

HOULIHAN CAPITAL

Valuation & Financial Advisory | Investment Banking

# INDUSTRY UPDATE
# BUSINESS SERVICES
# Q3 2026

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# 01 EXECUTIVE SUMMARY

*Key Takeaways*

## KEY TRENDS

- **Technology-Enabled Delivery Drives Buyer Differentiation:** Sponsors and strategics favored service platforms with automation embedded in delivery, supporting productivity, margin expansion, and more durable recurring revenue.
- **Consolidation Expands Across Regulated Services:** Buy-and-build activity extended across cybersecurity, compliance, healthcare RCM, and BPO, where specialized workflows and recurring contracts continued to attract interest.

## MARKET OVERVIEW

- Q3 markets were mixed: resilient service businesses held up, while rates, tariffs, and geopolitical uncertainty kept buyers selective.
- Business-services M&A remained active, with strategics targeting digital transformation, compliance, and outsourced solutions; sponsors continued to favor recurring revenue and margin visibility.
- The Fed held rates at 3.50%–3.75% through most of Q3, then raised them to 3.75%–4.00% in September as inflation remained elevated.

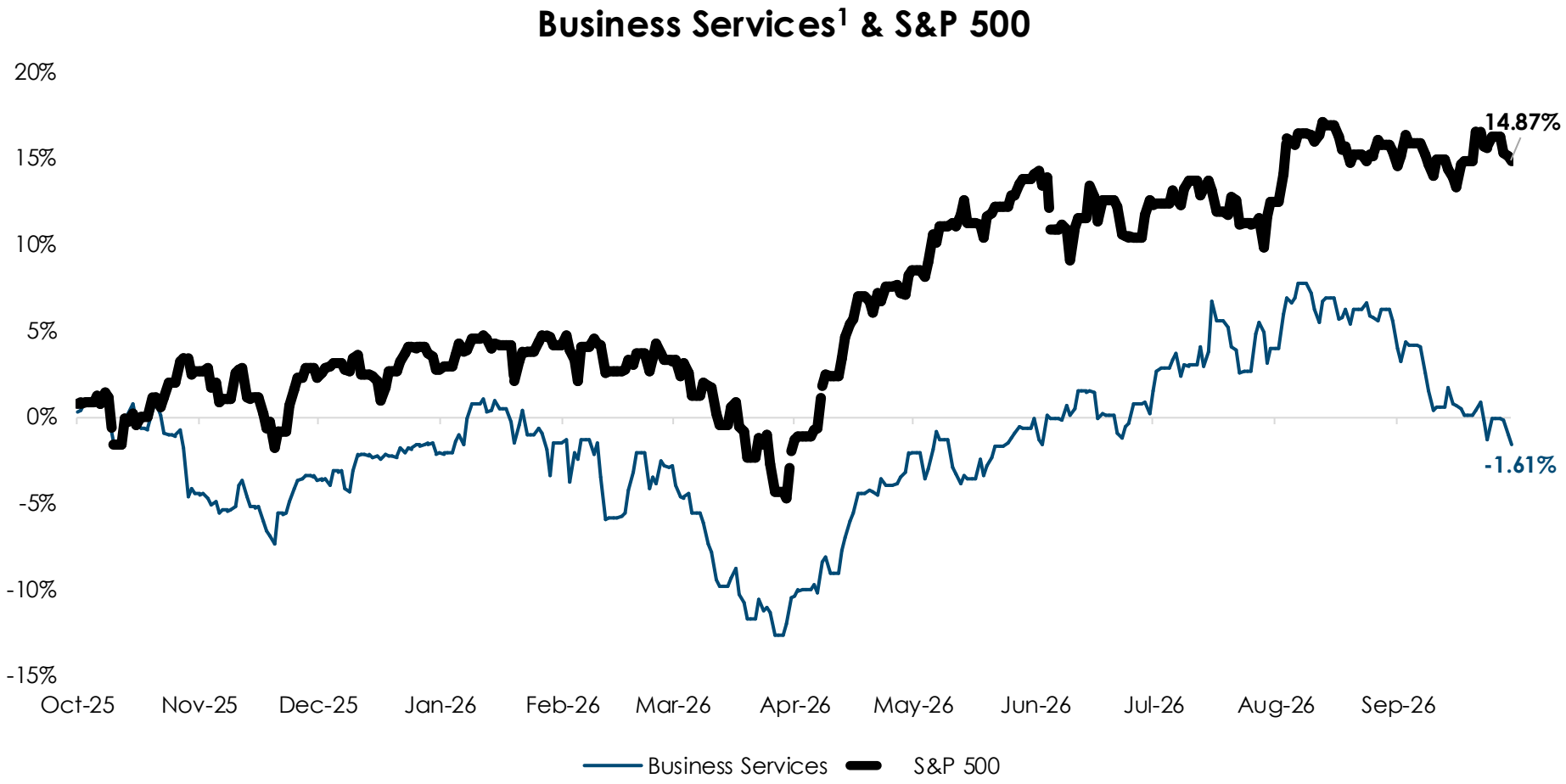
## EXTERNAL DRIVERS

- Service activity remained healthy, with the September ISM Services PMI at 54.9, signaling continued expansion.
- Q2 GDP grew 2.2%, while September CPI rose 3.7%, keeping inflation above target and policy restrictive.
- Customers stayed focused on cost control, but AI, compliance, and outsourced expertise continued to support demand across business services.

