



# On The Pulse

M&A Market Insight  
B2B Services sectors

**SCD**Advisory | April 2026



## *Acknowledgement of Country*

---

We acknowledge the Australian Aboriginal and Torres Strait Islander peoples of this nation. We acknowledge the traditional custodians of the lands on which our company is located and where we conduct our business. We pay our respects to ancestors and Elders, past and present.

## Navigating Troubled Waters



*Pierre Briand  
Founder of SCD Advisory*

Market conditions remain challenging. Concerns around private credit, accelerating AI disruption and heightened geopolitical instability in the Middle East are contributing to a more uncertain operating backdrop, with inflation and interest rate pressure continuing to weigh on confidence. In this environment, many businesses are facing greater scrutiny on growth, margin resilience and the pace of strategic decision-making.

At the same time, capital remains available and opportunity has not disappeared. Well-positioned assets continue to attract interest, particularly where they offer clear strategic relevance, defensible market positions and credible pathways to value creation. Dislocation in the market is creating openings, but investors and acquirers are becoming more selective in how and where they deploy capital.

Against this backdrop, clarity of strategy, business model resilience and management quality are becoming even more important. For companies considering M&A, preparation and execution support are critical: the ability to articulate a clear equity story, evidence sustainable performance and navigate a more complex transaction environment is increasingly central to achieving a successful outcome.

# Contents

01 Market Rhythm

02 Industry Pulse

03 Onboard with SCD Advisory



# 01 Market Rhythm

A dynamic overview of market intelligence, economic trends and the M&A landscape

# Market Rhythm: M&A Activity

## Selective Deal Flow in a Gradually Recovering Market


Australian M&A activity remained measured in Q1 2026. As the chart below shows, deal volumes stayed relatively steady, but deal values were uneven and continued to depend on a small number of larger transactions. Diligence processes remained extended, with some deals rolling over from late 2025. Regulatory considerations, including the incoming ACCC merger regime, also continued to weigh on timing and decision-making.

Market liquidity remained healthy, with strategic buyers and private equity firms still holding significant dry powder and active mandates. However, deployment remained selective. Consistent with the chart, steady deal count did not translate into a sustained uplift in value, highlighting continued buyer discipline. High-quality, well-positioned assets continued to attract competitive tension, while sub-scale or lower-quality businesses faced greater scrutiny and valuation pressure.


Artificial intelligence (AI) continued to reshape operating models across B2B services, supporting efficiency and productivity gains. From an M&A perspective, however, buyers remained cautious in assigning valuation upside to AI unless it was clearly embedded in revenue generation or defensible delivery advantage. Ongoing uncertainty around monetisation, defensibility and regulation meant that earnings quality and cash flow visibility remained the primary drivers of value in Q1 2026.



