HOULIHAN CAPITAL *Value. Added.*

Valuation & Financial Advisory | Investment Banking

Industry Update

Business Services

Q3 2025

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1 Executive Summary

Key Takeaways

Key Trends

- **AI-Enabled Service Delivery Accelerates Transformation:** Business services firms are rapidly integrating AI across operations – from finance to customer support – to improve efficiency, analytics, and scalability. Automation is shifting the model from labor-driven to outcome-driven delivery, enhancing profitability and supporting smarter client engagement.
- **Rise of Specialized, Tech-Enabled Outsourcing:** Demand is moving away from cost-based outsourcing toward niche, technology-driven services such as HR tech, finance-as-a-service, and compliance support. Clients increasingly favor providers with sector expertise, automation capabilities, and scalable platforms tailored to mid-market and PE-backed organizations.

Market Overview

- Public markets continue to show the Business Services sector **underperforming** broader equity indices, reflecting softer investor sentiment.
- M&A activity **declined** in Q3 2025, marking the lowest transaction count in two (2) years as buyers grew more selective amid valuation pressures.
- Macroeconomic conditions remain **uncertain**, with financial market **volatility** and geopolitical **instability** continuing to weigh on confidence.

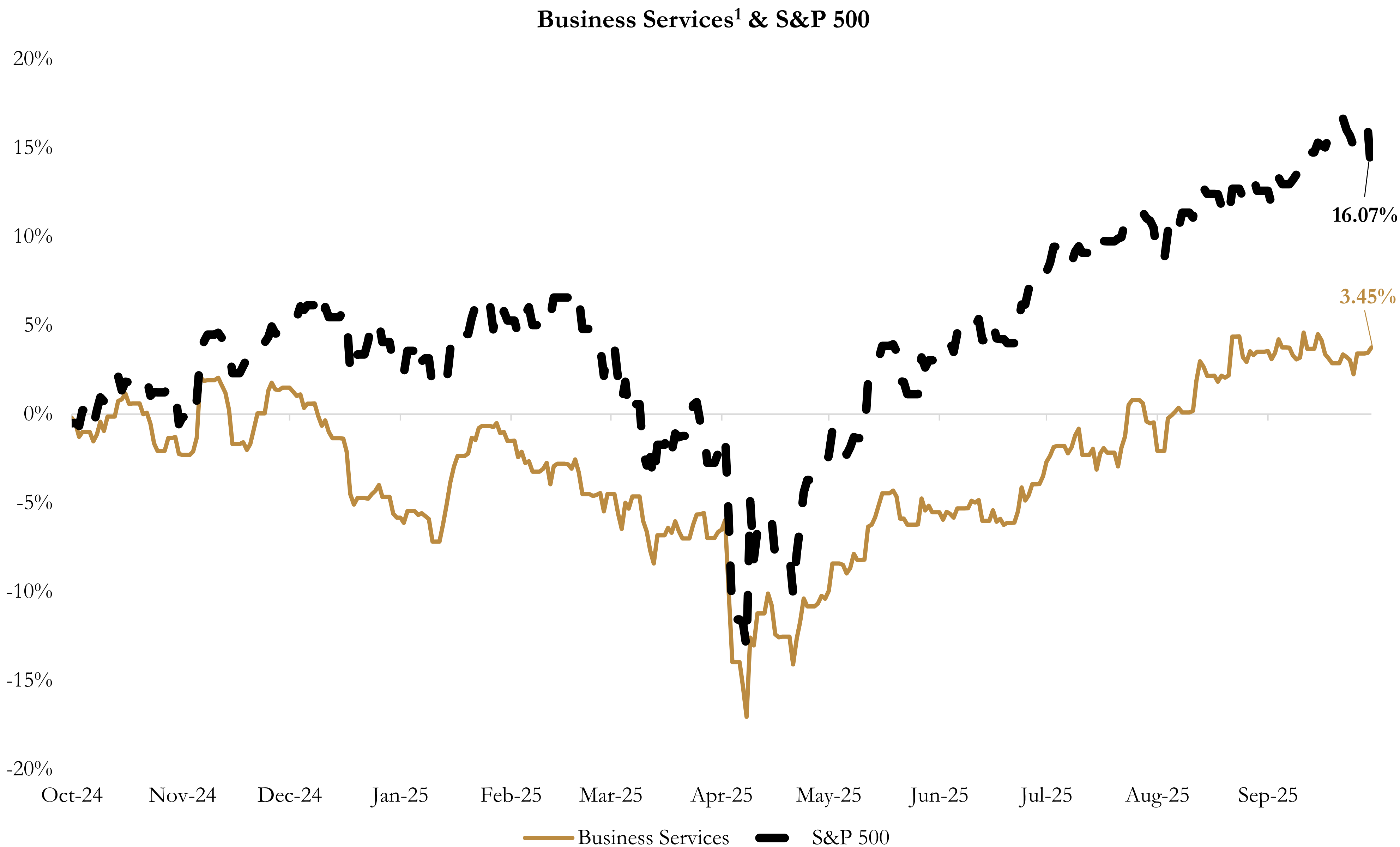
External Drivers

- Business sentiment **stayed stable** in Q3 2025 amid moderate growth and easing inflation.
- Elevated rates kept capital spending muted, **boosting demand** for outsourced, efficiency-focused services.
- IT, HR, and compliance solutions **remained in demand**, while discretionary and consumer-facing activity **softened**.

