

What Drives Premium Exit Multiples in IT Services?

A whitepaper for IT services founders and shareholders (February 2026)

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Executive summary

Premium exit multiples in IT services are not “won” by optics (a prettier pitch deck or a bigger pipeline slide). They are earned when a buyer can underwrite **durable growth + reliable cash flows + defensible differentiation** with **low execution risk**. In practice, that means: recurring/contracted revenue (managed services, “as-a-service” motions), clear vertical or capability leadership (cloud, data/AI, cybersecurity, regulated industries), scalable delivery economics, strong customer retention with low concentration, and management + operating systems that make the business easy to diligence and integrate. Advisory research notes that valuation dispersion inside IT services is wide, and buyers pay up when they see quality-of-earnings, scale, growth, and integration readiness in one package.

This paper lays out a practical value-driver model, shows how premiums show up in real transactions (with disclosed multiples), and provides a concrete owner playbook to raise exit multiples.

1) Setting the frame: what “premium exit multiples” mean in IT services

An “exit multiple” is usually quoted as **EV/EBITDA** (sometimes EV/Revenue for faster-growing or lower-margin segments). “Premium” is relative—i.e., above the median for your peer set (same segment, size, growth, and margin profile), and often reflects buyers pricing in (a) faster growth, (b) lower risk, and/or (c) synergy and integration confidence.

The IT services market has shown that **segment mix matters**: managed services, cybersecurity, “DX / 2.0” systems integrators, and AI integration capabilities tend to trade higher than staff augmentation and more transactional resourcing models.

2) The buyer's underwriting logic: why premiums happen

Two buyer archetypes, two ways premiums are justified

Strategic buyers (large SIs, VARs, software vendors, incumbents) pay premiums when the target unlocks:

- **Cross-sell and attach** into an installed base
- **New capability entry** (cloud/data/AI/cyber) that would be slow to build
- **Geographic or delivery expansion** (nearshore/offshore footprint)
- **Talent density** (scarce engineering, industry SMEs)
- **Faster time-to-revenue** than organic build

Private equity buyers pay premiums when the target looks like a platform:

- Predictable cash generation + levers for operational improvement
- “Multiple arbitrage” runway (bolt-ons at lower multiples into a higher-multiple platform)
- Clear integration repeatability (playbook + systems)
- Resilience across cycles (less project volatility, more recurring revenue)

Industry commentary on tech services emphasizes that leaders who reshape offerings and delivery models can sustain growth and margins—and that those leaders can improve revenue multiples materially versus laggards.

3) The premium multiple drivers: a value-driver model for IT services

Below is a practical model that maps directly to how buyers price deals and how diligence teams kill deals.

Driver A — Revenue quality and predictability (the “discount rate” driver)

Premium outcomes correlate with revenue that behaves like an annuity:

- Multi-year contracts, recurring managed services, subscription-like support, clear renewals
- Lower reliance on one-off projects and “re-start selling” every quarter

Market observations from Houlihan Lokey explicitly call out that providers who shift toward service-led / recurring models are typically valued higher due to improved revenue quality and positioning.

(And in IT services M&A commentary, recurring revenue is consistently highlighted as a major value driver.)

What buyers measure

- Recurring revenue % (and gross retention / net revenue retention where applicable)
 - Contract length, termination rights, renewal mechanics
 - Backlog coverage and “book-to-bill” quality
 - Revenue concentration by customer, logo, industry, and partner channel
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Driver B — Durable growth with a believable growth engine (the “multiple expansion” driver)

Growth alone doesn’t earn a premium; **durable growth** does:

- Clear, repeatable go-to-market motion (ICP definition, sales process, partner motion, pipeline conversion history)
- Demand tailwinds (cloud modernization, data/AI, cybersecurity, regulatory-driven spend)
- Evidence the growth persists through cycles (not just a one-time “cloud migration wave”)

Bain’s work on tech services highlights that leaders can outgrow the market by reshaping offerings and delivery models—explicitly linking leadership transformation to improved multiples.