**2.6%**  
Australia  
GDP Growth



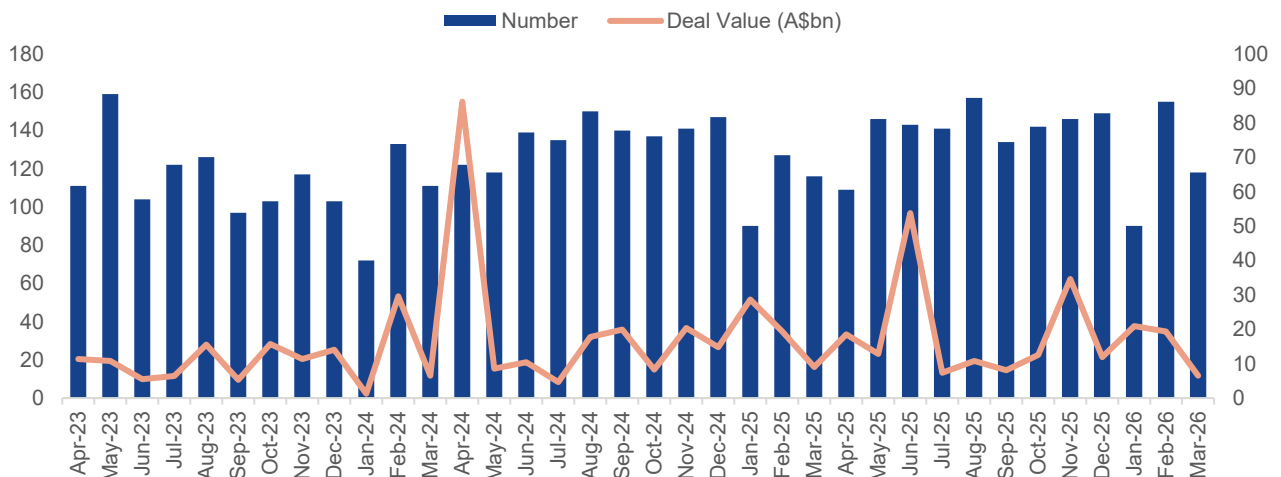
**4.1%**  
Australia  
Cash Rate



**3.7%**  
Australia  
Inflation Rate

Source: RBA,  
Data as at 26 March 2026.

## Australia Deal Count and Deal Value (Apr-23 to Mar-26)



Source: IMAA. Data as at 31 March 2026

# Market Rhythm: M&A Activity

## IT Services: Resilient, but More Selective

M&A in IT services remained resilient in Q1 2026, supported by demand for cloud, cybersecurity and efficiency. Buyers focused on delivery capability, client stickiness and margin resilience, while remaining cautious on businesses exposed to discretionary demand or slower public sector spending.

## Software: Vertical Strength, Valuation Discipline

Software deal activity continued to favour vertical-specific and mission-critical platforms with strong retention and embedded workflows. While AI features attracted interest, buyers remained disciplined, prioritising demonstrable revenue, cash flow and customer stickiness over more speculative AI upside.

## Management Consulting: Softer Activity, AI Reshapes Delivery

Management consulting M&A remained softer in Q1 2026 as extended procurement cycles and weaker visibility continued to weigh on activity. AI adoption is improving productivity and delivery models, but buyers remain selective, favouring firms with realised efficiency gains and resilient private sector demand.

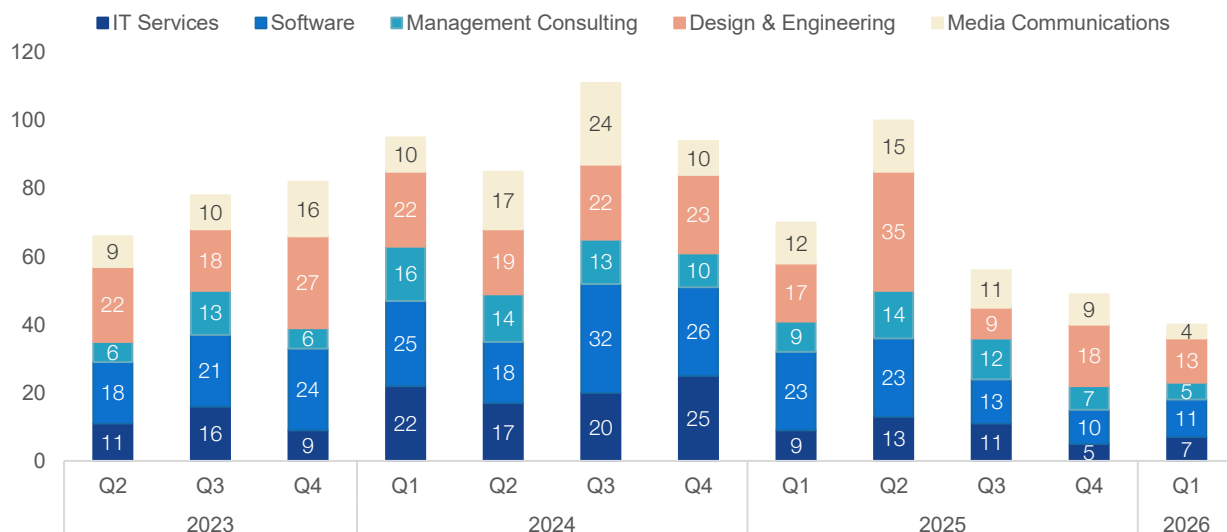
## Design and Engineering: Infrastructure Supports Demand

Engineering deal flow remained supported by infrastructure, defence and energy transition programs. Buyers focused on technical depth, delivery capability and access to skilled labour, with public funding and essential project pipelines helping offset broader economic softness.

## Media and Communications: Digital-First, but Selective

Consolidation continued at a measured pace, with buyers favouring integrated, digital-first agencies and scaled platforms. As AI tools become more embedded across the sector, value is shifting toward client relationships, proprietary data and recurring revenue models.