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

# 02 PUBLIC MARKET PERFORMANCE

*Sector ETGF 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.



# 02 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 09/30/26** | **% 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 | $4,918,383 | $333.02 | 96.4% | 10.5x | 29.3x | $466,823 | $167,959 | 14.2% | 36.0% |
| Alphabet Inc. | GOOG | $4,199,524 | $340.74 | 84.2% | 9.4x | 24.3x | $445,866 | $173,164 | 20.1% | 38.8% |
| Microsoft Corporation | MSFT | $4,087,383 | $512.90 | 92.6% | 12.3x | 21.0x | $331,839 | $194,237 | 17.8% | 58.5% |
| Oracle Corporation | ORCL | $571,555 | $137.30 | 42.6% | 8.0x | 16.6x | $71,776 | $34,433 | 21.6% | 48.0% |
| International Business Machines | IBM | $274,655 | $219.93 | 66.2% | 4.0x | 16.7x | $69,095 | $16,473 | 7.9% | 23.8% |
| Booking Holdings Inc. | BKNG | $121,764 | $162.91 | 72.4% | 4.3x | 11.7x | $28,241 | $10,413 | 12.9% | 36.9% |
| Automatic Data Processing, Inc. | ADP | $110,472 | $258.06 | 87.9% | 5.0x | 17.2x | $21,947 | $6,411 | 6.7% | 29.2% |
| Adobe Inc. | ADBE | $93,105 | $239.94 | 66.0% | 3.6x | 9.4x | $25,970 | $9,917 | 12.0% | 38.2% |
| Intuit Inc. | INTU | $81,779 | $275.71 | 40.0% | 3.8x | 11.9x | $21,448 | $6,849 | 13.9% | 31.9% |
| eBay Inc. | EBAY | $55,633 | $106.05 | 88.9% | 4.6x | 18.0x | $12,008 | $3,096 | 14.7% | 25.8% |
| Fiserv, Inc. | FI | $52,241 | $55.80 | 24.6% | 2.5x | 6.8x | $20,866 | $7,735 | -1.2% | 37.1% |
| Fidelity National Information Services, Inc. | FIS | $38,668 | $32.90 | 47.6% | 3.2x | 11.0x | $12,200 | $3,524 | 18.3% | 28.9% |
| Carrefour SA | CA | $32,178 | $18.07 | 90.7% | 0.3x | 7.8x | $96,659 | $4,101 | 4.0% | 4.2% |
| Cognizant Technology Solutions Corp. | CTSH | $28,669 | $57.44 | 66.0% | 1.3x | 7.1x | $21,642 | $4,036 | 5.6% | 18.6% |
| Tripadvisor, Inc. | TRIP | $1,075 | $8.37 | 47.0% | 0.6x | 9.8x | $1,830 | $110 | 3.3% | 6.0% |