What buyers measure

- Organic growth vs acquired growth
 - Gross margin stability while scaling
 - Pipeline coverage and historical conversion
 - Customer cohort expansion patterns (land-and-expand)
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Driver C — Margin profile + scalability of delivery economics (the “free cash flow” driver)

Premium multiples require not just EBITDA, but **credible future EBITDA**:

- Offshore/nearshore leverage with stable quality
- Utilization discipline + pricing power
- Low rework and strong delivery governance
- Automation/AI-enabled productivity (increasingly a diligence topic)

Aventis’ sector synthesis notes that double-digit growth paired with ~10–15% EBITDA margins commonly supports higher EV/EBITDA bands than slower-growth, sub-10% margin profiles.

What buyers measure

- Gross margin by service line (project vs managed services)
 - Utilization, realization, blended rates, pricing discipline
 - Bench depth and attrition (attrition is an economic variable, not just HR)
 - Delivery KPIs (on-time, defect rates, client satisfaction)
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Driver D — Differentiation that is real (and survives the founder)

Premium valuations show up when the buyer believes the company is not a commodity body shop. Differentiation typically comes from:

- A **tight vertical niche** (healthcare payers/providers, BFSI, public sector, industrials, etc.)
- **Hard-to-replicate capabilities** (data engineering, security, regulated compliance, ERP ecosystems)
- **Proprietary accelerators** (repeatable playbooks, templates, IP, automation frameworks)
- Deep partner status (AWS/Azure/GCP, ServiceNow, Salesforce, etc.) when it is revenue-producing and defensible

Lincoln International's IT services work emphasizes valuation divergence within subsectors and highlights structured value drivers (including quality of earnings, scale, growth, and integration-related factors) that explain why similar-looking firms price very differently.

Driver E — Customer concentration and retention (the “blow-up risk” driver)

In IT services, one customer can be the business. Buyers pay premiums when:

- No single customer dominates EBITDA
- Retention is strong and documented
- Customer relationships are institutional (not one executive or founder)

What buyers measure

- Top-10 customer concentration of revenue and gross profit
 - Renewal/retention, churn reasons, contract risk
 - Customer diversification by industry and geography
 - Referenceability (and willingness to be diligenced)
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Driver F — Integration readiness and “quality of earnings” (the “closeability” driver)

Many deals die in diligence because EBITDA is real—but *not repeatable*. Premium exits require:

- Clean revenue recognition practices (especially for time & materials vs fixed-bid vs milestone)
- Clear add-backs with documentation
- Strong financial controls, forecasting, and KPI instrumentation
- Security/compliance posture that won't scare a buyer's risk committee

This is repeatedly flagged in IT services valuation commentary: divergence comes from underlying value drivers and quality-of-earnings factors—not just topline.

4) Examples: IT services businesses receiving premium pricing (with disclosed deal math)

Below are transaction examples where published materials include either explicit multiples or clear valuation premiums—useful because they show *how the market prices “premium.”*

Example 1 — Perficient take-private (EQT): premium multiple vs public comps

A Stifel IT services market update highlights that Perficient announced an acquisition by EQT for **\$3B cash** and notes the deal implied approximately:

- **EV / 2023A EBITDA: 15.7x**
- **EV / 2024E EBITDA: 15.3x**
- and that the company was acquired for an estimated **~31% multiple premium** to public comps despite previously trading at a discount.

Why the market likely paid up (buyer logic)

- A scaled digital solutions provider with broad enterprise relationships and global delivery (integration-ready platform characteristics)
- “Closeability”: a public-company-quality reporting baseline reduces diligence risk
- Strategic repositioning potential under PE ownership (margin/operating model improvements)

Example 2 — EPAM acquisition of NEORIS: premium multiple for delivery + client scale

In the same Stifel update, EPAM's acquisition of NEORIS is shown with disclosed valuation metrics of approximately:

- **Enterprise value: \$630M**
- **~2.2x TEV/LTM revenue**
- **~15.0x TEV/LTM EBITDA**

Why the market likely paid up

- Expanded delivery capabilities (especially nearshore/LatAm) and stronger geographic coverage
- Increased ability to deliver end-to-end digital engineering and transformation programs at scale

Example 3 — Kin and Carta take-private: premium paid amid competitive process

Stifel's case study notes a competitive take-private process culminating in Valtech's offer (~\$334M), with implied EBITDA multiples in the low teens (approx. **~11–12x**, per the deal statistics shown) and significant premium to unaffected share price.