Source: RSM

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)

Company Name	Ticker	Valuation Metrics					Financial Metrics			
		TEV	Price at 09/30/25	% 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										
Microsoft Corporation	MSFT	$3,834,030	$517.95	93.2%	13.6x	24.5x	$281,724	$156,528	14.9%	55.6%
Apple Inc.	AAPL	$3,669,015	$254.63	97.9%	9.0x	25.9x	$408,625	$141,696	6.0%	34.7%
Alphabet Inc.	GOOG	$2,985,898	$243.55	94.9%	8.0x	21.2x	$371,399	$140,841	13.1%	37.9%
Oracle Corporation	ORCL	$966,687	$281.24	81.3%	16.4x	39.5x	$59,018	$24,463	9.7%	41.5%
International Business Machines	IBM	$313,875	$282.16	95.3%	4.9x	22.1x	$64,040	$14,183	2.7%	22.1%
Intuit Inc.	INTU	$184,060	$682.91	83.9%	9.8x	32.9x	$18,831	$5,591	15.6%	29.7%
Booking Holdings Inc.	BKNG	$165,899	$5,399.27	92.5%	6.6x	18.5x	$25,025	$8,948	11.7%	35.8%
Adobe Inc.	ADBE	$139,112	$352.75	63.2%	6.0x	15.4x	$23,181	$9,060	10.7%	39.1%
Automatic Data Processing, Inc.	ADP	$116,528	$293.50	89.0%	5.7x	19.3x	$20,561	$6,025	7.1%	29.3%
Fiserv, Inc.	FI	$95,090	$128.93	54.0%	4.5x	10.1x	$21,112	$9,450	6.7%	44.8%
Fidelity National Information Services, Inc.	FIS	$47,165	$65.94	71.7%	4.6x	15.3x	$10,317	$3,081	3.6%	29.9%
eBay Inc.	EBAY	$44,940	$90.95	89.9%	4.3x	17.7x	$10,470	$2,537	2.7%	24.2%
Carrefour SA	CA	$31,997	$15.13	82.0%	0.3x	7.6x	$103,728	$4,217	4.4%	4.1%
Cognizant Technology Solutions Corp.	CTSH	$31,969	$67.07	73.8%	1.6x	8.7x	$20,486	$3,688	6.3%	18.0%
Tripadvisor, Inc.	TRIP	$1,891	$16.26	80.7%	1.0x	11.0x	$1,870	$172	3.0%	9.2%

Source: Capital IQ

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 09/30/25**	**% of 52 Week High**	**TEV / LTM Revenue**	**TEV / LTM EBITDA**	**LTM Revenue**	**LTM EBITDA**	**Revenue Growth**	**EBITDA Margin**
Advertising										
Omnicom Group Inc.	OMC	$20,183	$81.53	76.2%	1.3x	7.9x	$15,911	$2,553	5.2%	16.0%
Lamar Advertising Company	LAMR	$16,964	$122.42	87.5%	7.6x	16.8x	$2,234	$1,007	3.2%	45.1%
The Interpublic Group of Companies, Inc.	IPG	$12,597	$27.91	84.4%	1.4x	7.3x	$8,847	$1,720	-5.9%	19.4%
Clear Channel Outdoor Holdings, Inc.	CCO	$6,977	$1.58	93.5%	4.5x	13.8x	$1,539	$504	31.6%	32.8%
Consumer Credit Reporting, Mercantile Reporting, and Adjustment and Collection Agency										
S&P Global Inc.	SPGI	$162,153	$486.71	84.1%	11.0x	22.3x	$14,700	$7,260	10.7%	49.4%
Moody's Corporation	MCO	$91,103	$476.48	89.6%	12.5x	26.9x	$7,307	$3,385	11.5%	46.3%
Equifax Inc.	EFX	$33,270	$256.53	86.8%	5.7x	18.3x	$5,840	$1,819	6.9%	31.2%
Services to Dwellings and Other Buildings										
Rollins, Inc.	ROL	$27,994	$58.74	99.4%	7.8x	34.9x	$3,570	$803	10.4%	22.5%
ABM Industries Incorporated	ABM	$4,347	$46.12	78.0%	0.5x	9.4x	$8,628	$464	4.3%	5.4%
Healthcare Services Group, Inc.	HCSG	$1,073	$16.83	99.8%	0.6x	70.8x	$1,772	$15	5.2%	0.9%