Source: Capital IQ



# 02 PUBLIC MARKET PERFORMANCE

*Key Financial and Valuation Metrics for Large Industry Operators*

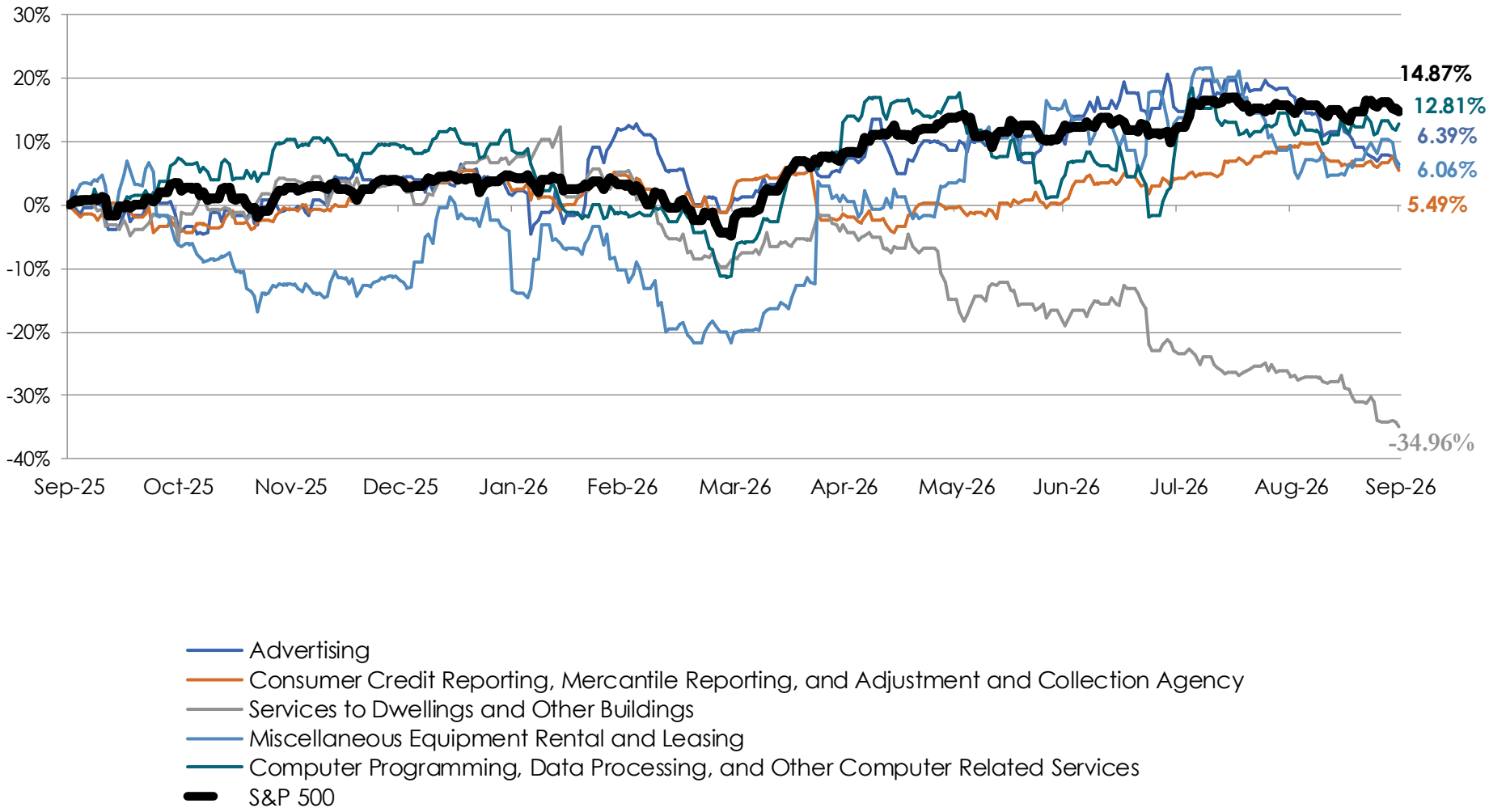
*(USD in millions, except per share data)*

| Company Name | Ticker | Valuation Metrics | | | | | Financial Metrics | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | TEV | Price at 09/30/26 | % of 52 Week High | TEV / LTM Revenue | TEV / LTM EBITDA | LTM Revenue | LTM EBITDA | Revenue Growth | EBITDA Margin |
| **Advertising** | | | | | | | | | | |
| Omnicom Group Inc. | OMC | $30,538 | $73.63 | 82.2% | 1.4x | 8.3x | $22,371 | $3,677 | 40.6% | 16.4% |
| Lamar Advertising Company | LAMR | $19,796 | $144.11 | 86.6% | 8.5x | 18.7x | $2,326 | $1,059 | 4.1% | 45.5% |
| Clear Channel Outdoor Holdings, Inc. | CCO | $7,521 | $2.35 | 96.3% | 4.5x | 14.5x | $1,679 | $518 | 9.1% | 30.9% |
| IPD Group Limited | IPG | $459 | $4.26 | 94.0% | 1.6x | 13.5x | $287 | $34 | 16.8% | 11.8% |
| **Consumer Credit Reporting, Mercantile Reporting, and Adjustment and Collection Agency** | | | | | | | | | | |
| S&P Global Inc. | SPGI | $137,607 | $394.47 | 71.4% | 8.5x | 16.9x | $16,122 | $8,143 | 9.7% | 50.5% |
| Moody's Corporation | MCO | $86,643 | $454.13 | 83.0% | 10.6x | 21.4x | $8,160 | $4,053 | 11.7% | 49.7% |
| Equifax Inc. | EFX | $22,951 | $137.24 | 53.1% | 3.6x | 11.9x | $6,445 | $1,924 | 10.3% | 29.9% |
| **Services to Dwellings and Other Buildings** | | | | | | | | | | |
| Rollins, Inc. | ROL | $16,475 | $30.12 | 45.5% | 4.2x | 19.0x | $3,924 | $865 | 9.9% | 22.0% |
| ABM Industries Incorporated | ABM | $4,743 | $48.10 | 93.8% | 0.5x | 10.3x | $9,146 | $460 | 6.0% | 5.0% |
| Healthcare Services Group, Inc. | HCSG | $1,287 | $20.45 | 79.4% | 0.7x | 9.5x | $1,865 | $136 | 5.2% | 7.3% |