### ANZ B2B Services Deal Count (Apr-23 to Mar-26)



Source: S&P Capital IQ. Data as at 31 March 2026

# Market Rhythm: M&A Activity

## Q1 2026 B2B Services M&A Overview

M&A activity in the B2B services sector remained measured in Q1 2026, with transactions continuing to concentrate around high-quality assets with resilient earnings, recurring revenue and strong market positioning. More sub-scale or highly discretionary businesses continued to face longer timelines, greater scrutiny and softer buyer appetite.

Strategic acquirers and private equity funds remained well capitalised in Q1, supporting ongoing demand for attractive platforms. While diligence remained rigorous and deal structures conservative, competitive tension persisted for premium assets, particularly those offering scale, efficiency or defensible market positions.

For more information on the deals completed in the B2B services sectors, click the links below to explore our monthly M&A blogs.

### March 2026



### February 2026



### January 2026



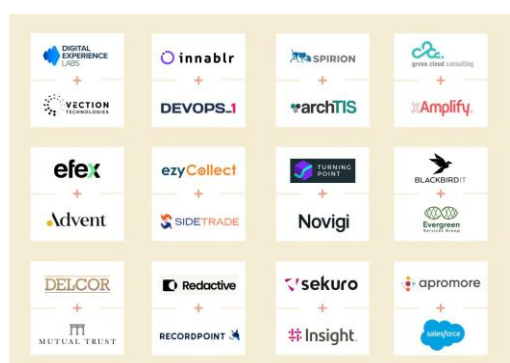
### December 2025



### November 2025



### October 2025



# Market Rhythm: M&A Activity

## Looking Ahead: Better Liquidity, but Confidence Remains Selective

Global capital markets entered 2026 on a firmer footing than a year earlier, with 2025 IPO proceeds up 39% globally and signs that issuance windows were reopening. However, momentum in Q1 2026 has been uneven, with geopolitical volatility and higher-for-longer rates tempering risk appetite and making valuation benchmarks more fragile than they appeared at year-end.

In Australia, market conditions are constructive but not yet fully open. ASX new capital quoted was modest in January at A\$1.7 billion, before improving to A\$4.1 billion in February, while average daily value traded in February rose 22% year on year, indicating healthier liquidity even as issuance remains selective.

That backdrop should support M&A through 2026, but with a more measured tone than broad-based optimism. The RBA lifted the cash rate to 3.85% in February and 4.10% in March, and its February outlook projected headline inflation to peak at 4.2% by mid-2026, suggesting financing conditions may stay restrictive for longer than previously expected.

Liquidity remains supportive, with Bain estimating global private equity dry powder at roughly US\$1.3 trillion, but capital is likely to stay focused on premium assets rather than the broader market. In Australia, the new ACCC merger regime is already in force, with control and asset thresholds commencing from 1 April 2026, which may add execution complexity even as buyer appetite for high-quality B2B services assets remains intact.



**60%**  
Cross Border



**+27%**  
Value Uplift



**89%**  
Success Rate

*SCD stats*





# 02 Industry Pulse

Key updates, valuations and deals affecting  
the B2B Services sectors

# IT Services

**9.4%**

CAGR  
2025-30  
(Global)

Source: Grand View Research

**“Value is concentrating in cybersecurity and managed services, where demand is recurring and non-discretionary”**

## **AI-Led Productivity and Mission-Critical Demand Support the IT Services Sector**

### **Modernisation Wins as Buyers Focus on ROI**

In Australia, tech spending remains active but increasingly tied to productivity and cost outcomes. Gartner forecasts Australian IT spending will reach A\$172.3bn in 2026, up 8.9% YoY, while Deloitte found only 12% of Australian leaders say generative AI is already transforming their business, despite 65% planning to increase AI investment. This continues to support demand for cloud optimisation, automation and platform modernisation over broader discretionary projects.

### **AI Improves Delivery, but Buyers Still Want Proof**

AI adoption across IT services continued to accelerate into 2026, particularly in software engineering, automation and service delivery. However, adoption is ahead of trust: Stack Overflow’s 2025 developer survey found 46% of developers distrust AI output accuracy, versus 33% who trust it. In M&A, that supports continued caution on valuation uplift unless AI is clearly improving margins, delivery or revenue growth.