Source: Capital IQ

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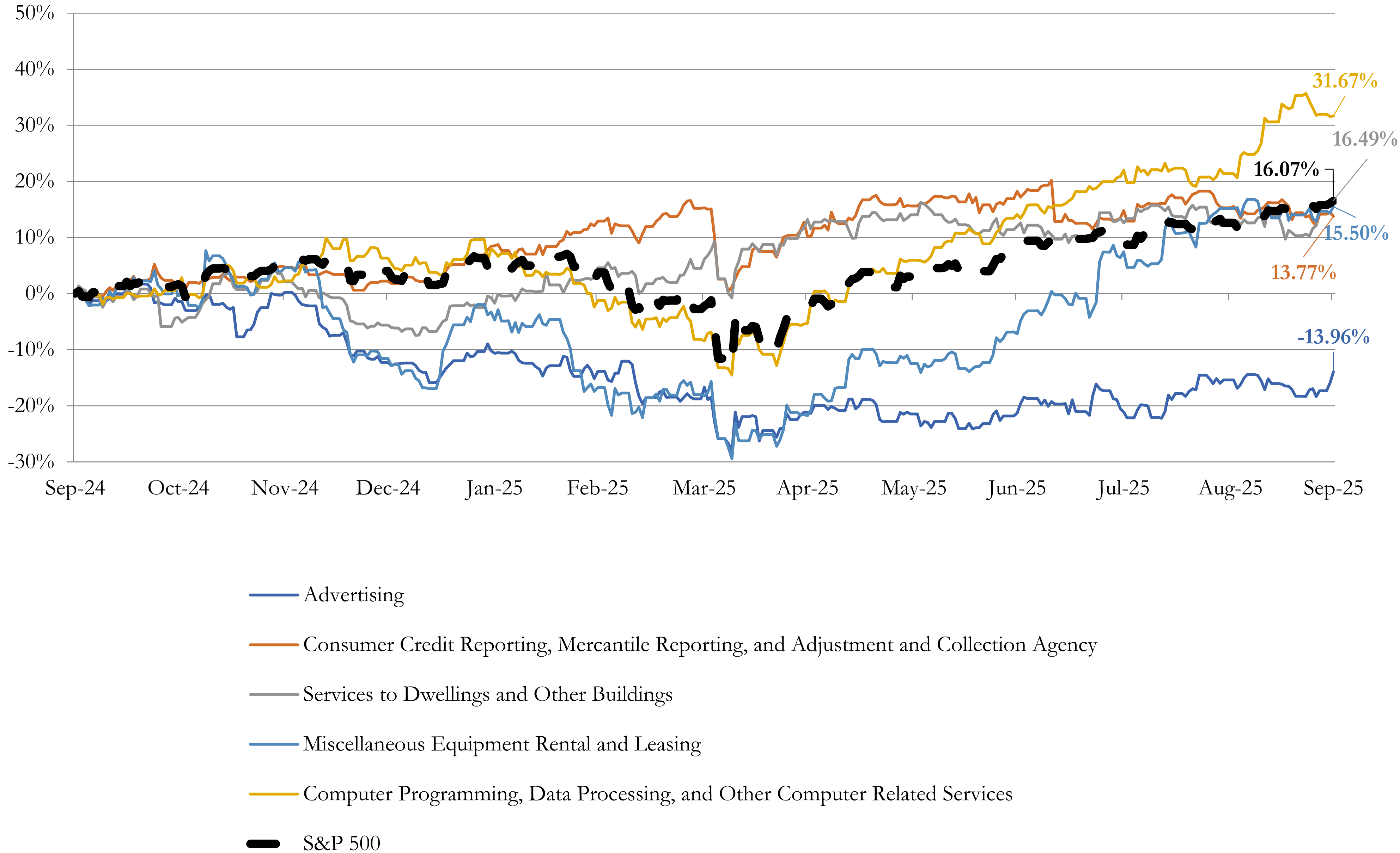
Public Market Performance