Source: Capital IQ

# 02 PUBLIC MARKET PERFORMANCE

*Sub-Industry Performance vs. S&P 500*

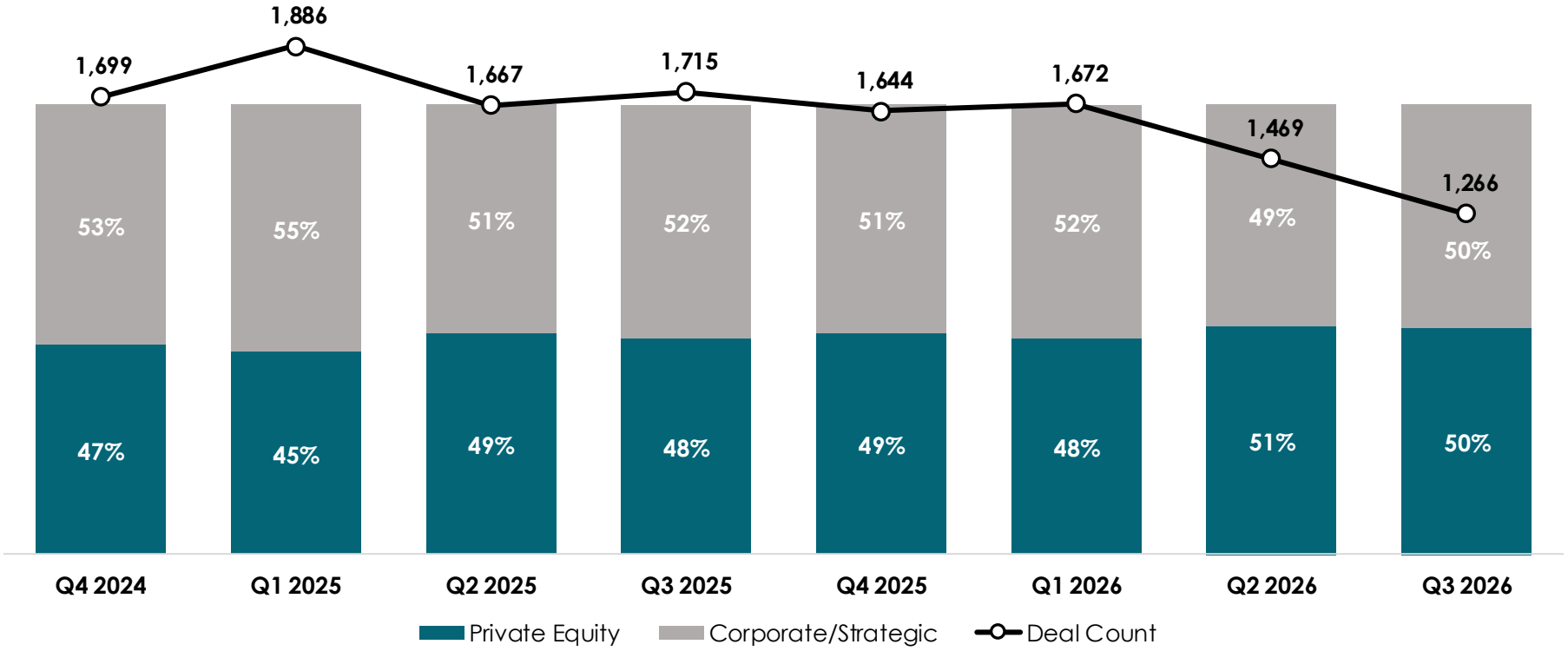



Source: Capital IQ

# 03 M&A TRENDS

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

Business Services M&A activity declined further in Q3 2026, with total transactions falling to 1,266, down 13.8% from 1,469 in Q3 2026 and 26.2% below the 1,715 deals recorded in Q3 2025. Transaction volume reached its lowest level in the past eight quarters, reflecting continued softness in deal activity. Private equity and corporate/strategic buyers accounted for an equal share of transactions at 50% each, compared to 51% and 49%, respectively, in the prior quarter.




