TECH SERVICES INSIGHTS

FEBRUARY 2025

Citizens

FOURTH ANNUAL TECH SERVICES SURVEY

The Citizens Annual Tech Services Survey

The Citizens Tech Services Survey is our annual publication of real-time insights and analysis of M&A priorities of the tech services industry. At the end of 2024, Citizens contacted key executives at large corporations and middle-market private equity firms and asked them how they are approaching their M&A plans in 2025. Citizens has reviewed their detailed responses and developed data-driven insights into what M&A activity will look like in 2025, what types of companies are being targeted and which technologies are in high demand. The following pages are an in-depth look into the results of the fourth annual Tech Services Survey.

M&A Market Update

2024 M&A transaction activity increased relative to 2023. While it certainly was not as strong as other recent years, there was an increase of transaction volume beginning about halfway through the year as the market was able to digest the improved macroeconomic backdrop. Despite the more favorable environment, both strategic buyers and financial sponsors continued to be more selective in their investments, which we believe is due to the market needing more data on key trends from macro (e.g., impact of the elections) to the micro (e.g., whether increased bookings growth will continue into 2025). However, “A” assets in the tech services industry continued to see strong interest and high valuations when they were able to maintain growth, prove profitability and have expertise in high-demand software ecosystems or capabilities.

We expect M&A activity to continue to increase as we move into 2025 for several reasons. First, private capital is readily available, and the credit markets rebounded well in 2024. Second, the combination of the improved economy and clarity on the elections should provide confidence that improved company performance in 2024 was not a blip but a trend that should continue baring any unforeseen variables. With respect to tech services, the attractive tailwinds of hard-to-find talent, expertise in critical skills and advances in technology will drive strategic buyers and financial sponsors alike to invest in attractive companies.

CITIZENS OVERVIEW

COMPLETE SERVICE OFFERING

Citizens Capital Markets & Advisory

- Debt Capital Markets
- Equity Capital Markets
- M&A Advisory
- Industry Coverage
- PE Investor Coverage

KEY STATS

100+
M&A Professionals

90+
Transactions Completed Annually

10
Industry Teams

Top 10
M&A Flow

Did You Know?

Facts About Citizens M&A Advisory

ADVISORY SERVICES

Sell-side & buy-side advisory, capital raising, restructuring & bankruptcy and financial opinions

TRANSACTIONS

410+ transactions since 2015 totaling **$80B+** in value

TEAM

350+ investment banking professionals across the U.S.

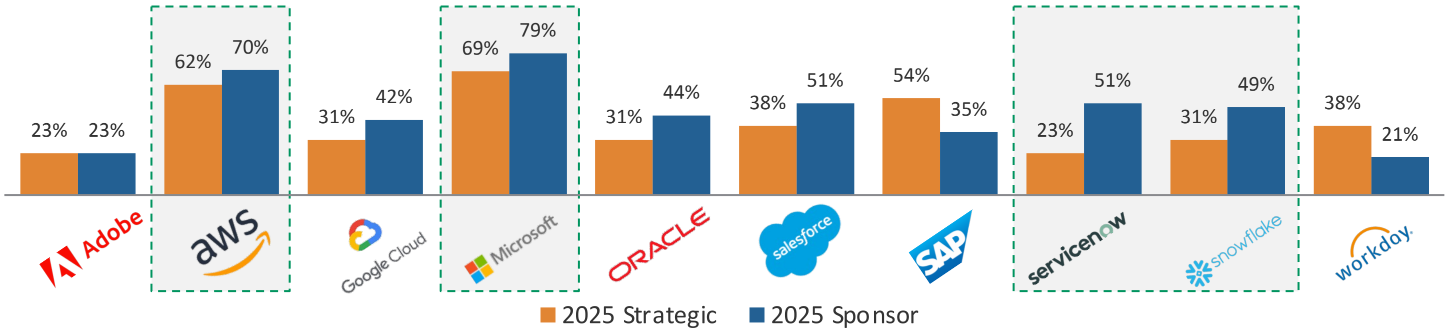
CORPORATE FINANCE | CAPITAL MARKETS & ADVISORY | TREASURY & RISK MANAGEMENT

RESULTS – 2025 SPONSOR AND STRATEGIC BUYERS SURVEY

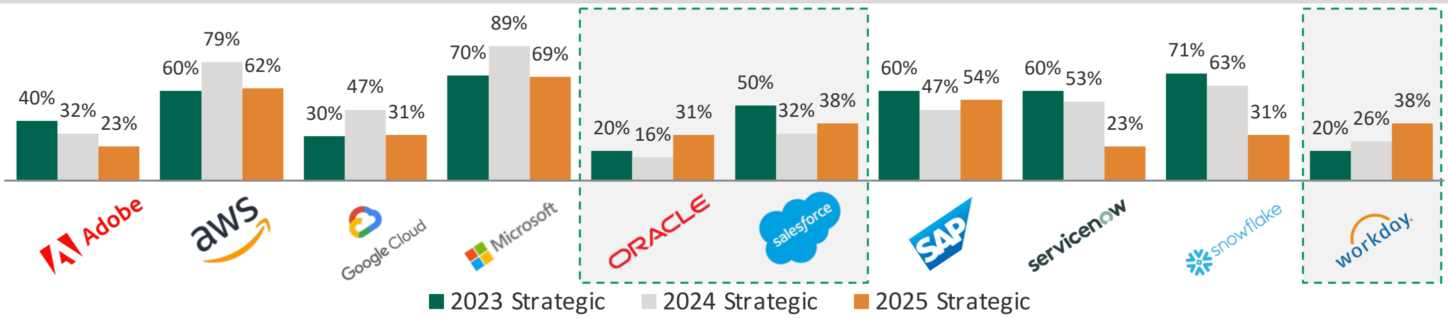
1A *QUESTION: PLEASE SELECT ALL PREFERRED ESTABLISHED ECOSYSTEMS*

- Strategics showed an increased interest in Oracle and Salesforce
- Sponsors also reported an increased interest in Oracle, in addition to AWS and Microsoft
- Snowflake has continued to see a decline in interest within both categories

