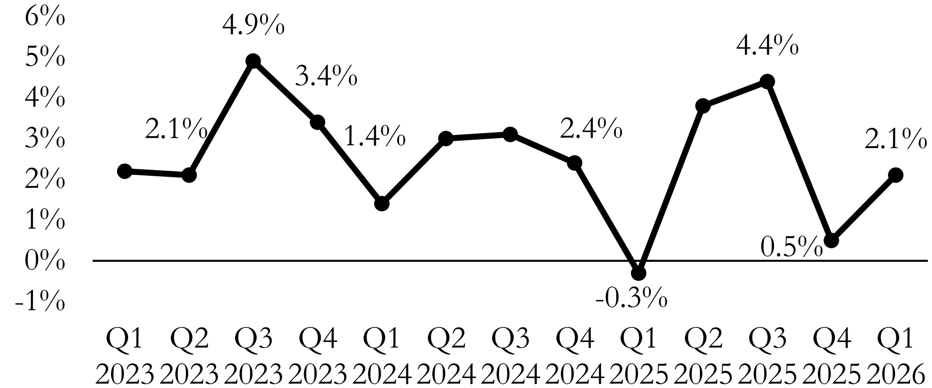
S&P 500



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

Real GDP Growth

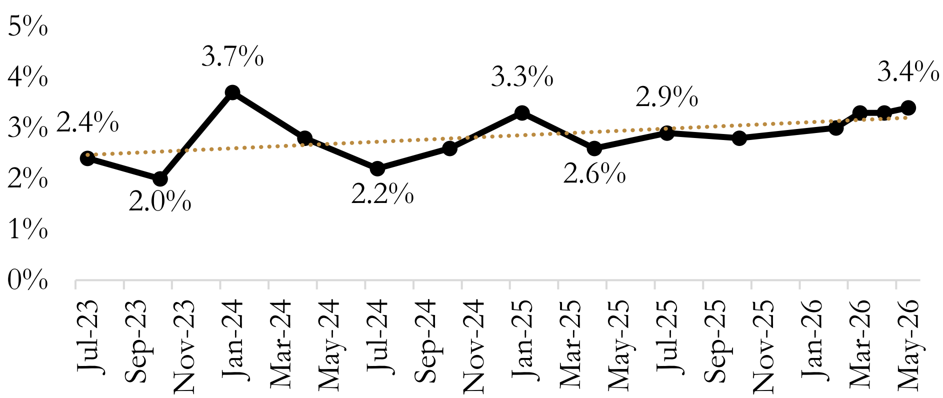
Gross Domestic Product



Tracks inflation-adjusted economic output, typically reported quarterly.