### **Cybersecurity and Cloud Remain Core Spend Areas**

Cybersecurity, cloud and managed services remain the most resilient spend pools. IDC expects security spending to grow 12.2% in 2025, while cloud infrastructure spending reached ~A\$606bn globally (up 30% YoY in Q4). This continues to support demand for migration, optimisation, managed services.

### **Managed Services and Platform-Led Models Gain Ground**

Demand continues to shift toward managed services, automation-led delivery and more embedded client relationships. Firms with platform-enabled offerings, annuity-style revenue and clear operational leverage are better positioned, while pure labour-based models face increasing pressure.

## AI in IT Services: Who Wins, Who Gets Disrupted

### Winners: Scale, Recurring Revenue and Outcome-Led Delivery Models

IT services firms are best placed in the AI era when they combine proprietary workflows, deep domain knowledge and recurring customer relationships.

The strongest positions appear to be with managed services providers, cybersecurity specialists, cloud optimisation partners and firms that can package AI into outcome-based offerings rather than sell pure labour.

AI can lift productivity, improve utilisation and shorten delivery cycles, but the advantage is likely to accrue most to firms that reinvest those gains into faster execution, better margins and stronger client outcomes.

### Losers: Labour-Heavy Models and Undifferentiated Service Offerings

More vulnerable firms are likely to be undifferentiated, labour-heavy providers whose value proposition depends on junior headcount, time-and-materials billing or commoditised application work.

As AI automates more coding, testing, support and documentation tasks, clients have more reason to question traditional effort-based pricing. Stack Overflow's 2025 data also suggests AI agents are not yet mainstream, which means providers cannot assume revenue benefits will automatically offset delivery-side disruption in the near term.

### Positive Impact of AI

AI can improve delivery productivity, reduce manual effort, accelerate software development and strengthen service responsiveness. It also creates new demand pools in AI readiness, data engineering, cloud modernisation, model governance, cyber resilience and managed AI operations.

For stronger firms, AI should support better margins and deeper strategic relevance with enterprise clients.

### Negative Impact of AI

AI introduces price pressure, execution risk and potential revenue cannibalisation. Where clients view AI as a tool to reduce external labour needs, traditional project revenues may come under pressure before new AI-related revenues scale.

Providers also face higher expectations around governance, security, explainability and proof of ROI, which raises the bar for credible AI-enabled offerings.

# IT Services

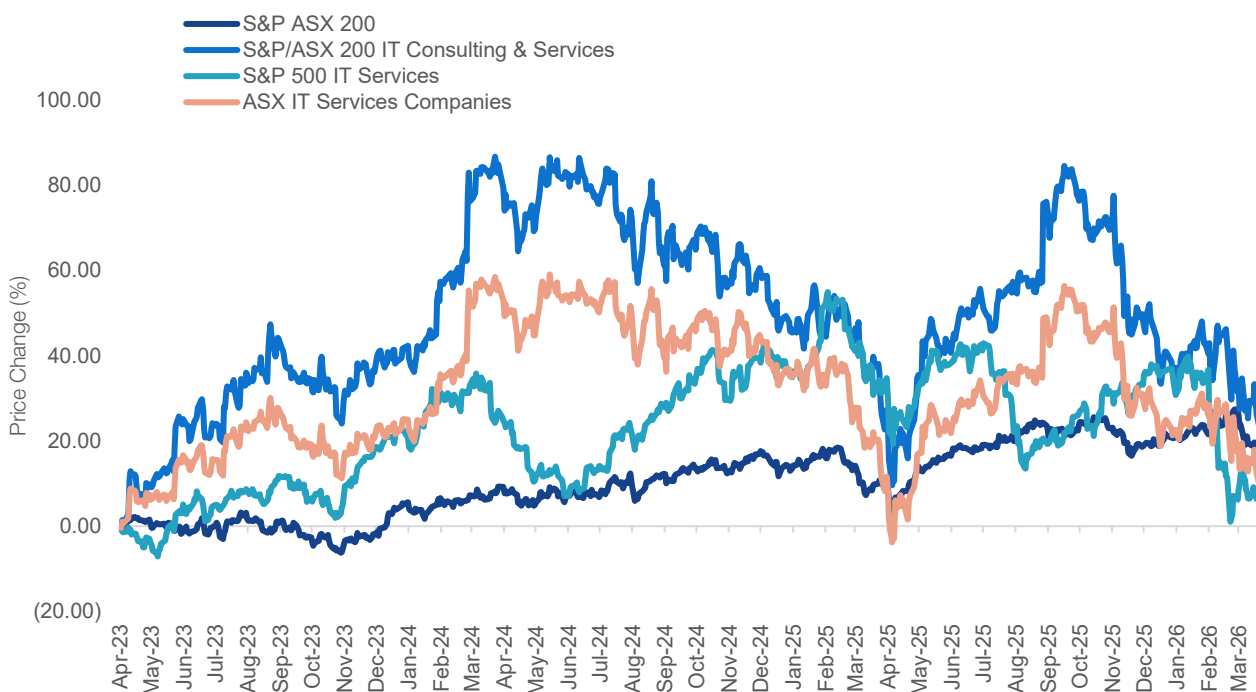
## Q1 2026: Heightened Volatility Amid Macro Deterioration and De-risking

