



*2025 Middle-Market*

# M&A Mid-Year Intelligence

*IT SERVICES & DIGITAL MARKETING*



## Client, Partners, Friends

The first half of 2025 has been nothing short of a masterclass in volatility, innovation, and strategic recalibration, setting the tone for a transformational year across global markets. We've seen a slew of developments: tariff policies from Washington creating confusion for many, AI investments reaching a newfound peak with Big Tech committing hundreds of billions to infrastructure, and global M&A surging 15% toward strategic transactions.

Inflation is proving stickier than anticipated, with the Organisation for Economic Co-operation and Development projecting 4.2 percent. Regional conflicts continue to fuel global unrest, and the technology sector's tireless pursuit of AI is reshaping capital allocation across nearly all industries. Alongside geopolitical tension, policy uncertainty, and technological disruption, dealmakers are navigating an environment where traditional M&A strategies are being stress-tested by new realities. Through it all, the middle market remains resilient.

Below, we analyze the evolving trends shaping the second half of 2025 and examine the outlook for M&A.

## Are You a Seller?

Interested in selling your IT or Digital Marketing firm? Let's talk.

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## ***Resilient Activity in the Lower Middle Market***

Despite global volatility, M&A activity for IT services and Digital Marketing firms in the lower middle market (typically under \$60 million in enterprise value) has remained steady, driven by founder-led and niche businesses attracting private equity and strategic buyers.

## ***Private Equity and Add-On Acquisitions***

Private equity continues to be the main engine of deal flow, focusing on platform investments and aggressive roll-up strategies, with add-on acquisitions particularly common for scaling IT and digital marketing platforms.

## ***AI and Digital Transformation Drive Premiums***

Buyers are prioritizing targets with demonstrable AI integration and scalable tech infrastructure, making these capabilities essential for premium valuations and competitive positioning in both IT services and digital marketing sectors.

### ***Tangible AI Value Critical for Buyers***

The rapid evolution of artificial intelligence is reshaping how buyers assess IT Services businesses in M&A transactions.

Buyers are demanding IT Services firms demonstrate not only technical competence but also actionable AI strategies delivering measurable business value. Gone are the days when vague claims of “AI-powered” solutions that impressed investors. Today’s buyers scrutinize whether AI is truly embedded in offerings, driving operational efficiency, resource optimization, advanced analytics, and improved cybersecurity.

Firms with AI strategies that go beyond marketing hype (delivering automation, predictive insights, and enhanced customer experiences) are commanding premium valuations and standing out in a crowded market. A credible AI roadmap must show real-world use cases, proven results, and a pathway to sustained innovation. This means integrating AI across service delivery, internal operations, and customer-facing solutions, with clear metrics for value realization. As AI adoption accelerates, only those IT Services businesses that can move from vaporware to tangible, differentiated outcomes will thrive in the new M&A landscape.