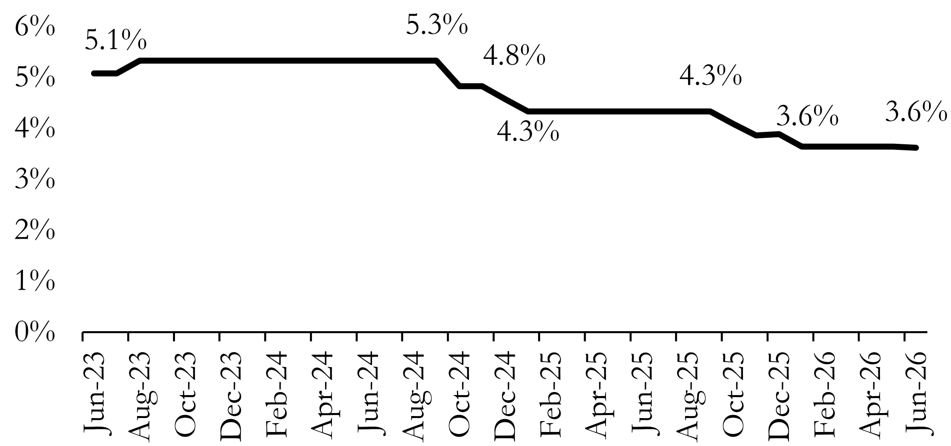
Core PCE

Personal Consumption Expenditures



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

Federal Funds Rate



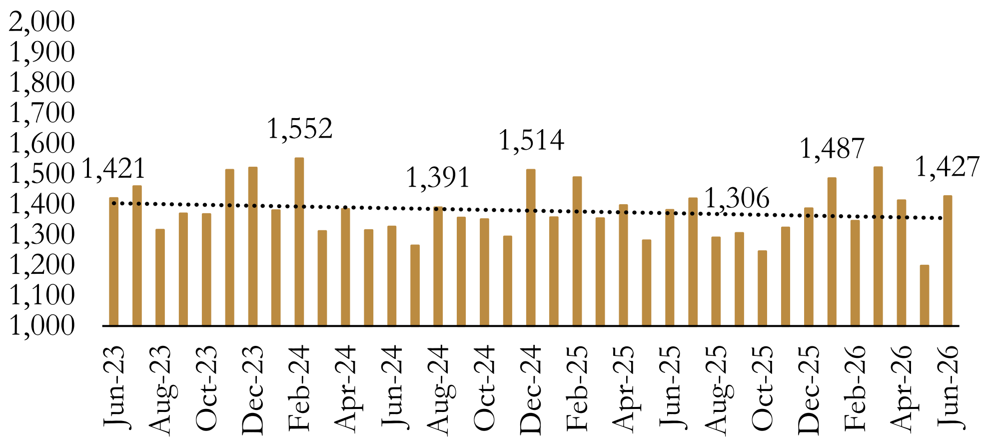
The Fed's benchmark interest rate that influences borrowing costs throughout the economy.

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

4 Macroeconomic Environment

Macroeconomic Indicators (Cont.)

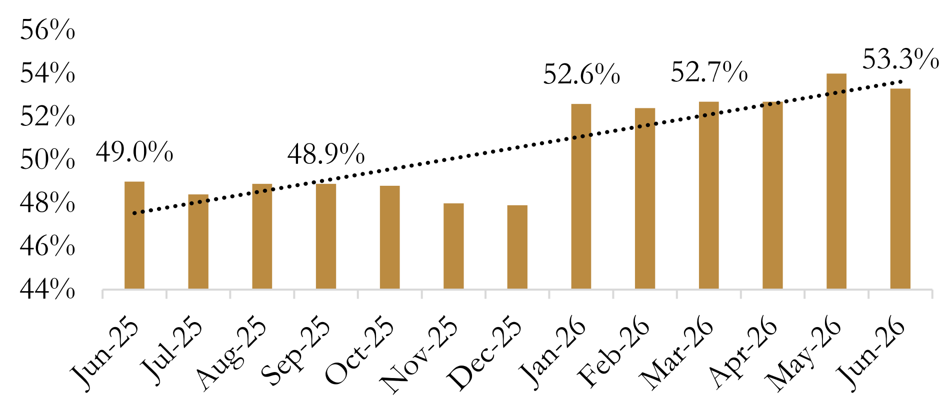
New Privately-Owned Housing Units Started[1]