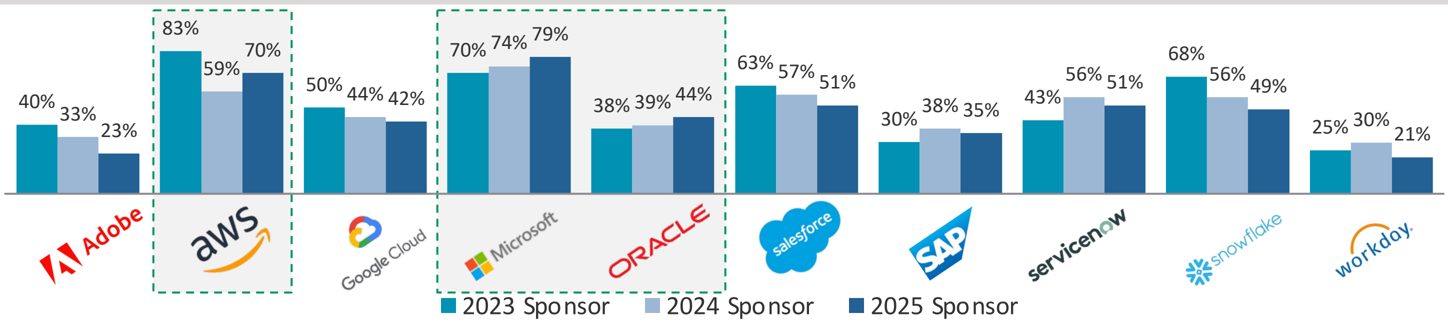
SPONSORS AND STRATEGICS DIFFER ON SERVICENOW & SNOWFLAKE WHILE AWS & MSFT REMAIN A PRIORITY



GROWING INTEREST IN ORACLE, SALESFORCE AND WORKDAY FROM STRATEGICS…



…WHILE SPONSORS WILL FOCUS MORE ON AWS, MICROSOFT AND ORACLE IN 2025



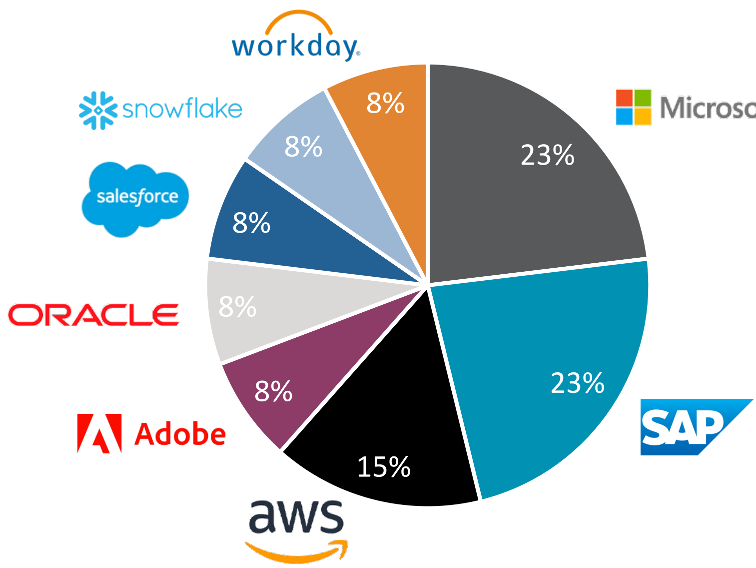
TAKEAWAYS FROM THE 2025 TECH SERVICES SURVEY

RESULTS – 2025 SPONSOR AND STRATEGIC BUYERS SURVEY

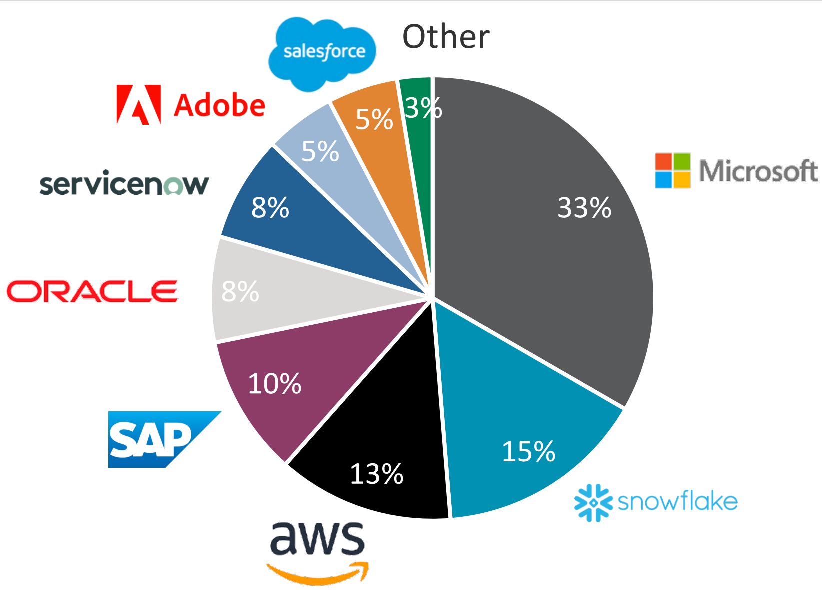
1B ***QUESTION: PLEASE SELECT THE TOP PRIORITY ESTABLISHED ECOSYSTEM***

- Sponsors and strategics continue to agree on Microsoft being their primary focus
- Interest in SAP and AWS remains high for sponsors and strategics, with both ecosystems showing an increased interest from strategics relative to prior years
- Sponsors and strategics both reported the lowest on Workday and Google Cloud