Sources: Pitch Book

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



# 04 M&A TRENDS

## *Recent M&A Transactions*

*(USD in millions)*

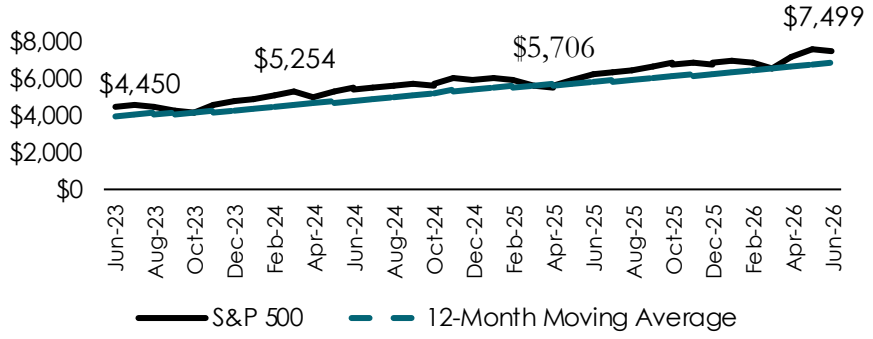
| Close Date | Target | Acquirer | Implied TEV |
|---|---|---|---|
| Aug-26 | Anysphere, Inc. | Space Exploration Technologies Corp. | $57,300 |
| Aug-26 | Electronic Arts Inc. | Silver Lake Technology Management, L.L.C.; Public Investment Fund; A Fin | $55,189 |
| May-26 | Forsta group | Qualtrics, LLC | $6,750 |
| Jul-26 | Modular Inc. | QUALCOMM Incorporated | $3,919 |
| Sep-26 | Fin | Salesforce, Inc. | $3,600 |
| Aug-26 | MaintainX, Inc. | Autodesk, Inc. | $3,575 |
| Sep-26 | Dragos, Inc. | Accenture plc | $3,250 |
| May-26 | CSG Systems International, Inc. | Netcracker Technology Corporation | $2,804 |
| Jul-26 | Heavy Construction Systems Specialists, LLC | Nemetschek SE | $2,341 |
| Apr-26 | Semrush Holdings, Inc. | Adobe Inc. | $1,716 |
| Jul-26 | American Megatrends International, LLC | Lattice Semiconductor Corporation | $1,650 |
| Aug-26 | Vibe Advertising Inc. | Walmart Inc. | $1,400 |
| Jul-26 | Emerald Holding, Inc. | Apollo Global Management, Inc. | $1,392 |
| Sep-26 | Formagrid, Inc. | Bending Spoons S.p.A. | $1,285 |
| Sep-26 | Oasis Security, Inc. | Cyera Ltd. | $1,000 |
| Sep-26 | DroneDeploy, Inc. | Procore Technologies, Inc. | $845 |
| Aug-26 | HW Holdco, LLC | CoStar Realty Information, Inc. | $800 |
| Aug-26 | Mirantis, Inc. | IREN Limited | $625 |
| Jun-26 | MagicByte AI, Inc. | Nebius Group N.V. | $623 |
| Sep-26 | Console Systems, Inc. | Palo Alto Networks, Inc. | $500 |
| Jul-26 | Alkira, Inc. | Lumen Technologies, Inc. | $475 |
| Jul-26 | Stash Financial, Inc. | Grab Holdings Limited | $425 |
| Jun-26 | Kumo AI, Inc. | NVIDIA Corporation | $400 |
| Sep-26 | Topaz Labs Inc. | Adobe Inc. | $340 |
| Sep-26 | LivePerson, Inc. | SoundHound AI, Inc. | $337 |
| Jul-26 | Orb, Inc. | Adyen N.V. | $335 |
| Aug-26 | Embrace Mobile, Inc. | Palo Alto Networks, Inc. | $325 |
| Aug-26 | I Merit, Inc. | ExlService Holdings, Inc. | $310 |

Sources: Capital IQ

# 04 MACROECONOMIC ENVIROMENMT

*Macroeconomic Indicators*

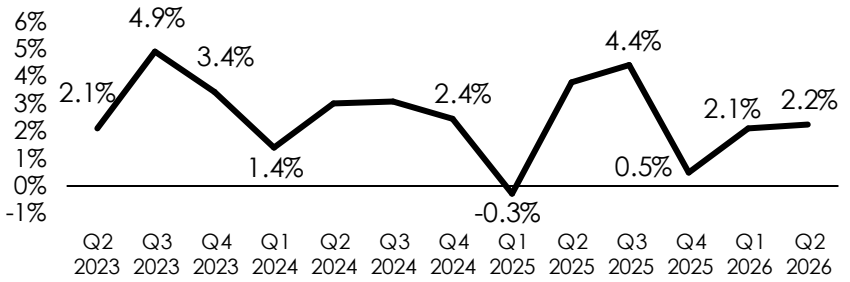
## S&P 500




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

## Real GDP Growth

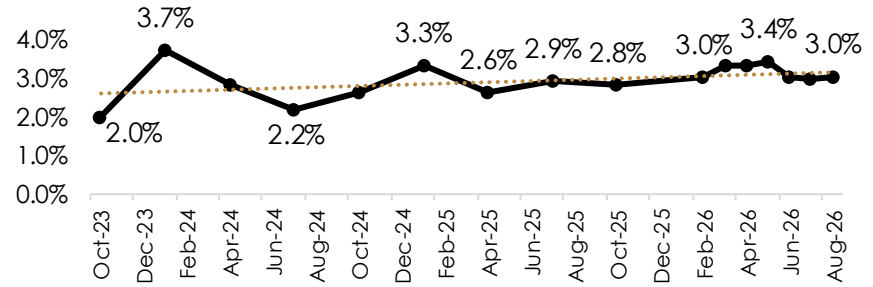
*Gross Domestic Product*




Tracks inflation-adjusted economic output, typically reported quarterly.