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

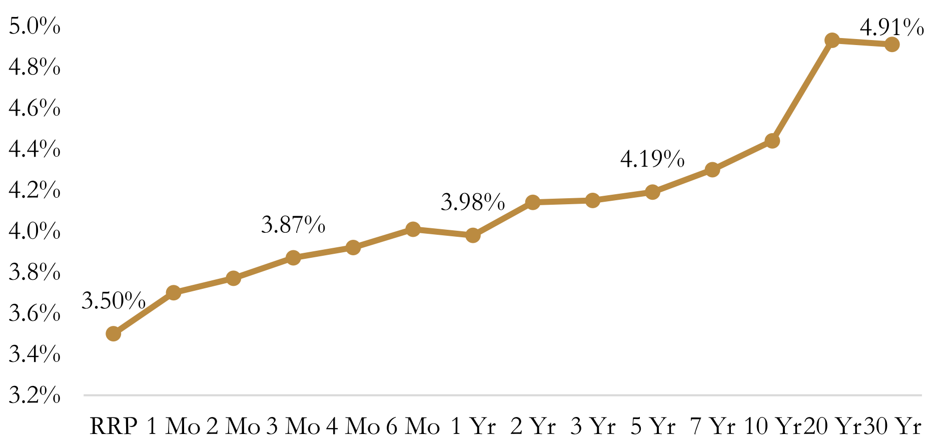
Manufacturing PMI

Purchasing Manager's Index



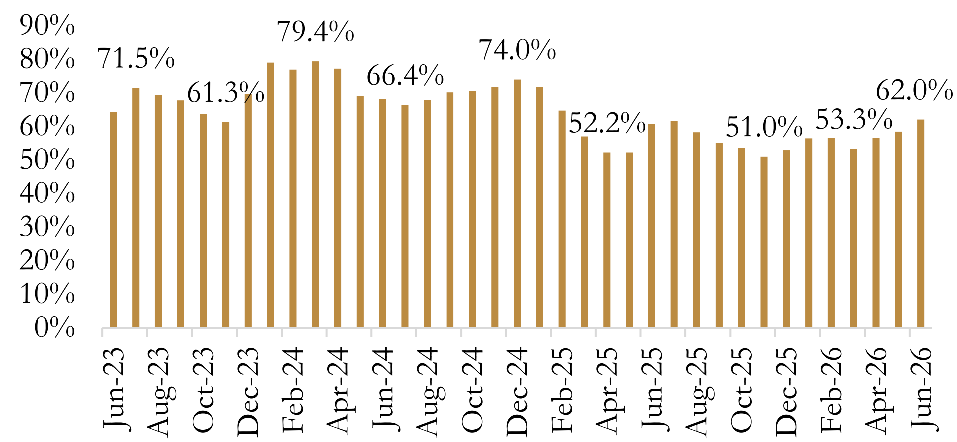
A monthly survey signaling manufacturing sector activity; readings above 50 indicate expansion.

Treasury Par Yield Curve Rates



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

Consumer Sentiment



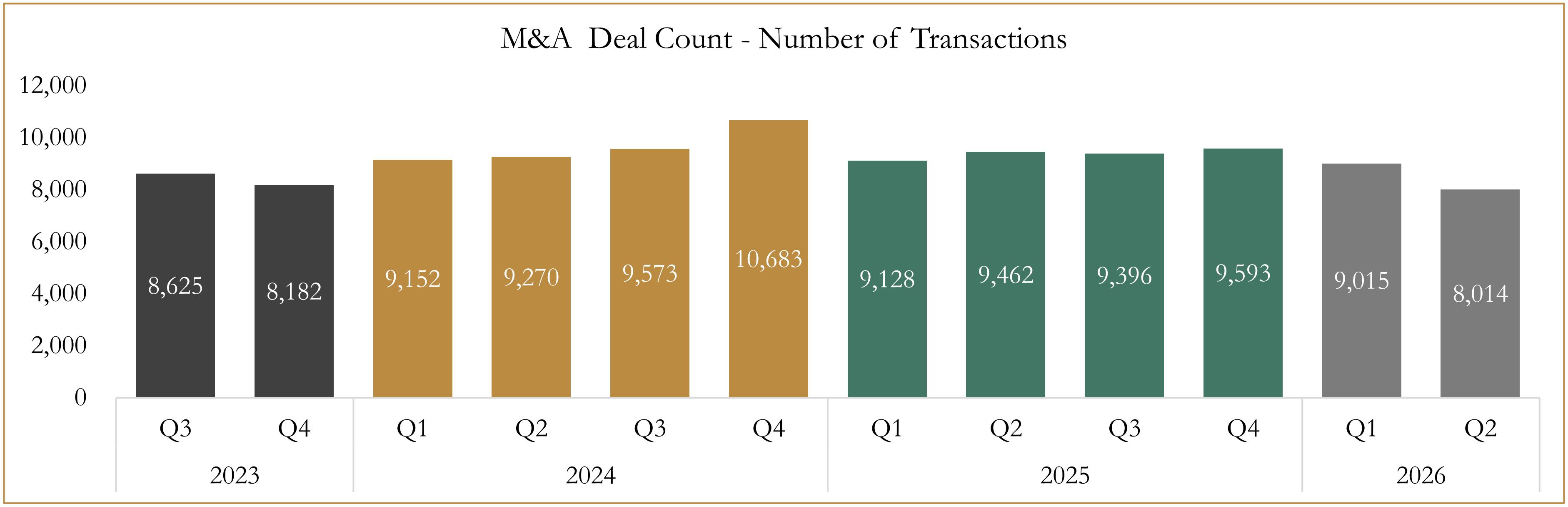
Measures consumer confidence in the economy based on monthly survey data from the University of Michigan.