MICROSOFT AND SAP TIED FOR THE #1 PRIORITY FOR STRATEGICS IN 2025…



…AND MICROSOFT WAS ALSO THE HIGHEST PRIORITY FOR SPONSORS



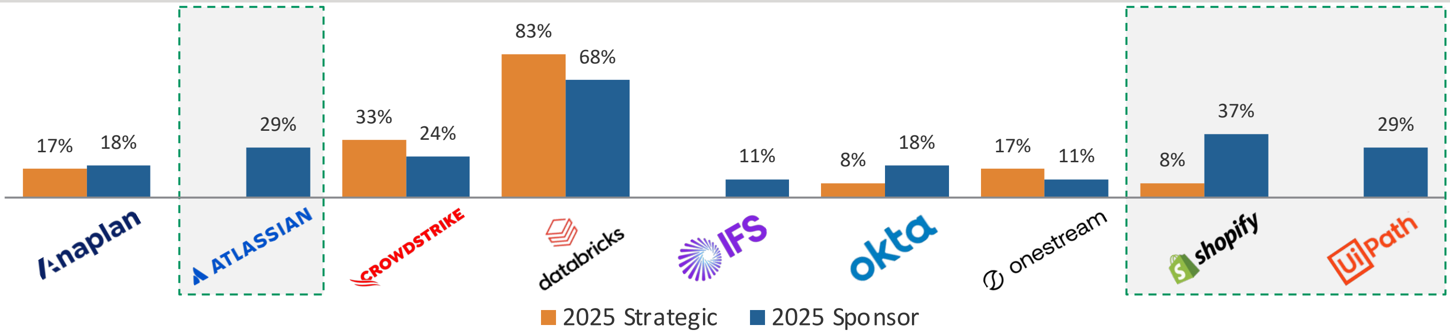
TAKEAWAYS FROM THE 2025 TECH SERVICES SURVEY

RESULTS – 2025 SPONSOR AND STRATEGIC BUYERS SURVEY (CONT.)

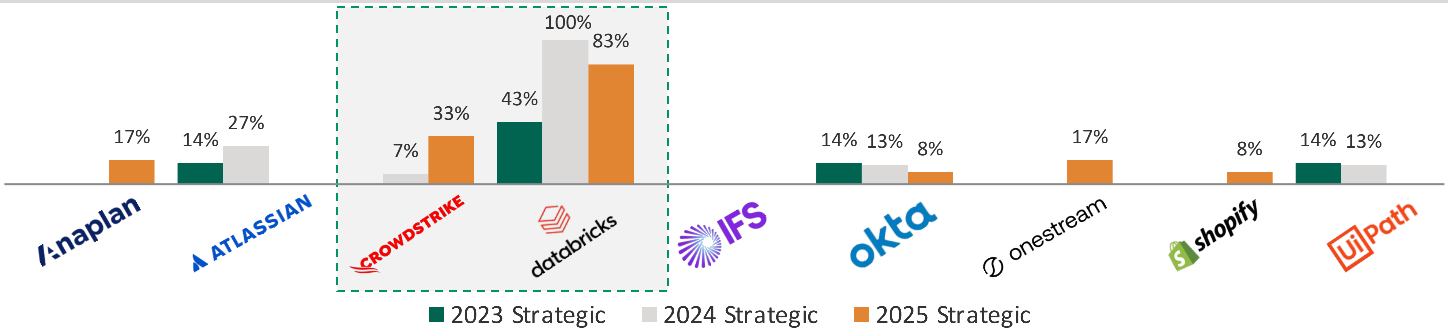
2A *QUESTION: PLEASE SELECT ALL PREFERRED EMERGING ECOSYSTEMS*[1, 2]

- Strategics and sponsors are still focusing more on data & analytics, with Databricks being the highest priority for both constituents
- Sponsors continue to explore more emerging ecosystems ahead of strategic demand

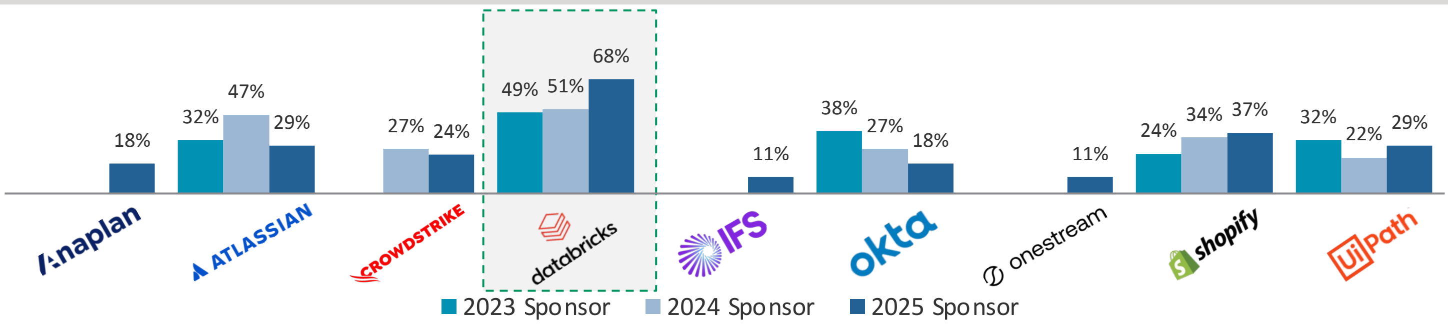
SPONSORS AND STRATEGICS DIVERGE NOTICEABLY ON ATLASSIAN, SHOPIFY AND UI PATH



STRONG FOCUS ON DATABRICKS AND MORE INTEREST IN CROWDSTRIKE FROM STRATEGICS…



…WHILE SPONSORS CONTINUE TO PRIORITIZE DATABRICKS



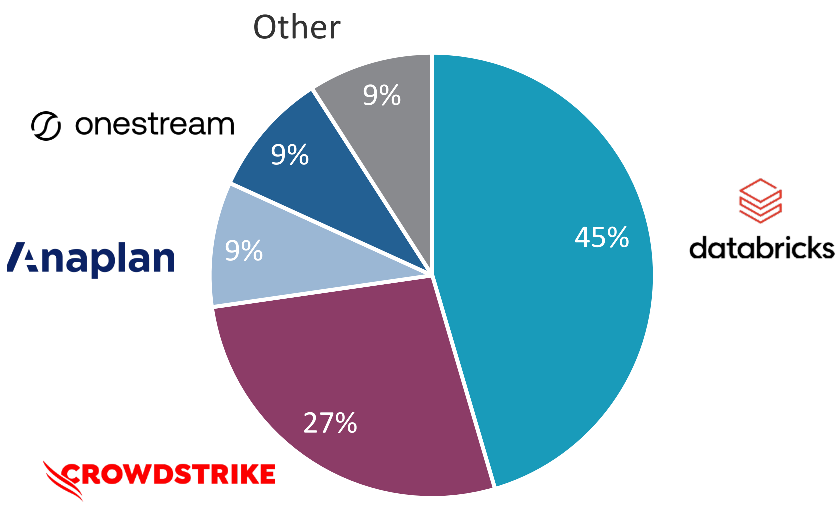
1) *Anaplan, IFS and OneStream not surveyed in 2023 or 2024*
2) *CrowdStrike not surveyed in 2023*

RESULTS – 2025 SPONSOR AND STRATEGIC BUYERS SURVEY (CONT.)