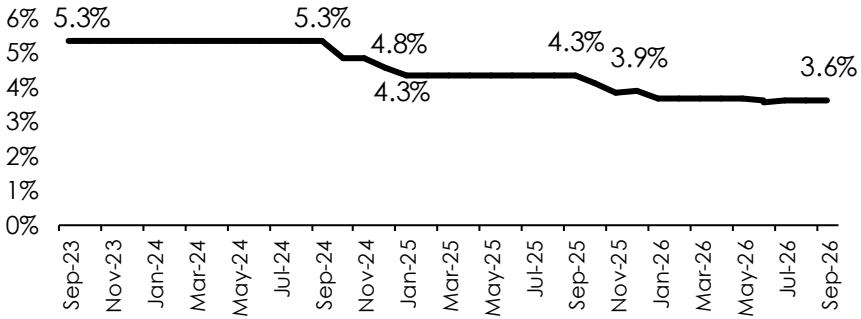
## Core PCE

*Personal Consumption Expenditures*




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

## Federal Funds Rate



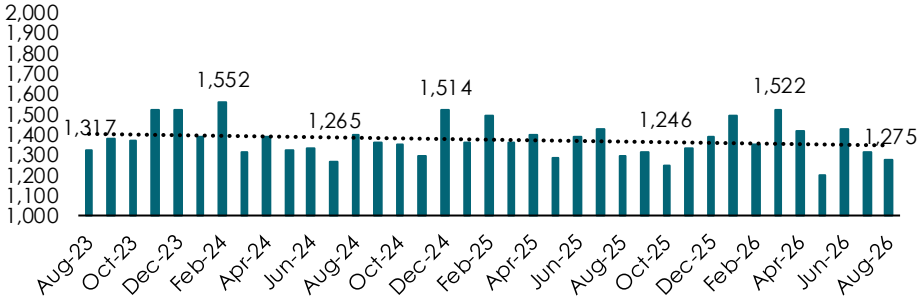

The Fed's benchmark interest rate that influences borrowing costs throughout the economy.

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

# 04 MACROECONOMIC ENVIROMENMT (cont.)

*Macroeconomic Indicators*

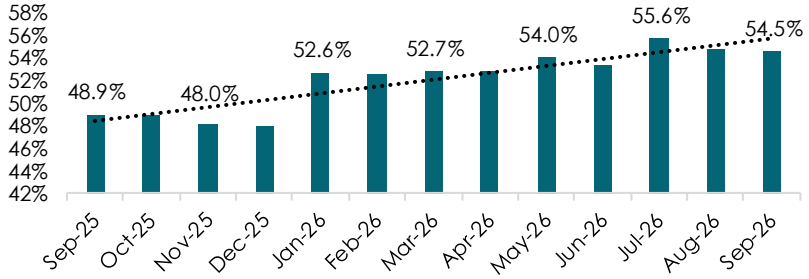
## New Privately-Owned Housing Units Started[1]




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

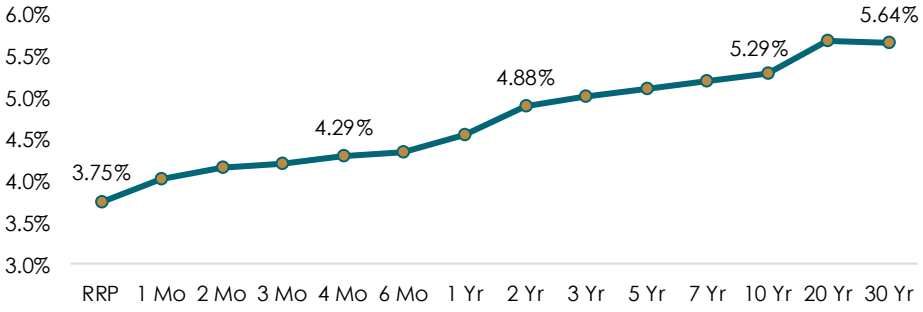
## Manufacturing PMI

*Purchasing Manager's Index*



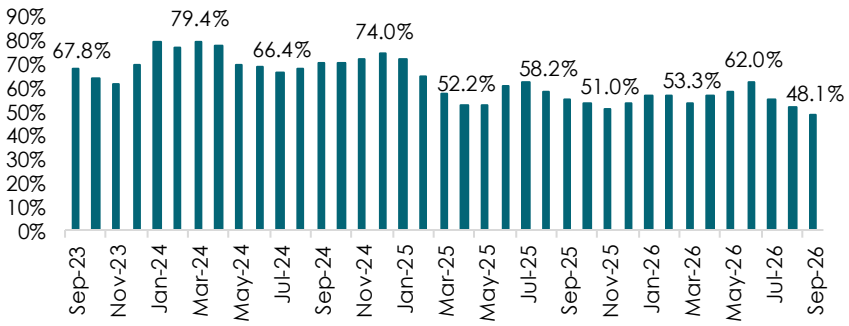

A monthly survey signaling manufacturing sector activity; readings above 50 indicate expansion.