Sub-Industry Performance vs. S&P 500



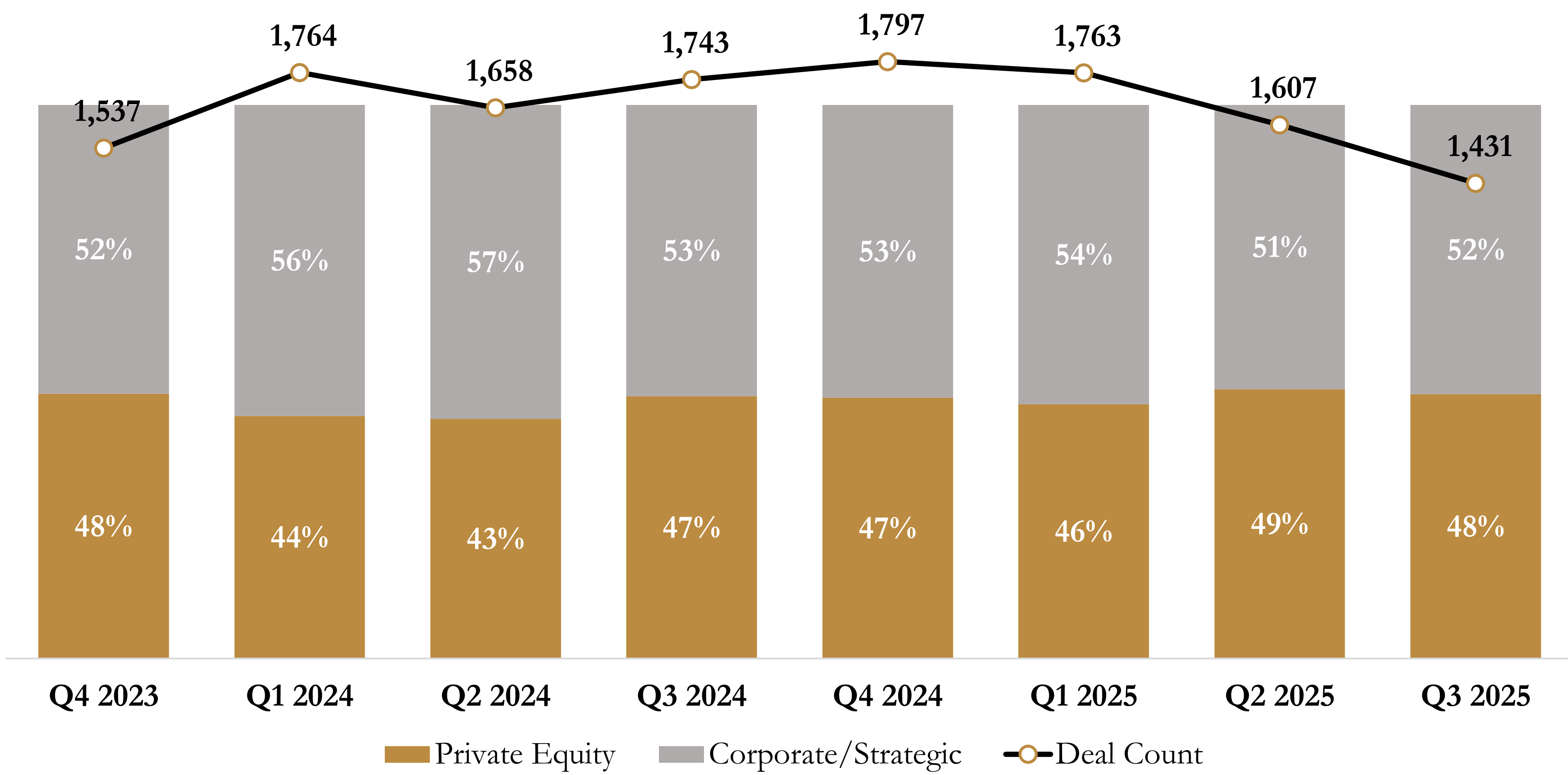
Source: Capital IQ

3

M&A Trends

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

The Business Services M&A market softened in Q3 2025, with total transactions declining to 1,431 – the lowest level since late 2023. After a period of relative stability through 2024 and early 2025, activity slowed amid persistent regulatory uncertainty and uneven economic conditions. Strategic buyers continued to account for just over half of deal volume at 52%, while private equity participation held steady at 48%. Buyer focus increasingly shifted toward tech-enabled and efficiency-driven service models, as firms prioritized scalability, automation, and margin resilience.



Source: PitchBook

3 M&A Trends

Recent M&A Transactions

(USD in millions)

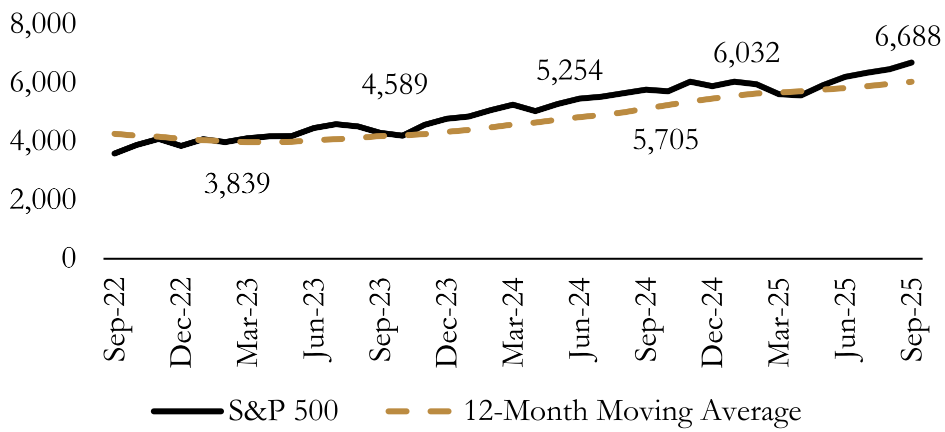
Close Date	Target	Acquirer	Implied TEV
Jul-25	ANSYS, Inc.	Synopsys, Inc.	$33,963
Jul-25	GraphPad Software, LLC	Siemens AG	$5,100
May-25	Games Business of Niantic, Inc.	Scopely, Inc.	$3,500
Aug-25	E2open Parent Holdings, Inc.	WiseTech Global Limited	$2,221
Sep-25	Olo Inc.	Thoma Bravo, L.P.	$1,602
Jun-25	SevenRooms Inc.	DoorDash, Inc.	$1,200
Jul-25	Hospitality Solutions Business of Sabre Corporation	TPG Capital, L.P.; TPG Partners IX, L.P.	$1,100
Aug-25	iconectiv, LLC	Koch Equity Development, LLC	$1,000
Jun-25	Mobile Games Studio Portfolio of AppLovin Corporation	Tripledot Studios Limited	$800
Jul-25	Protect AI, Inc.	Palo Alto Networks, Inc.	$700
Aug-25	Red Canary, Inc.	Zscaler, Inc.	$675
Sep-25	Deepintent, Inc.	Vitruvian Partners LLP	$637
Jun-25	Fictiv Inc.	MISUMI USA, Inc.	$350
Jun-25	OfferFit, Inc.	Braze, Inc.	$325
Sep-25	Prime Insights Group LLC	Aonic AB	$250
Jun-25	Crunchy Data Solutions, Inc.	Snowflake Inc.	$250
Sep-25	Toch Inc.	Minute Media Inc.	$200
Jun-25	SYMBIOSYS CORP	DoorDash, Inc.	$175
Sep-25	Asset Entities Inc.	Strive Asset Management, LLC	$165
Sep-25	SlashNext, Inc.	Varonis Systems, Inc.	$150
Aug-25	Jolt Software, Inc.	Digi Smartsense, LLC	$146
Aug-25	Blade Urban Air Mobility Inc.	Joby Aero, Inc.	$125
Jul-25	Memfault Inc.	Nordic Semiconductor ASA	$120
Jul-25	Chesapeake Technology International, Corp.	Parsons Corporation	$89
Sep-25	Interactions LLC	SoundHound, Inc.	$85
May-25	SixFifty Technologies, LLC	Paychex, Inc.	$85
Jun-25	Base44, Inc.	Wix.com Ltd.	$80
Aug-25	Vayu Robotics, Inc.	Serve Robotics Inc.	$63