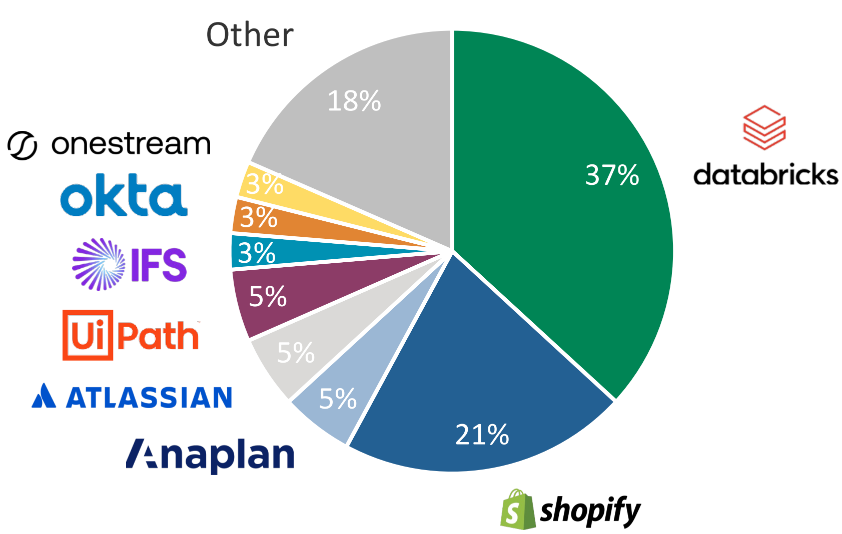
2B *QUESTION: PLEASE SELECT THE TOP PRIORITY EMERGING ECOSYSTEM*

- The data provided supports that strategics are not aiming to invest as broadly in emerging ecosystems, indicating interest in roughly 40% of the surveyed options
- The increased focus on Databricks still holds true, with the constituent being the outstanding favorite again
- Dynatrace was the sole emerging ecosystem to yield no top-priority responses

PRIMARY INTEREST IN DATABRICKS FROM STRATEGICS IN 2025…



…WHILE SPONSORS PRIORITIZE DATABRICKS AND SHOPIFY

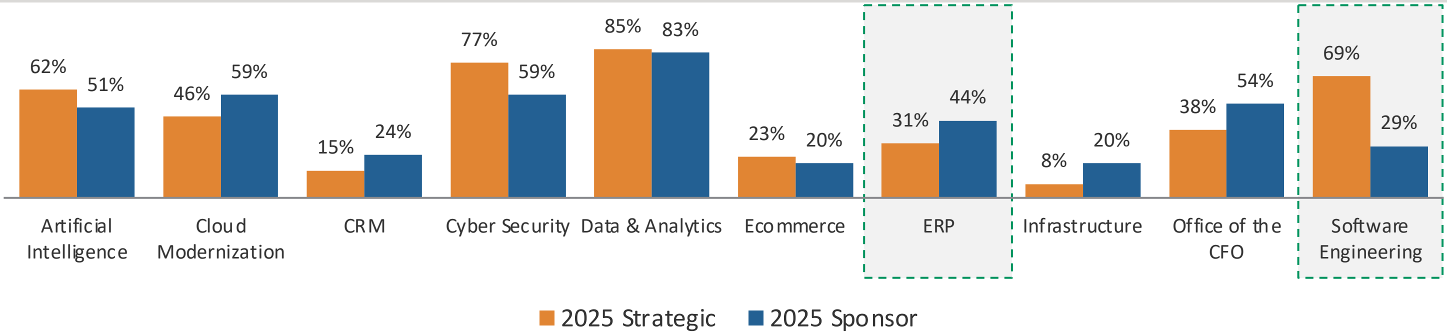


RESULTS – 2025 SPONSOR AND STRATEGIC BUYERS SURVEY (CONT.)

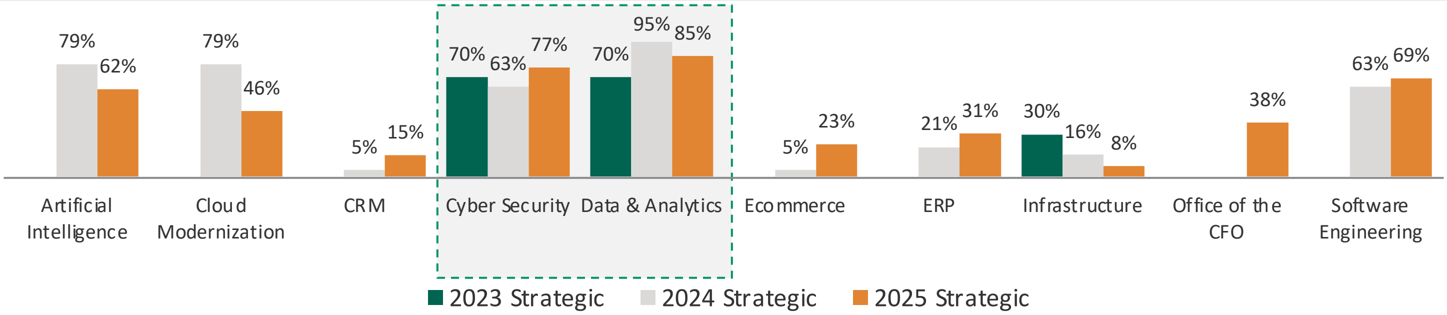
3 *QUESTION: SELECT ALL HIGH-PRIORITY COMPETENCIES FOR ACQUISITION TARGETS[1, 2]*

- Data & analytics, cybersecurity and AI dominated the high-priority competencies for sponsors and strategics
- Cloud modernization followed closely with noticeable attention from both constituents, and software engineering gained traction for strategics
- Office of the CFO debuted in this edition of the Tech Services Buyer Survey, and we found strong interest from both strategics and sponsors