## Creative Deal Structures and Private Credit

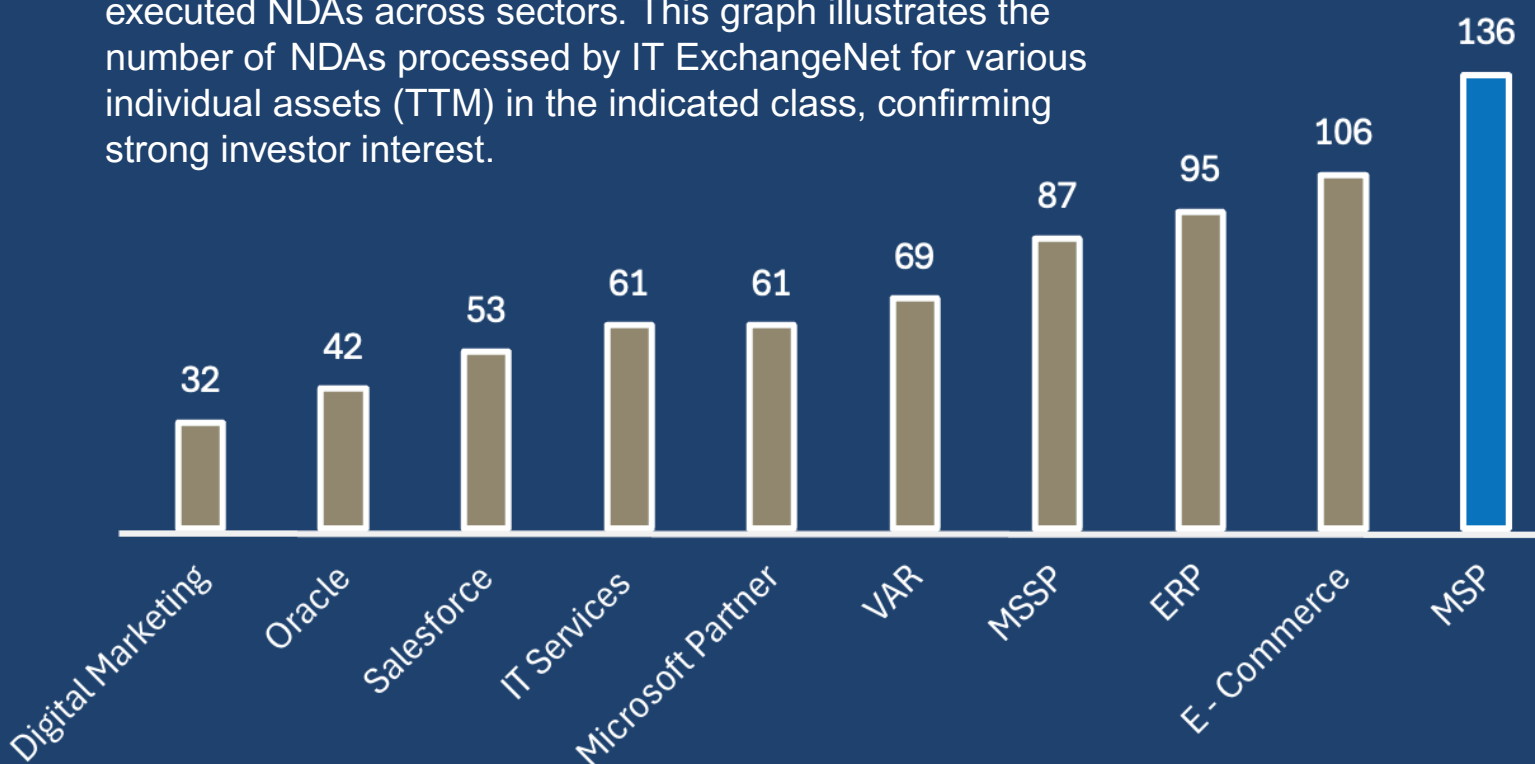
With tighter credit markets, private credit is becoming a formidable funding source, and creative structures like earn-outs, equity rollovers, and seller financing are increasingly used to bridge valuation gaps and get deals done efficiently. These mechanisms not only align interests between buyers and sellers but also help mitigate risk, preserve cash flow, and accommodate divergent expectations on growth. In a competitive M&A environment, especially within the lower middle market, such flexible structuring has become a critical lever for closing transactions and maintaining deal momentum despite macroeconomic headwinds and financing constraints.

## Valuation Multiples Remain Strong

High-quality IT services and digital marketing firms with recurring revenue, strong client retention, and embedded AI capabilities are commanding healthy multiples, often 2.0x to 4.0x revenue for software and 4.5x to 9.0x Adj. EBITDA for differentiated service firms in the lower middle market, depending on revenue mix, growth trajectory, scalability, and depth of customer relationships. Strategic buyers and private equity investors are paying premiums for firms with sticky contracts, industry specialization, and data-driven service offerings, particularly when AI is integrated to enhance efficiency, personalization, or automation.

## High Buyer Demand

Buyer demand remains strong, as evidenced by the volume of executed NDAs across sectors. This graph illustrates the number of NDAs processed by IT ExchangeNet for various individual assets (TTM) in the indicated class, confirming strong investor interest.