Source: Capital IQ

4 Macroeconomic Environment

Macroeconomic Indicators

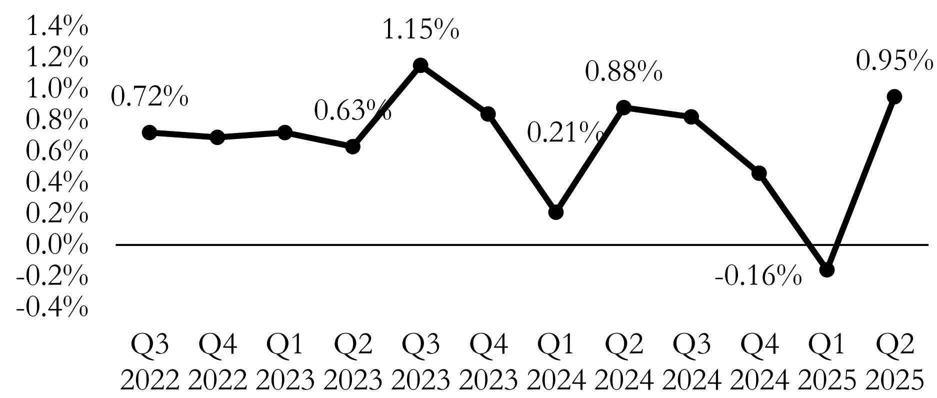
S&P 500



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

Real GDP Growth

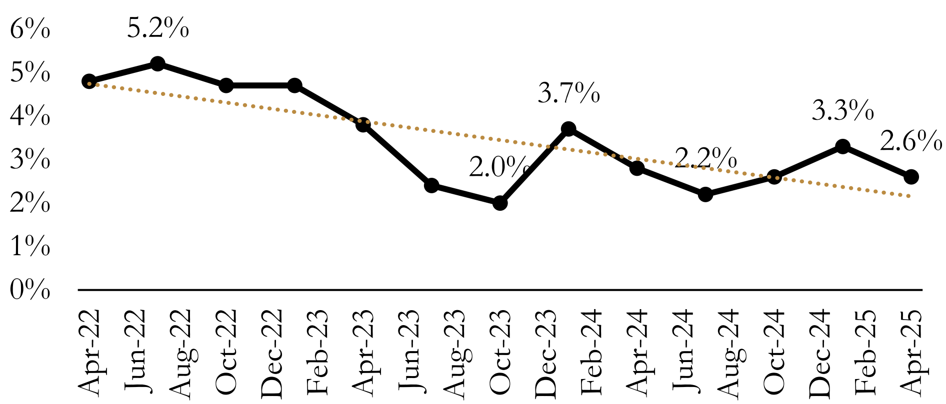
Gross Domestic Product



Tracks inflation-adjusted economic output, typically reported quarterly.