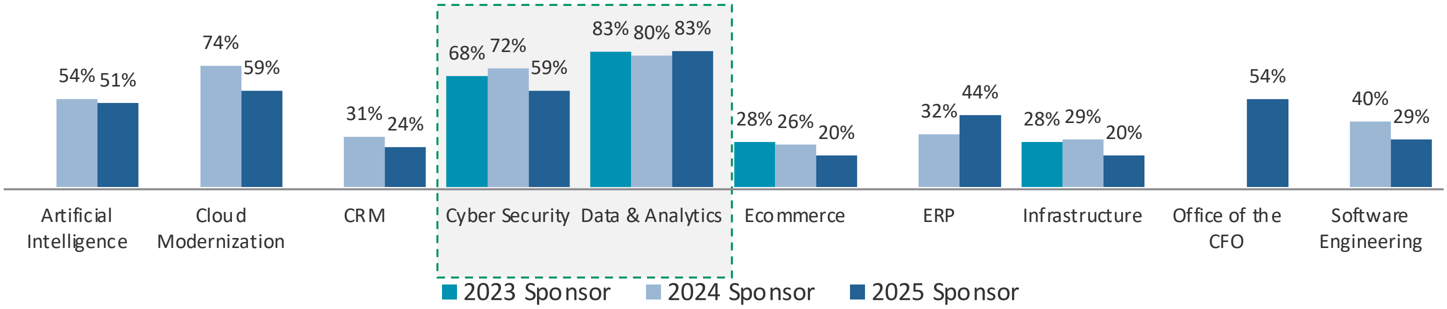
SPONSORS AND STRATEGICS DIFFER ON ERP AND SOFTWARE ENGINEERING



STRATEGICS ARE MOST INTERESTED IN DATA & ANALYTICS AND CYBERSECURITY…



…AS ARE SPONSORS, WHICH INTERESTS HAVE REMAINED RELATIVELY CONSISTENT YEAR-OVER-YEAR



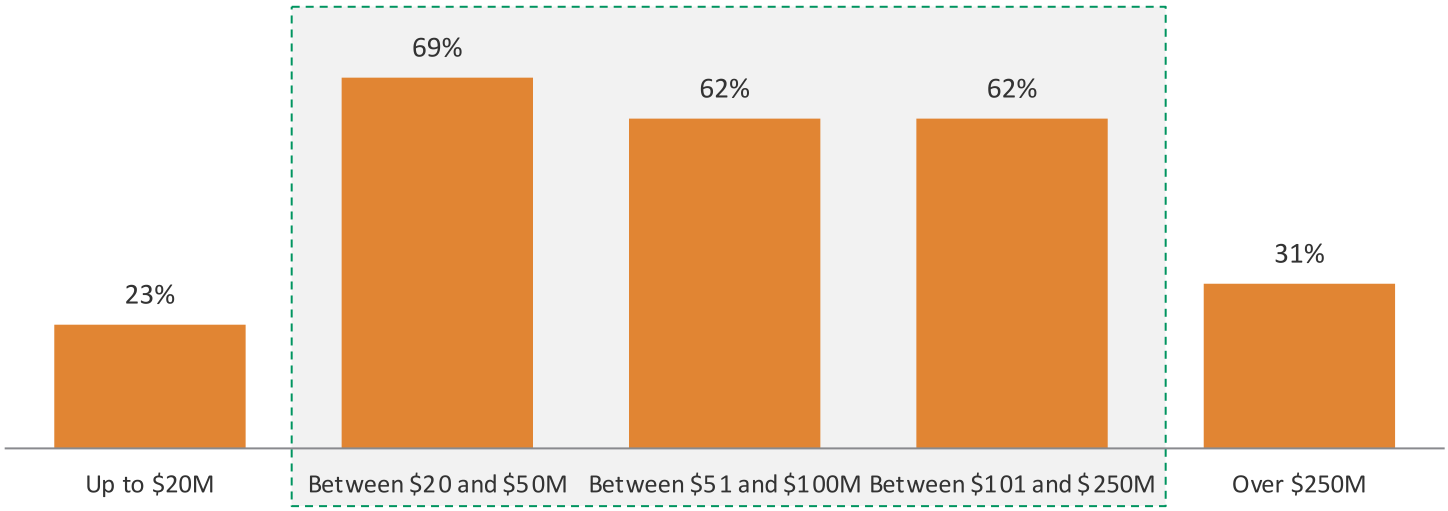
1) *Office of the CFO not surveyed in 2023 or 2024*
2) *Artificial intelligence, cloud modernization, CRM, ERP and software engineering not surveyed in 2023*

RESULTS – 2025 SPONSOR AND STRATEGIC BUYERS SURVEY (CONT.)