## Treasury Par Yield Curve Rates




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

## Consumer Sentiment

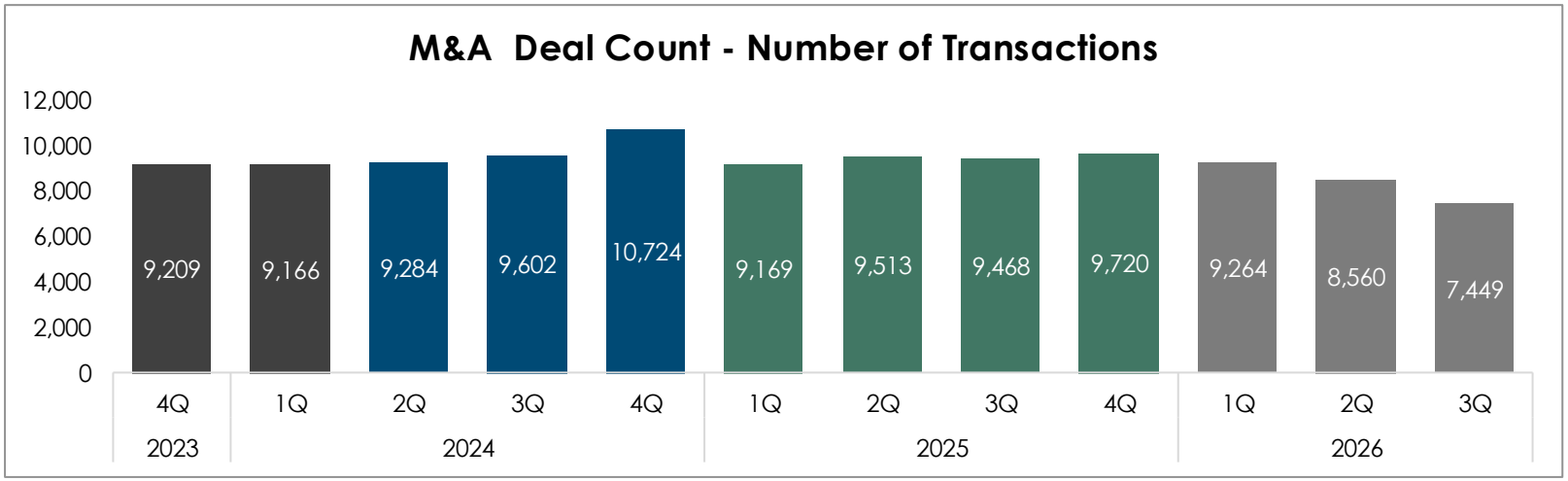


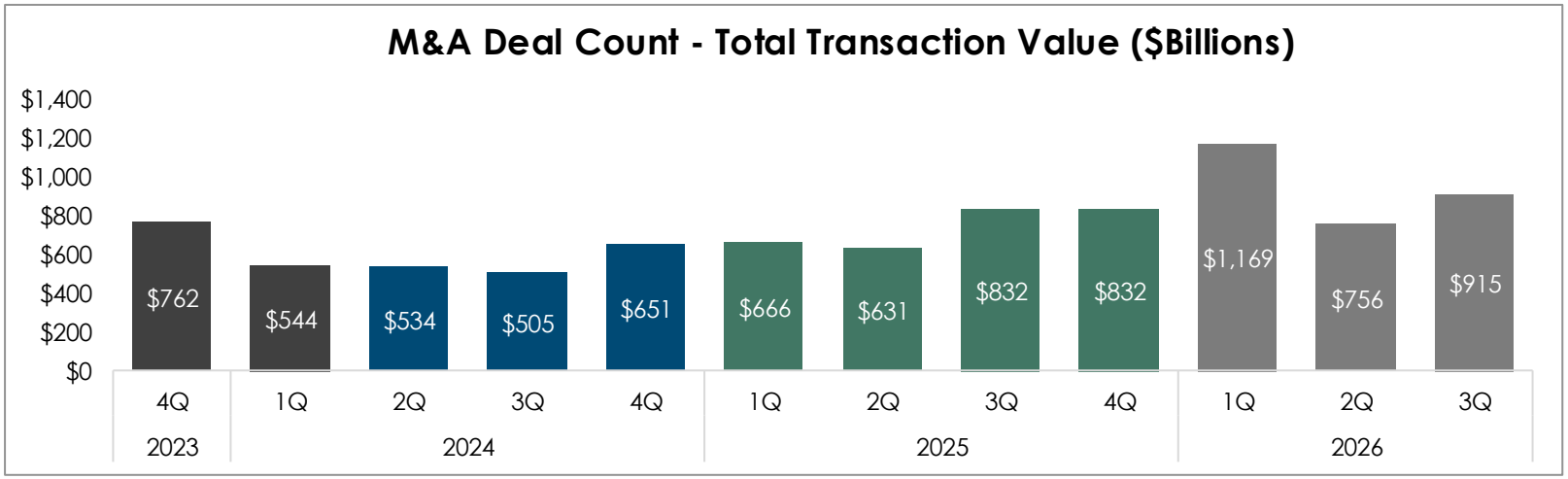

Measures consumer confidence in the economy based on monthly survey data from the University of Michigan.

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

# 04 MACROECONOMIC ENVIROMENMT (cont.)

*Total M&A Volume (Past 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

HOULIHAN CAPITAL

Valuation & Financial Advisory | Investment Banking



## ABOUT US

Houlihan Capital is an employee-owned valuation and investment banking firm.