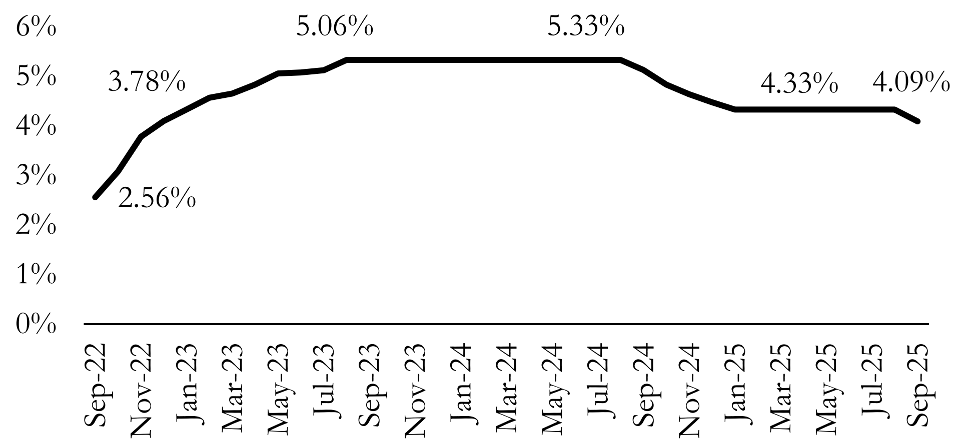
Core PCE

Personal Consumption Expenditures



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

Federal Funds Rate



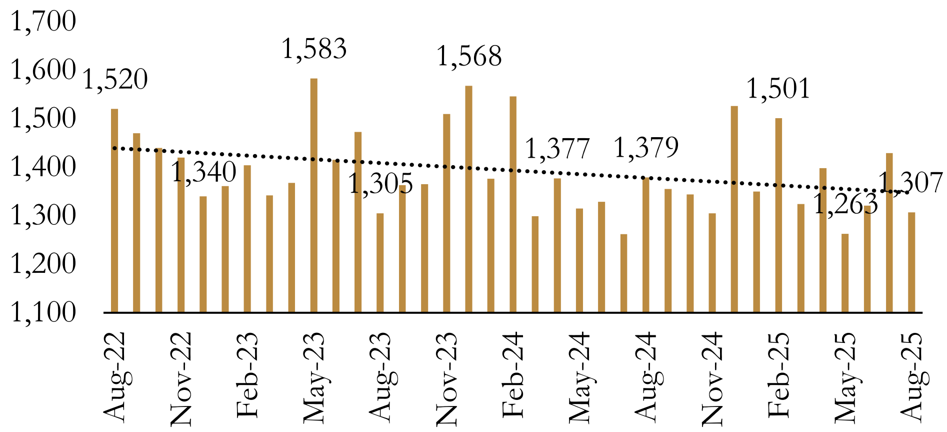
The Fed's benchmark interest rate that influences borrowing costs throughout the economy.

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

4 Macroeconomic Environment

Macroeconomic Indicators (Cont.)

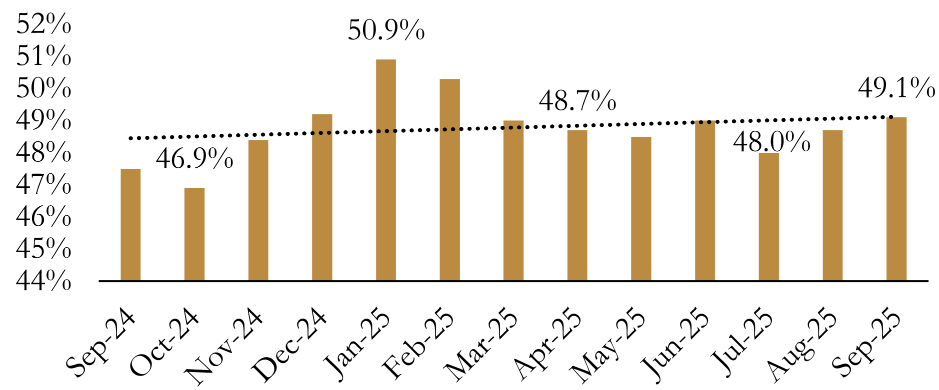
New Privately-Owned Housing Units Started[1]