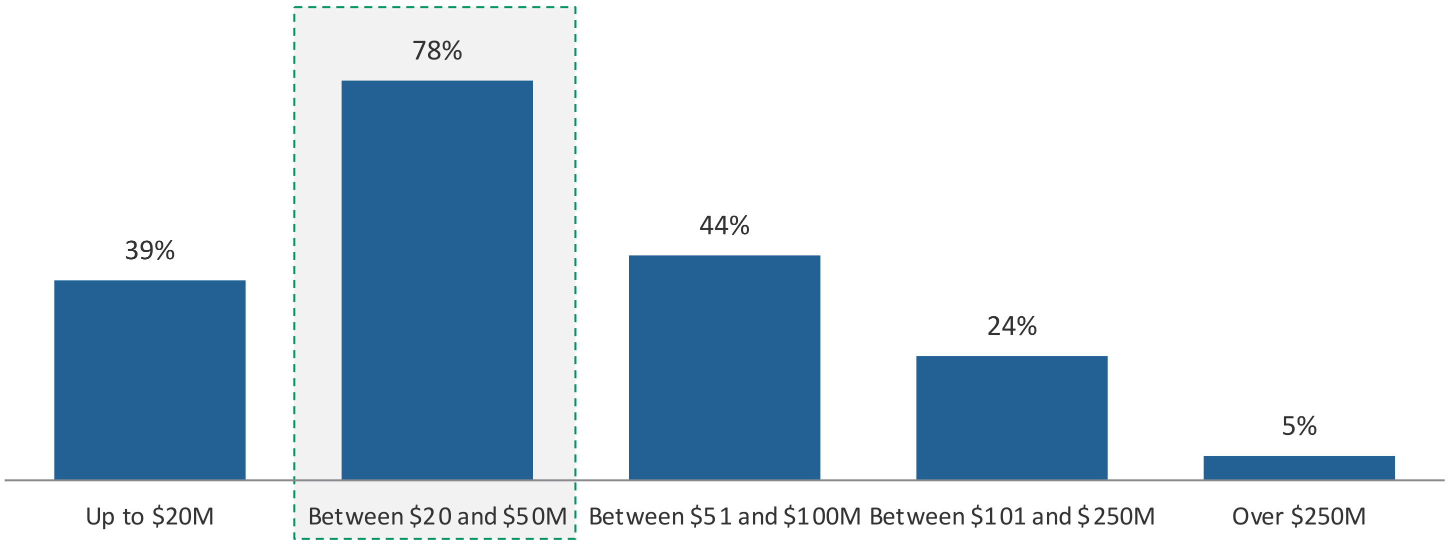
4 *QUESTION: SELECT ALL PREFERRED REVENUE SIZES FOR ACQUISITION TARGETS*

- The most attractive companies continue to have between $20 - $100M in revenue as both sponsors and strategics are focusing on acquisition targets in that range
- Sponsors are still much more willing to invest in smaller, high-growth targets that have less than $20M in revenue, while strategics are more likely to pursue targets between $101 - $250M in revenue

STRATEGICS GENERALLY SHOWED MORE INTEREST ACROSS THE RANGE OF REVENUE SIZE IN 2025…



…THAN SPONSORS, WHO CONTINUE TO BE MOST INTERESTED IN THE $20 - $50M RANGE



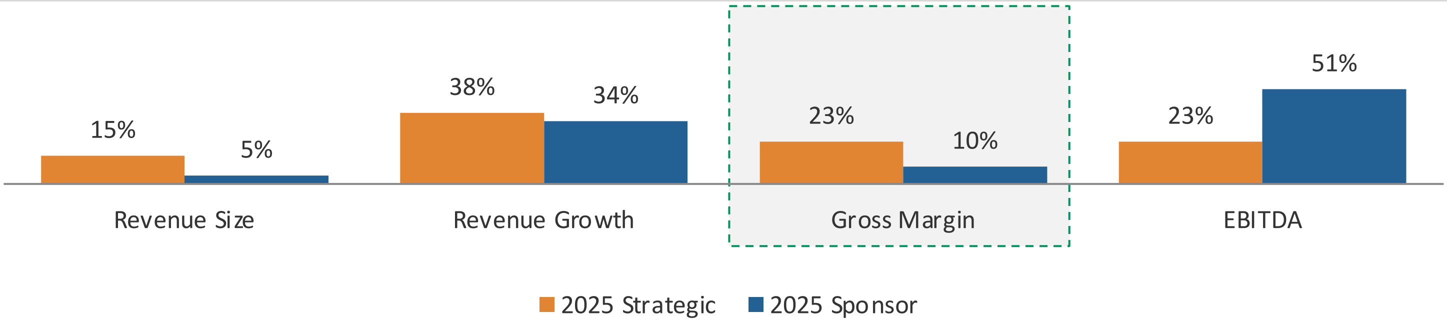
TAKEAWAYS FROM THE 2025 TECH SERVICES SURVEY

RESULTS – 2025 SPONSOR AND STRATEGIC BUYERS SURVEY (CONT.)

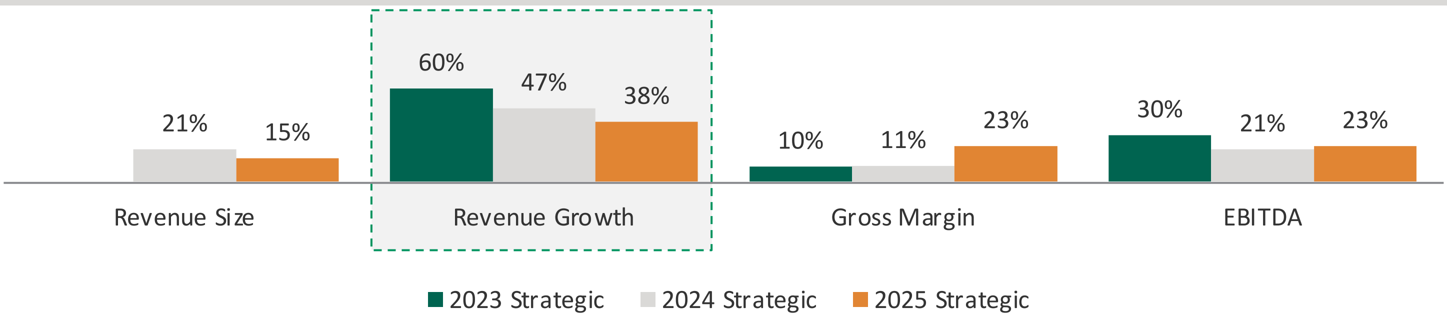
5 *QUESTION: WHAT FINANCIAL METRIC IS MOST IMPORTANT WHEN EVALUATING TARGETS?*

- Gross margin and EBITDA have become nearly as important as revenue growth for strategics
- In prior editions of the survey, revenue growth was initially the highest priority metric, but it has declined over the last two years
- Sponsors continue to place more emphasis on EBITDA