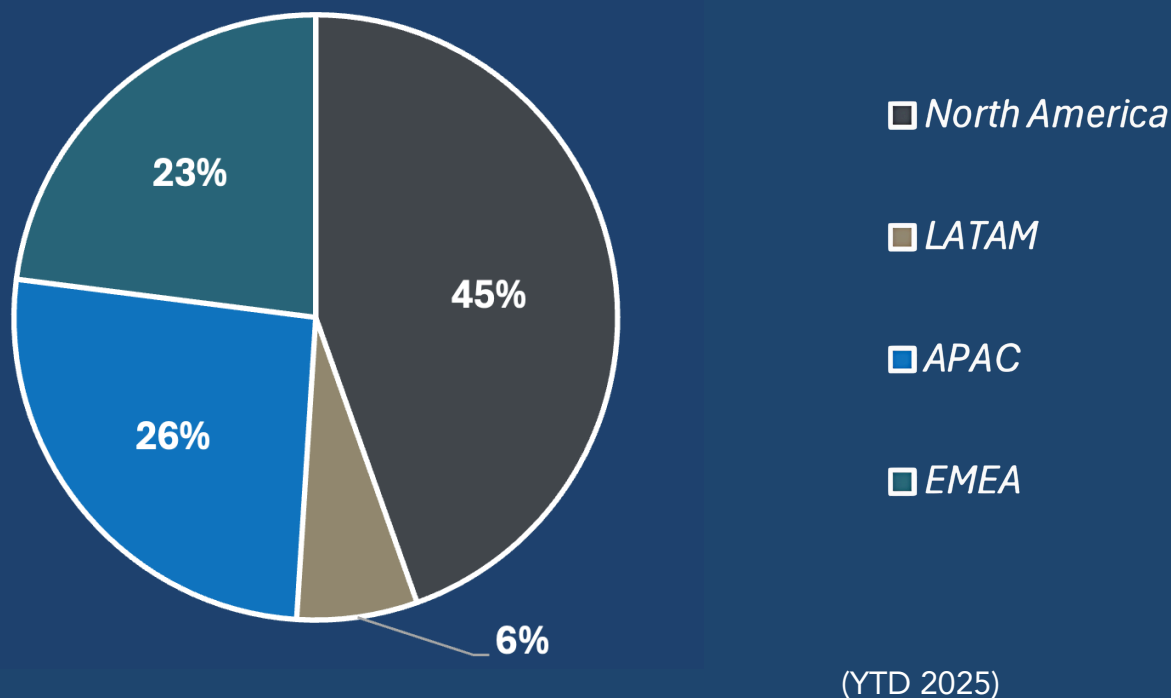
## Private Equity Defines 2025's Landscape

The M&A landscape at the halfway point of 2025 shows a fascinating dynamic: while big-ticket global deals make headlines and drive overall value, the real story for the middle market is one of steady, consistent movement. Our focus lies in the resilience of mid-sized businesses. Private equity continues to be a significant driver, strategically deploying capital into new platforms and executing smart, accretive add-on acquisitions.

This plays out particularly well in sectors like IT Services, Digital Marketing, Healthcare Services, and Specialty Manufacturing, where fundamental value and operational improvements truly stand out. Companies that have embraced AI and built recurring revenue models are commanding strong valuations, and private credit has stepped up as the go-to funding source for many deals.

### Where are the deals being done?

North America accounts for 45% of M&A deal volume, followed by APAC (26%), EMEA (23%), and LATAM (6%) (YTD). This lead stems from deeper capital markets, a mature private equity ecosystem, strong digital transformation tailwinds, favorable regulatory conditions, and a large concentration of high-growth, tech-enabled companies attracting global buyers.








## ***Middle Market Muscle: Agility, Capital, and Consistency***

The middle market remains the bread and butter for a majority of investment banks. The sweet spot is businesses generating revenue of \$20-300 million. These companies are large enough to attract institutional capital yet nimble enough for flexible deal structures. Closely behind are lower middle market deals with transaction values below \$50M.

Middle market M&A activity has held remarkably steady in the first half of 2025, contrasting with large-cap deal volume decline. This speaks to the inherent resilience of the middle market. Investors favor these businesses because they're less exposed to capital market volatility and can close transactions without massive syndication.

Driving most of this activity, private equity remains laser-focused on deploying capital into new platforms and accelerating roll-up strategies. Add-on deals are incredibly common, especially in the lower middle market. Strategic acquirers use M&A to acquire niche capabilities, expand into adjacent markets, or improve cost structures.



Valuation multiples for high-quality assets remain stable. Core middle market businesses with strong fundamentals trade in the 8.0x-10.0x Adj. EBITDA range, while lower middle market companies typically fall into the 6.0-9.0x range due to the premium applied for hitting certain economies of scale.