We pride ourselves on delivering exceptional client value and trusted advisory in a dynamic marketplace.

As a FINRA registered broker-dealer, SIPC member, and SOC-compliant firm, we are committed to the highest standards of integrity and professionalism.

## OUR HISTORY

Houlihan Capital's origins date back to 1996 when Andrew Smith and Richard Houlihan founded a valuation and investment banking firm to serve small to middle-market companies. Over the years, the firm organically grew to accommodate the needs of an increasingly complex client base.

Today, Houlihan Capital continues that rich tradition through our Valuation & Financial Advisory and Investment Banking groups. We serve some of the largest corporations, hedge funds, private equity funds, venture capital funds and sovereign wealth funds in the world. We pride ourselves on being solutions-driven and delivering superior client value.

## SERVICES



Valuation



Investment Banking

## OFFICES



Chicago



Cleveland

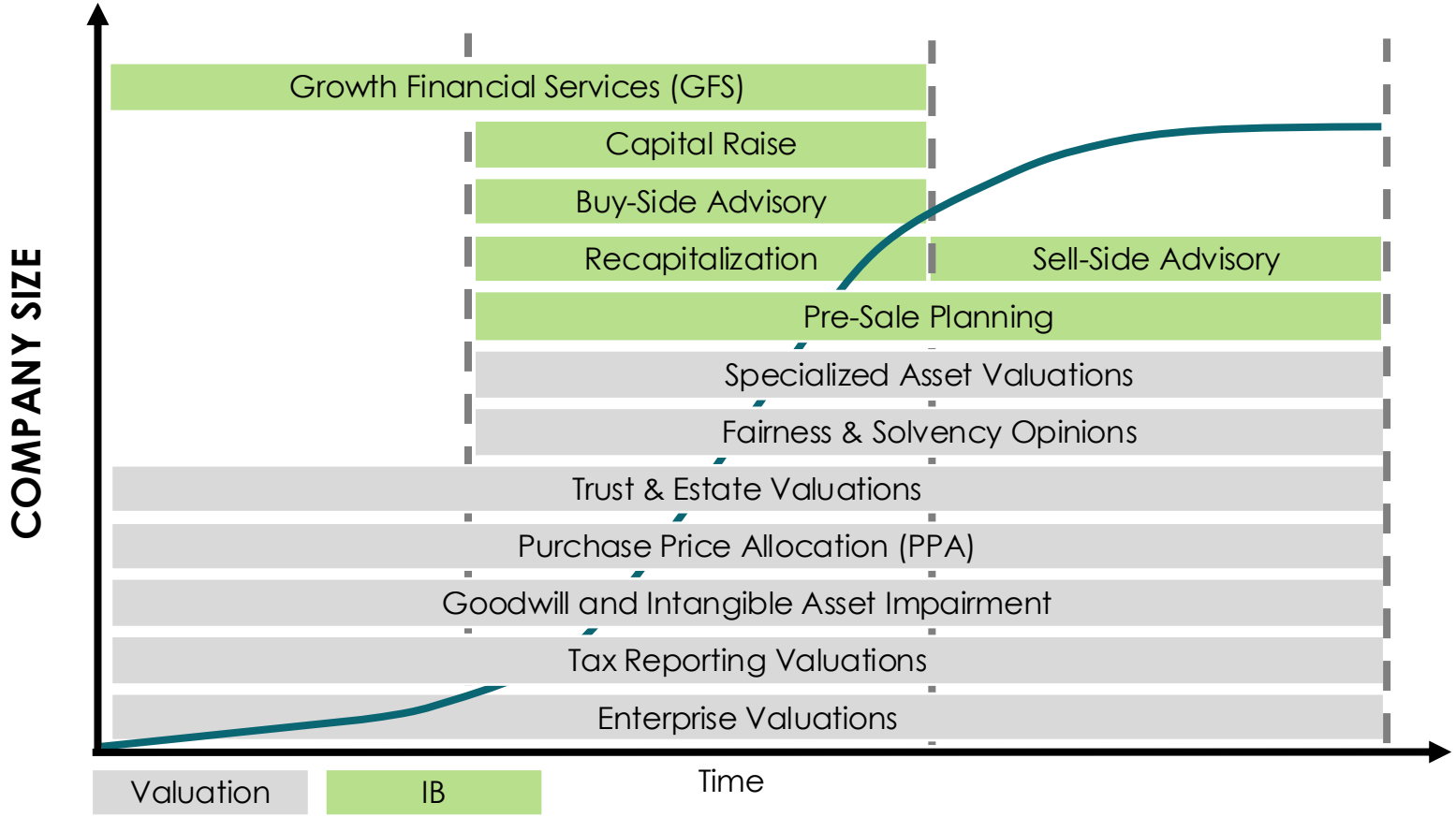
# 05 HOULIHAN CAPITAL

*Houlihan's services along the business lifecycle*

SEED

GROWTH

MATURITY




**For questions or inquiries regarding our services, please contact:** info@houlihancapital.com