Why the market likely paid up

- Digital transformation capabilities spanning data/AI, cloud/platforms, experience/product, plus recurring managed services (higher-quality revenue mix signals)

Important nuance: premiums can still occur even when the target has underperformed publicly—if the buyer sees a credible path to fix execution while preserving core differentiation, and if competitive tension exists.

5) What IT services owners can do to increase exit multiples

Think of this as “engineering a premium underwriting story.” The goal is to **reduce perceived risk** and **increase confidence in future cash flows**.

5.1 Shift the revenue mix toward recurring and contracted revenue

- Build or acquire managed services capabilities
- Convert project relationships into run/operate contracts
- Package services into repeatable offerings with clear SLAs and renewal economics

Houlihan Lokey explicitly notes service-based offerings improve predictability and reduce dependency on transactional sales—and that firms that shift toward service-driven models tend to be valued higher.

5.2 Prove durable growth with a focused ICP + repeatable GTM motion

- Narrow the ICP (vertical + buyer persona + problem)
- Build a referenceable “wedge offer” (e.g., cloud cost optimization, data platform modernization, security posture improvement)
- Instrument pipeline metrics and conversion history (buyers pay for proof, not promises)

Bain’s tech services analysis ties leadership transformation (offer + delivery + operating model) to improved growth and valuation outcomes for winners.

5.3 Create defensible differentiation (not generic “we do digital”)

- Specialize in regulated verticals (healthcare, BFSI, public sector) where switching costs are real
- Build proprietary accelerators (automation, templates, integration frameworks)
- Move up the value chain (advisory + engineering + managed operations)

5.4 De-risk customer concentration and key-person dependency

- Cap exposure to any one client (especially as % of gross profit)
- Institutionalize account ownership (account teams, QBR cadence, exec sponsor model)
- Strengthen second-tier leadership so the business survives founder transition

5.5 Upgrade “quality of earnings” and integration readiness (this is where premiums get protected)

- Monthly close discipline, GAAP-consistent policies, clean project accounting
- Document add-backs conservatively (buyers punish aggressive add-backs)
- Implement security/compliance baselines (SOC 2 where relevant; robust policies even when not certified)
- Build an integration-ready org chart and a data room “always on”

Lincoln’s framing on IT services value drivers and valuation divergence supports the idea that quality and integration factors materially explain pricing dispersion.

5.6 Optimize delivery economics without “hollowing out” quality

- Improve utilization and realization, but protect NPS and delivery quality
- Build a balanced onshore/offshore model that your clients and buyer believe is stable
- Use automation/AI to increase throughput (buyers increasingly diligence productivity and delivery transformation)

6) A practical “premium multiple checklist” owners can use

If you want a premium exit multiple, your company should be able to show:

1. **Revenue quality:** meaningful recurring/contracted component, clear renewals
2. **Durable growth:** repeatable GTM engine + visible demand tailwind
3. **Scalable margins:** believable expansion path (delivery + pricing discipline)
4. **Real differentiation:** vertical/capability leadership that reduces commoditization
5. **Low concentration + high retention:** diversified gross profit base
6. **Quality of earnings:** clean accounting, supportable EBITDA, low “surprises”
7. **Integration readiness:** systems, processes, leadership bench
8. **Closeability:** risk posture (security/compliance), clear contracts, clean legal/entity structure

References (selected)

- Bain & Company, *The New Growth Equation for Tech Services* (insight and related press release).
- Lincoln International, *Filtering the Noise: A Deep Dive into IT Services' Key Valuation Drivers* (2024).
- Houlihan Lokey, *IT Services Market Update – December 2025* (recurring revenue/service shift and valuation observations).
- Stifel, *IT Services Market Update – October 2024* (case studies; Perficient, Kin and Carta, EPAM/NEORIS multiples).
- Aventis Advisors, *IT Services Valuation Multiples: 2015–2025* (segment/multiple observations and market bands).