Additionally, lenders remain supportive, providing creative financing solutions that help deals get across the finish line even amid shifting interest rates. The robust pipeline of privately held companies seeking succession or growth capital continues to fuel activity. As a result, the middle market stands out as a prime opportunity, attracting both seasoned investors and first-time acquirers eager to capitalize on its enduring strengths.

Looking ahead, expectations remain optimistic as demographic shifts and ongoing digital transformation drive further consolidation. With a steady influx of new buyers and sellers, the middle market is poised to maintain its reputation as the engine room of M&A for years to come.

# ***Technology & Digital Marketing: Fragmentation Creates Opportunity***

Technology and digital marketing continue to be the most dynamic sectors for middle market M&A. These industries evolve at breakneck pace, and mid-sized companies are ideal targets for acquirers looking to expand capabilities. We see strong interest in software, cloud services, and IT-enabled services. In digital marketing, consolidation is accelerating with buyers pursuing performance marketing firms, MarTech platforms, and influencer marketing agencies.



These sectors' fragmented nature creates compelling opportunities. Many are founder-led or bootstrapped, especially in the lower middle market. Consistent deal flow is driven by automation, data integration, and AI adoption. Demand for scale and specialization is also fueling acquisitions, as buyers seek to offer integrated, data-driven solutions to clients who increasingly expect a one-stop shop for digital services.

Valuation multiples have remained consistent through 2025. Software companies with high recurring revenue and low churn command premium pricing. Within digital marketing, businesses demonstrating strong margins, diversified client bases, and integrated technology platforms receive the most interest.

Buyers are actively seeking companies with deeply embedded AI in their products or service delivery. Cybersecurity is another fast-moving area with smaller security companies being acquired and consolidated into broader platforms. Furthermore, emerging technologies such as quantum computing and advanced analytics are beginning to influence acquisition strategies, as buyers aim to stay ahead of technological disruption and enhance their competitive edge in the rapidly evolving digital landscape.

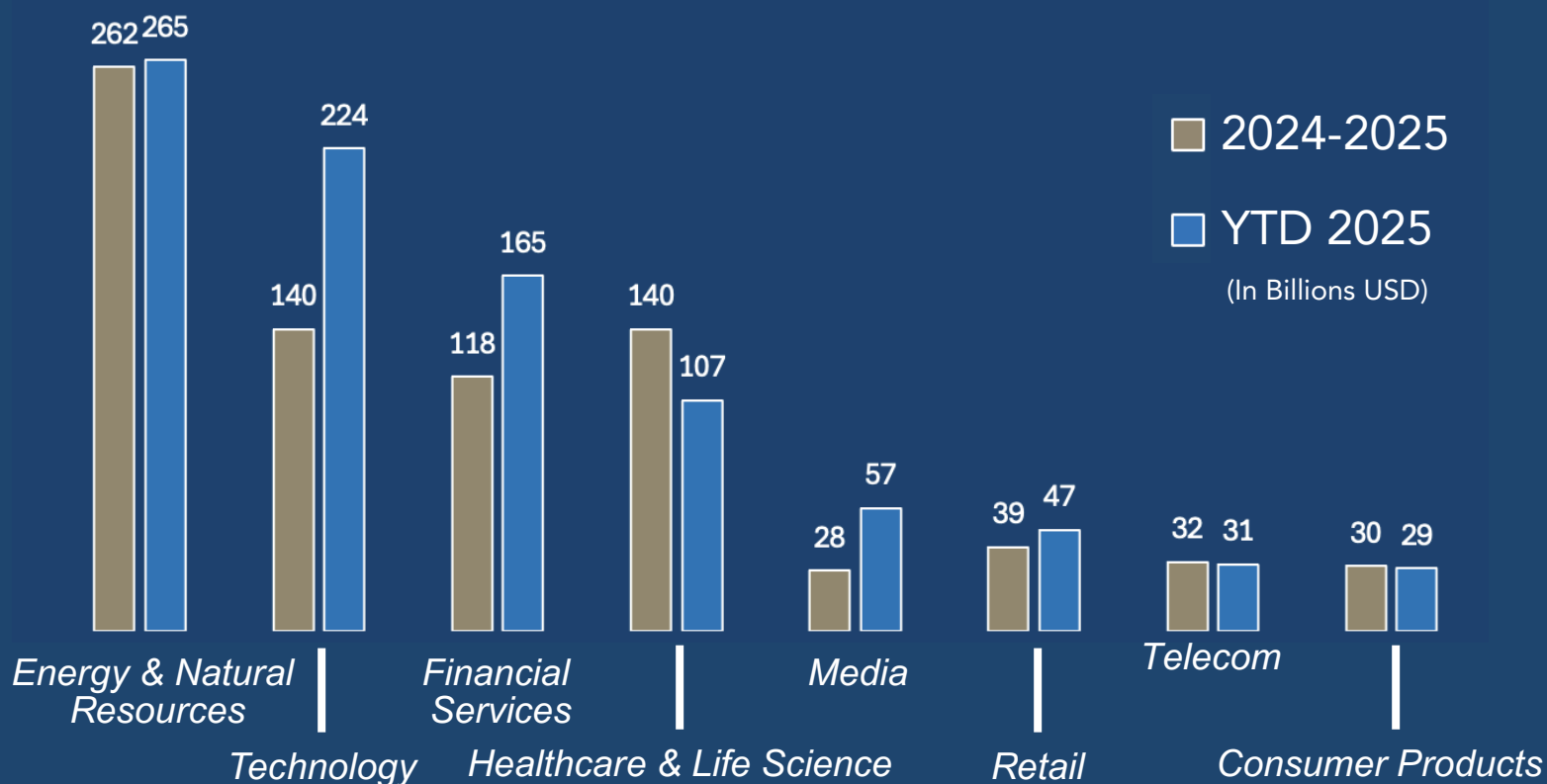
Major tech firms are also prioritizing acquisitions of companies with specialized AI teams, proprietary algorithms, and robust datasets to accelerate innovation and secure long-term growth.