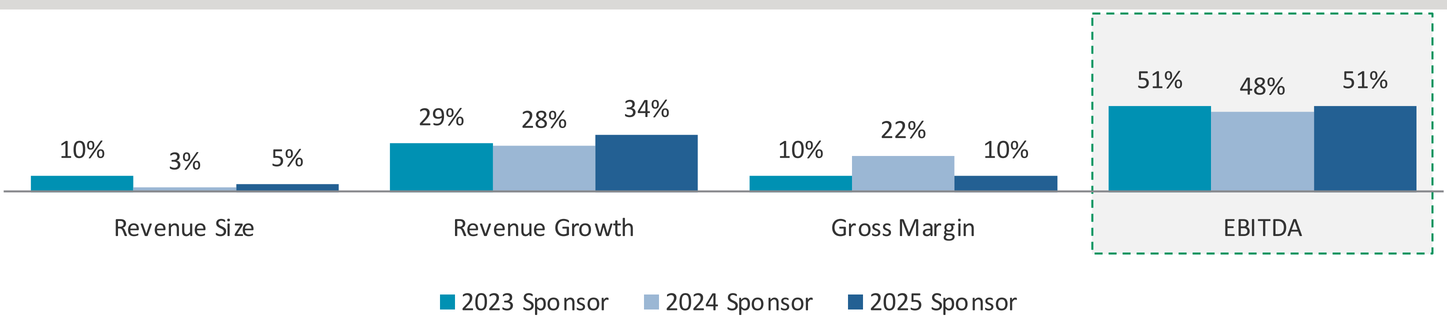
GROSS MARGIN IS MORE IMPORTANT TO STRATEGICS THAN SPONSORS



REVENUE GROWTH IS NOW APPROXIMATELY IN LINE WITH MARGIN PROFILE FOR STRATEGICS



…WHILE SPONSORS WILL KEEP THEIR FOCUS ON EBITDA



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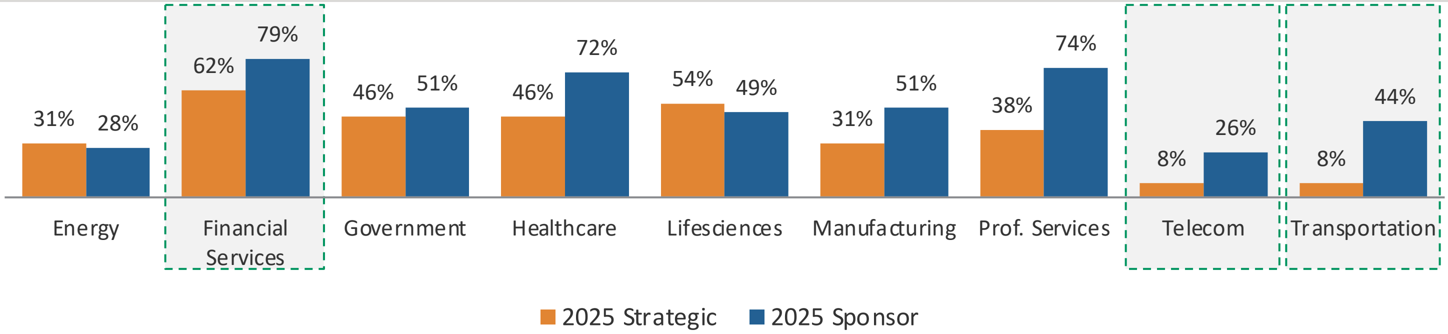
TAKEAWAYS FROM THE 2025 TECH SERVICES SURVEY

RESULTS – 2025 SPONSOR AND STRATEGIC BUYERS SURVEY (CONT.)

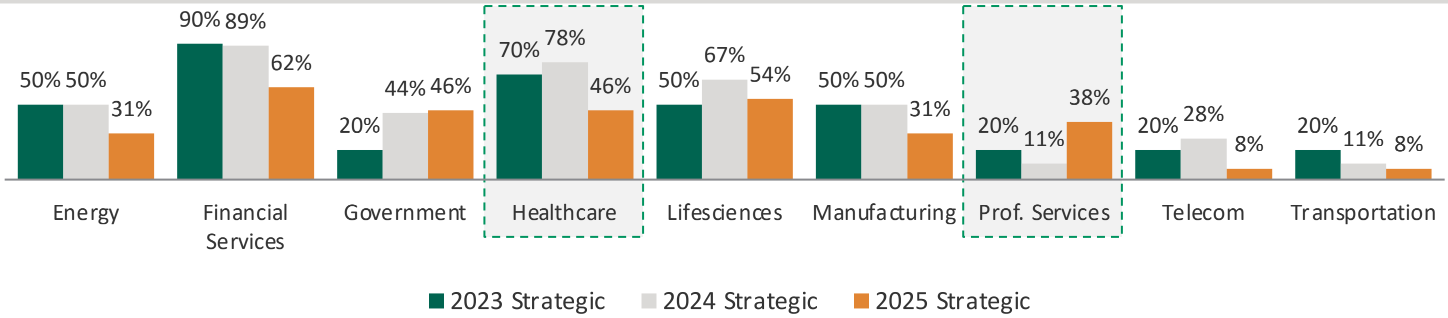
6 *QUESTION: SELECT ALL PREFERRED VERTICALS FOR ACQUISITIONS*

- Strategics did not have any standout industry of focus with six of the nine options garnering 30-60% interest
- Sponsors showed significant interest in financial services, healthcare and professional services, with this edition being the first time the last has seen such strong interest
- Sponsors also typically had more industries of interest than strategics – all industries showed at least 25% interest from sponsors, whereas strategics reported <10% interest in both telecom and transportation

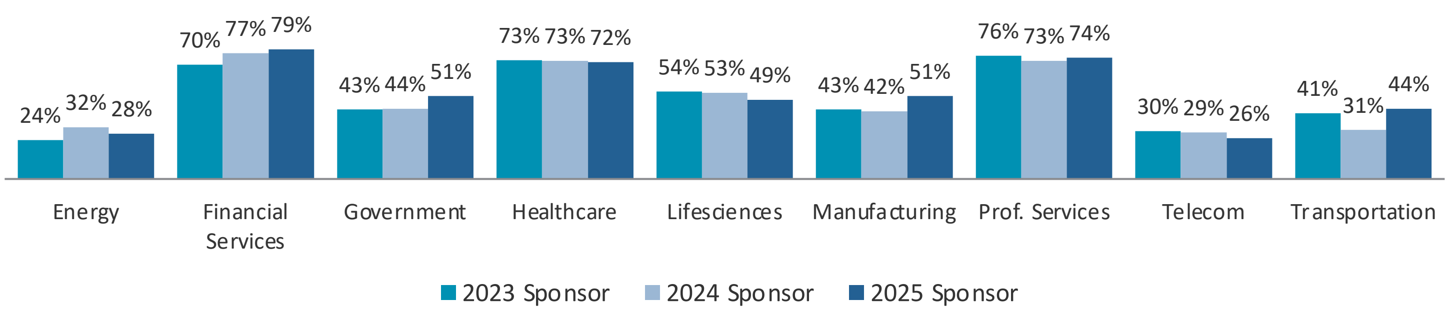
SPONSORS SHOWED HIGHER INTEREST IN SEVERAL INDUSTRIES AS WELL AS BROADER INTEREST