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

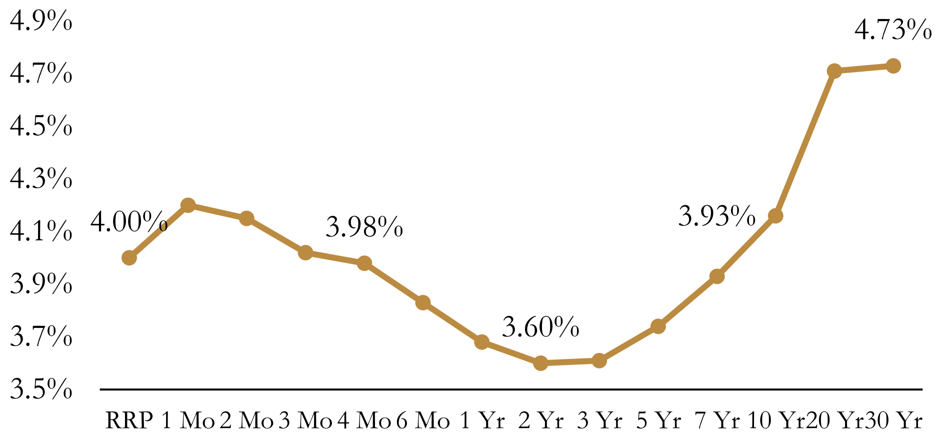
Manufacturing PMI

Purchasing Manager's Index



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

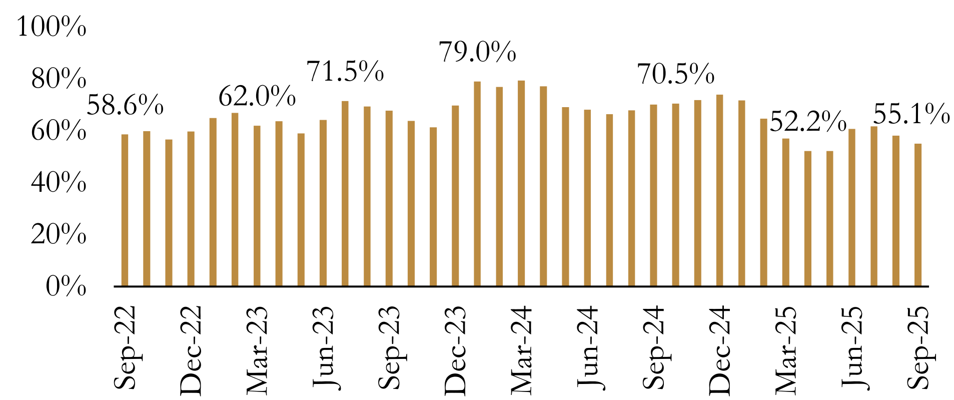
Treasury Par Yield Curve Rates



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

Consumer Sentiment

From the University of Michigan

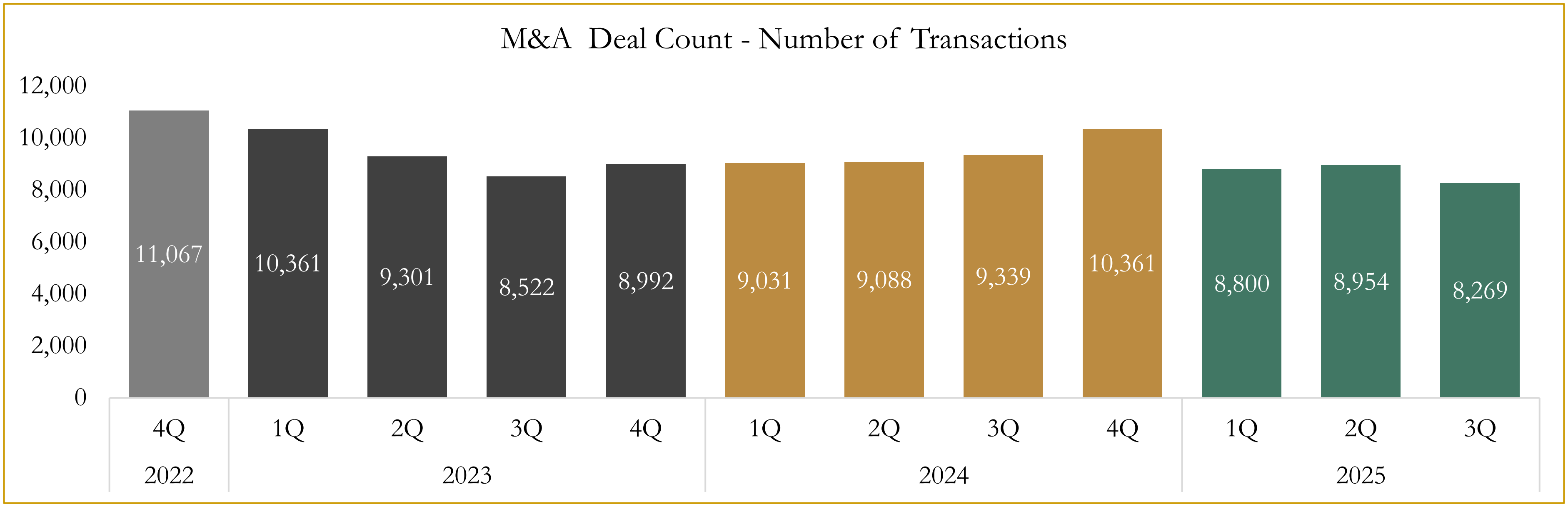


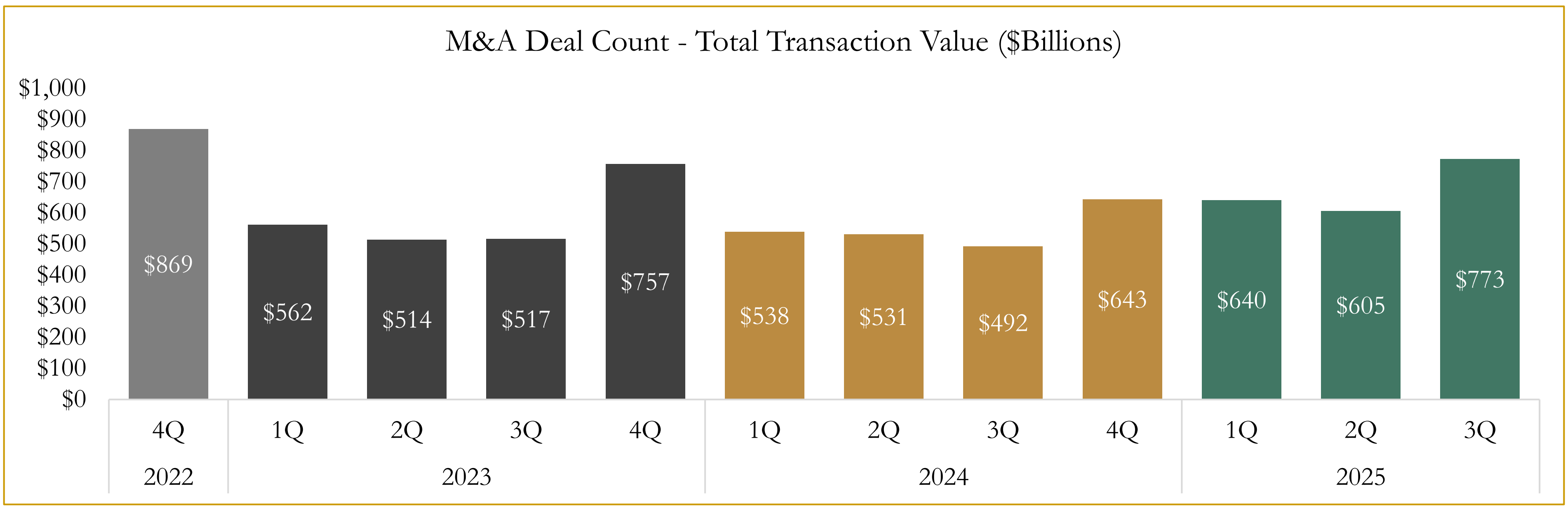
Measures consumer confidence in the economy based on monthly survey data.