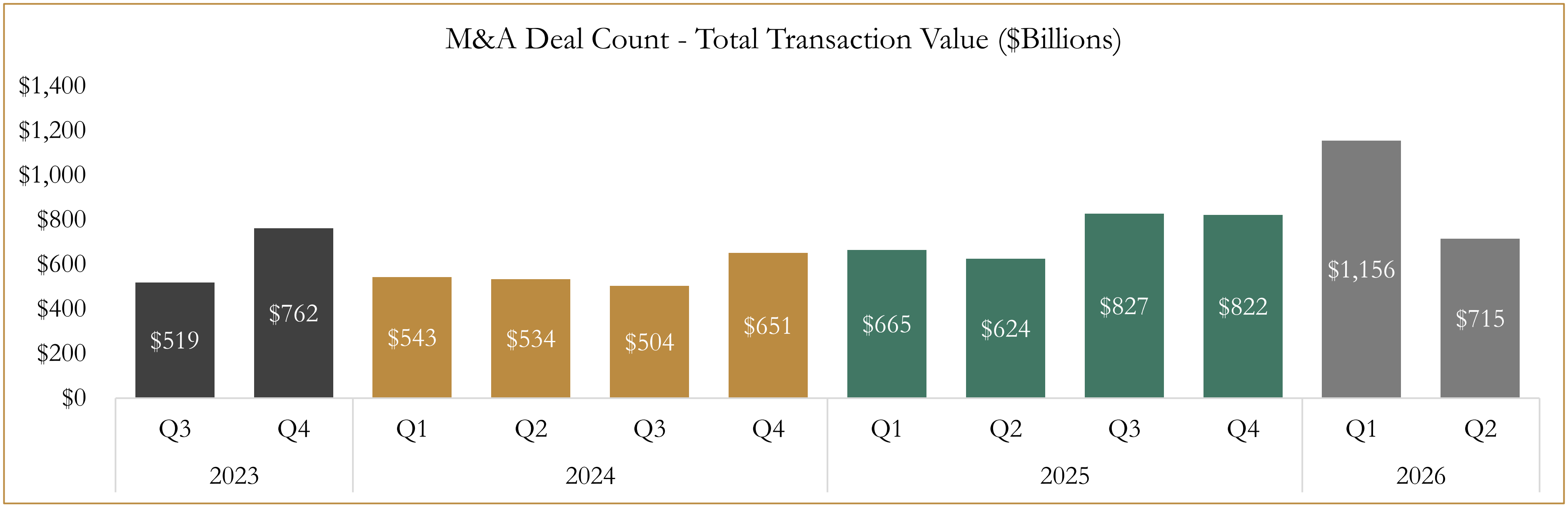
Source: St. Louis Fed – FRED Economic Data, Institute for Supply Management, [1]Figures in Thousands

4

Macroeconomic Environment

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





Source: Capital IQ; Data derived from M&A activity over the past three years.