UNLIKE PRIOR SURVEYS, THERE IS NO STANDOUT INDUSTRY THAT STRATEGICS WILL FOCUS ON…



…AND SPONSORS HAVE REMAINED CONSISTENT IN THEIR INTERESTS OVER THE LAST THREE YEARS

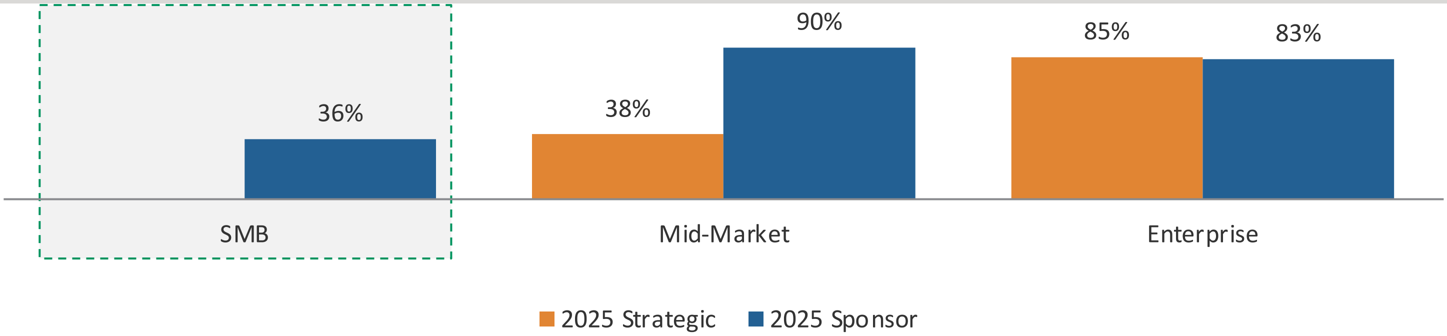


RESULTS – 2025 SPONSOR AND STRATEGIC BUYERS SURVEY (CONT.)

7 *QUESTION: SELECT ALL TARGET COMPANY CUSTOMER SIZES OF INTEREST*

- Sponsors are more willing than strategics to invest in companies with small and mid-market customers, particularly when there is limited concentration and a consistent recurring revenue angle
- Enterprise customers continue to be attractive to both constituents, being the primary preference for strategics again

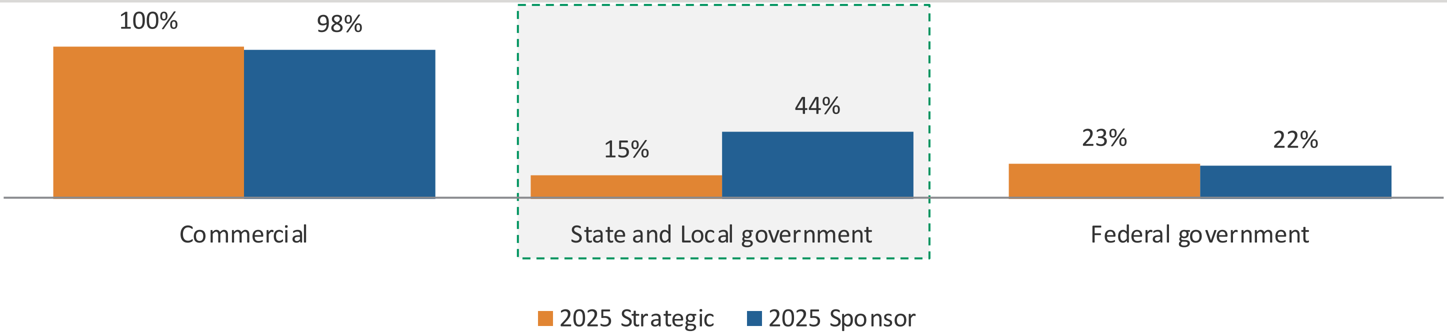
SPONSORS STILL CONSIDER SMB CUSTOMERS MORE THAN STRATEGICS, WHO SHOWED NO INTEREST AGAIN



8 *QUESTION: SELECT ALL PREFERRED CUSTOMER END-MARKETS*

- Commercial customers continue to be the most important end-market, with both constituents being in complete agreement again
- Strategics are still paying more attention to the federal government end-market, while sponsors are much more interested in the state and local government side in 2025

BOTH DIFFER NOTICEABLY WHEN CONSIDERING THE STATE AND LOCAL GOVERNMENT END-MARKET



CITIZENS M&A ADVISORY TECH SERVICES DEAL SPOTLIGHTS

MEDSYS GROUP

ACQUIRED BY

CSI Companies

Healthcare IT consulting and staffing firm with deep expertise in Oracle Health (fka Cerner)

YOUR GO SKY

ACQUIRED BY

MOSSADAMS

Premier strategy, technology and analytics consulting firm with deep expertise in Salesforce

hi-tekdata

RECAPITALIZED BY

SEA PINE EQUITY PARTNERS

Provider of IT managed services to SMB and midmarket customers within the tri-state area

blue mantis

A PORTFOLIO COMPANY OF

abry partners

RECAPITALIZED BY

RECOGNIZE

Provider of IT, cybersecurity and cloud managed services and solutions for midmarket customers

LYDONIA TECHNOLOGIES

RECEIVED AN INVESTMENT FROM

Caltius Equity Partners

Provider of automation consulting and managed services through Automation Anywhere, Alteryx and UiPath

datAvail

A PORTFOLIO COMPANY OF

CATALYST · MERITAGE · BOULDER VENTURES

RECAPITALIZED BY

CIVC PARTNERS

Provider of tech-enabled managed services focused on data & analytics through Oracle, AWS and Microsoft

CITIZENS M&A ADVISORY OVERVIEW

Citizens M&A Advisory supports clients across a focused set of industry sectors. Our bankers thrive on delivering keen market insights that are both strategic and thoughtful, while driving extraordinary outcomes for our clients.

TRANSACTIONS

410+ transactions since 2015 totaling **$80B+** in value

SERVICES

Sell-side & buy-side advisory, capital raising, restructuring & bankruptcy and financial opinions

TEAM

350+ investment banking professionals across the U.S.

SPONSOR COVERAGE

Dedicated financial sponsor coverage team

TAILORED SOLUTIONS

Engagements tailored to clients' specific objectives and relevant market dynamics

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