Source: St. Louis Fed – FRED Economic Data, Institute for Supply Management, [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

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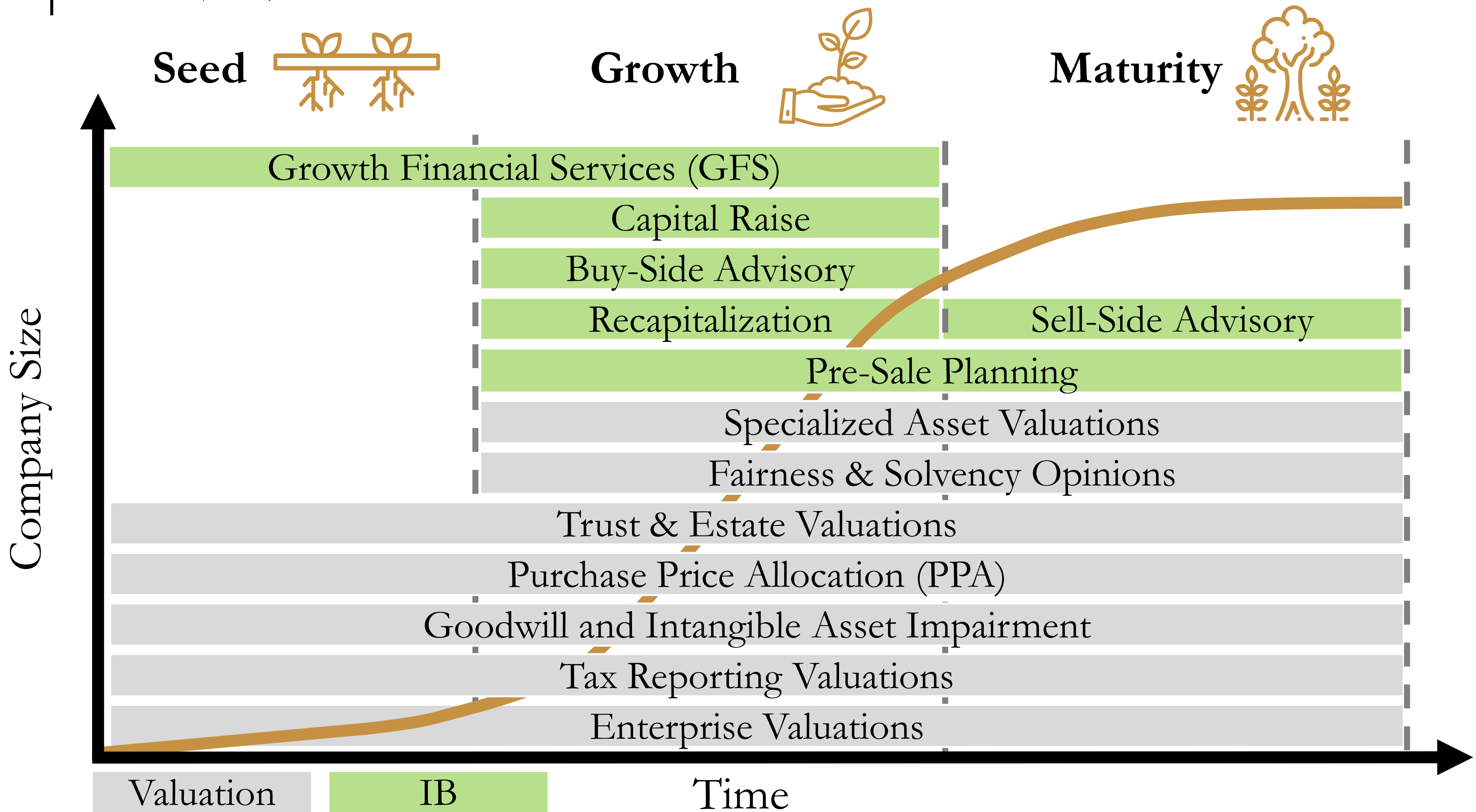
Houlihan Capital

About Us (Cont.)



For questions or inquiries regarding our services, please contact:

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