5 Houlihan Capital

About Us

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

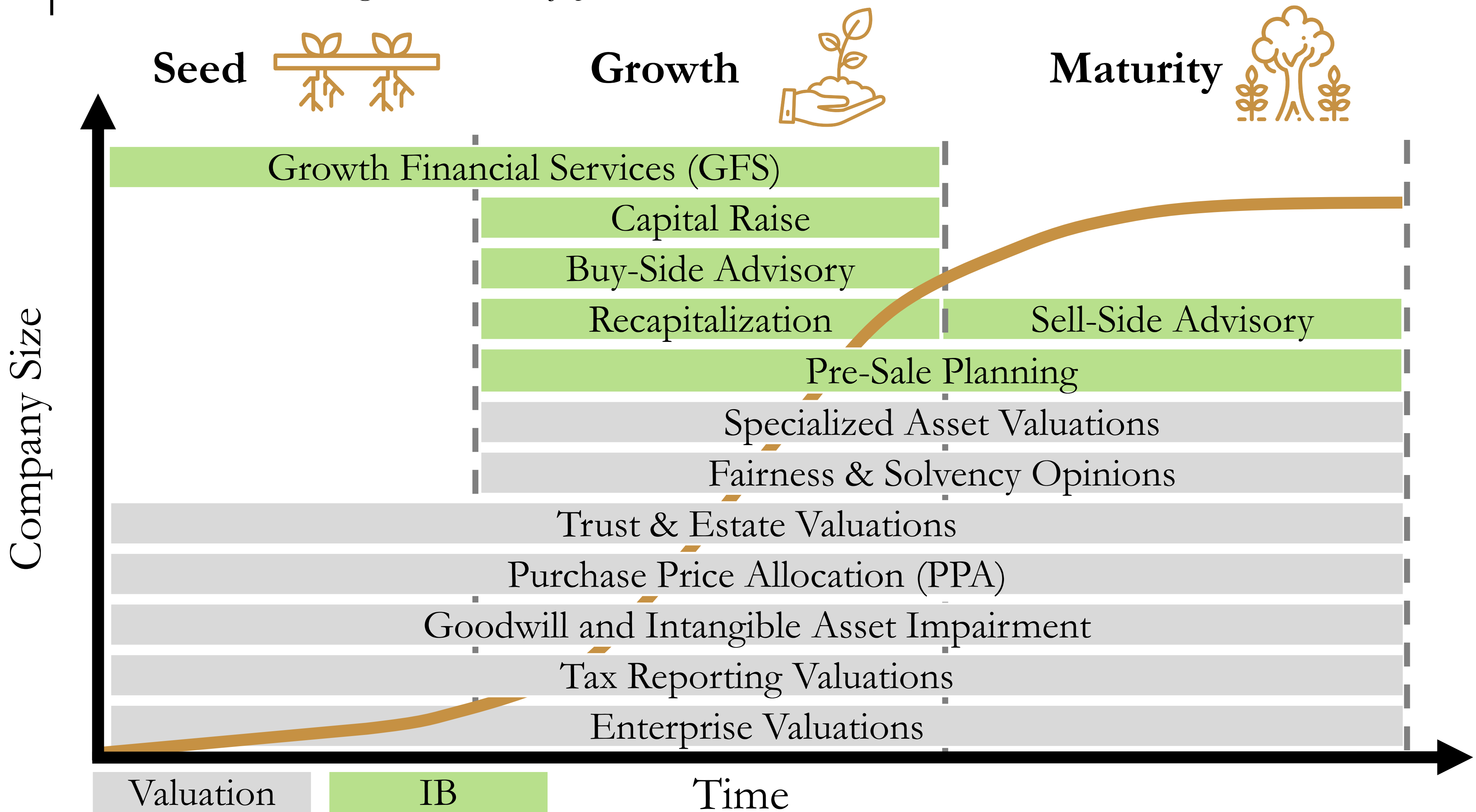
- **Valuation & Financial Advisory** – Portfolio Valuations and Transaction Advisory (i.e., Fairness Opinions) for Funds, with an industry specialization in cryptocurrency
- **Investment Banking** – M&A Advisory for Founders and Family-Owned businesses in the lower middle market

Houlihan Capital Locations

Chicago, IL

Cleveland, OH

Houlihan's Services Along the Business Lifecycle



For questions or inquiries regarding our services, please contact:

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