## 2023–2025: Middle Market's Resilience

Global M&A deal value rebounded in 2024, increasing as much as 12 percent year-over-year to \$3.4 trillion. While value increased, transaction volume (e.g., number of deals) declined 14–17%, driven by a surge in megadeals. Over 500 transactions exceeded \$1B, with 70-90 being true megadeals over \$5B.

In the middle market, 2024 saw deal volume shrink due to cautious buyer sentiment and valuation mismatches. Despite this, private equity showed discipline by targeting fewer, higher-quality transactions, frequently focusing on add-on acquisitions rather than new platform investments.

The Technology sector stood out with a dramatic surge in deal value, reaching \$224B year-to-date in 2025, up from \$140B in the previous period. This reflects sustained investor enthusiasm for digital transformation, cloud computing, and artificial intelligence, as companies race to adopt new tech capabilities. Similarly, the Media sector saw robust growth, with deal value rising from \$39B to \$47B. This uptick is driven by consolidation among content creators, streaming platforms, and digital advertising firms, as players seek scale and new revenue streams. The strong performance in both sectors underscores the market's confidence in technology-driven business models and the enduring demand for digital content and innovation.



## IT ExchangeNet Client

# ***T4S Acquired by Kanchi Technologies***

Kanchi Technologies 2i LLC d.b.a KT2i, a trusted IT and Engineering consulting innovator, today announced the strategic acquisition of Denver-based T4S Partners, a premier National IT and Business Solutions Consulting organization specializing in connecting people, processes, and systems for client growth. This merger unites two companies with complementary strengths and a shared vision to deliver exceptional value to customers, employees, and partners. The combined organization will operate under the KT2i name, offering expanded solutions, deeper technical expertise, and enhanced capacity to serve a growing global customer base.



IT ExchangeNet served as the exclusive sell-side advisor to T4S, running a disciplined and highly targeted process. By leveraging its proprietary, curated network of over 90,000 global strategic and financial buyers, IT ExchangeNet generated strong market interest, qualified bids, and competitive dynamics which ultimately secured a partner aligned with the firm's long-term vision.

Rob Ash, President of T4S, commented, ***"IT ExchangeNet ran a thoughtful, methodical process from start to finish, socializing our story to the right people and keeping momentum every step of the way. Their access to over 90,000 global buyers and ability to position T4S strategically made all the difference."***

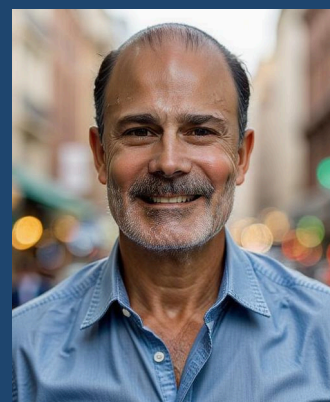
The deal marks another milestone in the active middle-market digital services space, as firms with domain depth and cloud expertise continue to attract strong buyer interest, especially those positioned at the intersection of cloud enablement, data strategy, and enterprise agility.

With digital transformation budgets rebounding and AI integration becoming a board-level imperative, acquirers are aggressively pursuing specialized firms that can deliver measurable impact and accelerate enterprise modernization. T4S stood out as a prime example of this trend.



# Strong Start, Stronger Finish

As we pass the midpoint of 2025, I want to take a moment to reflect on the remarkable transformation we've witnessed across IT services and digital marketing M&A, and to share my optimism for the months ahead and into 2026.



Despite a backdrop of persistent uncertainty, ranging from global policy shifts to inflation and geopolitical tensions, the lower middle market has proven resilient. Private equity remains the driving force, with disciplined capital deployment focused on platform investments and add-on acquisitions.

We continue to see strong demand for founder-led and niche businesses, particularly those demonstrating real, actionable AI integration and scalable tech infrastructure.

Creative deal structures and the rise of private credit have helped bridge valuation gaps, keeping high-quality deals moving forward even as traditional financing tightens. Firms with recurring revenue, strong client retention, and differentiated technology are commanding healthy multiples, often 6.0x to 9.0x EBITDA in the lower middle market.

North America continues to lead global M&A activity, thanks to deep capital markets, a mature private equity ecosystem, and robust digital transformation tailwinds. The middle market stands out for its agility and consistency, attracting both seasoned investors and new entrants eager to capitalize on ongoing consolidation.

Looking ahead, I am confident that demographic shifts, continued digital innovation, and a robust pipeline of founder-led businesses will drive even more opportunity.

As we blaze into the second half of 2025 and prepare for 2026, IT ExchangeNet remains committed to helping founder navigate this dynamic landscape and achieve their strategic goals. Thank you for your continued trust and partnership.

A handwritten signature in white ink, appearing to read 'Tim Mueller'.

Tim Mueller  
Managing Partner, IT ExchangeNet

# About Us

Founded in 1998, IT ExchangeNet is a global M&A consultancy specializing in lower mid-market mergers and acquisitions within the IT and Digital Marketing industries. Our focus lies in partnering with leading channel partners like Microsoft, Oracle, Salesforce, and ServiceNow, as well as MSPs, MSSPs, and Digital Marketing agencies.

With an extensive buyer database of over 90,000 IT and Digital Marketing decision-makers, we identify strategic matches for sellers valued above \$5 million.

IT ExchangeNet has been honored as one of Axial's Top 25 Lower Middle Market Technology M&A firms in the United States and among the Top 25 Business Services M&A firms.

## Our Leadership



**Tim Mueller**  
Managing Director



**Amanda Haws**  
Marketplace Director



**Joan Cook**  
Marketplace Director



**Dylan Tober**  
Development Mgr.



**Matt Olson**  
Business Development

## Resources

IT ExchangeNet Proprietary Data

<https://www.bain.com/insights/m-and-a-midyear-report-2025-separating-signal-from-noise/>

<https://www.bcg.com/publications/2025/looking-for-signs-of-a-second-half-rebound>

<https://corpgov.law.harvard.edu/2025/06/12/a-time-to-pivot-four-ways-us-ma-leaders-are-adapting-to-2025-conditions/>

<https://www.pwc.com/gx/en/services/deals/trends.html>

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<https://www.pwc.com/gx/en/services/deals/trends/private-equity.html>

<https://www.deloitte.com/us/en/what-we-do/capabilities/mergers-acquisitions-restructuring/services/sustainable-infrastructure-m-and-a-strategy>

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<https://www.bcg.com/publications/2025/looking-for-signs-of-a-second-half-rebound>