IT services equities weakened sharply in Q1 2026, giving back part of the late-2025 rebound and underperforming the broader S&P/ASX 200. The graph shows a broad-based sell-off through February and March, with the ASX IT Services Companies index and S&P/ASX 200 IT Consulting & Services index recording the steepest declines. This suggests a sector wide de-rating as investors grew more cautious on near-term earnings and delivery visibility.

The weaker performance was driven by a softer macroeconomic backdrop. Higher-for-longer interest rates, weaker business confidence and tighter customer budgets weighed on discretionary technology spending, while decision-making slowed across enterprise and public sector programs.

Relative to global peers, Australian IT services indices also lagged in Q1, pointing to greater sensitivity to local economic conditions and contract concentration risk. Investors increasingly rotated toward cash flow resilience and defensiveness, while valuation multiples compressed as confidence in near-term growth and AI-led margin benefits moderated. Overall, Q1 2026 reflects a clear risk-off shift, with sector performance tied to macro stability, interest rate expectations and a recovery in customer spending.

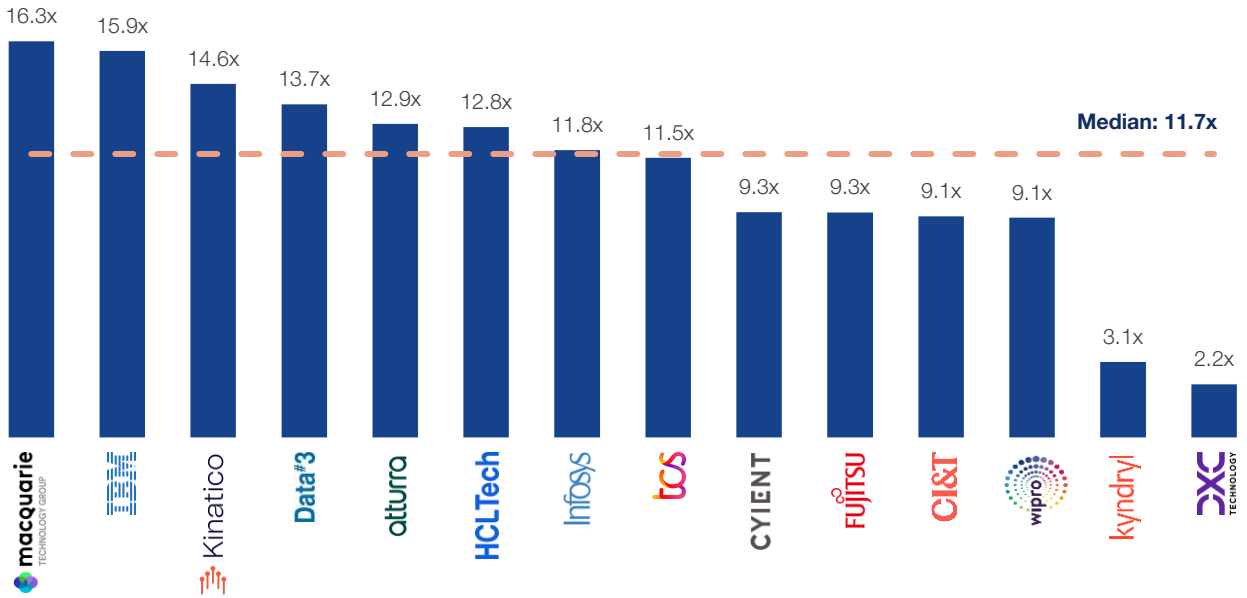
### IT Services Indices



Source: S&P Capital IQ. Data as at 31 March 2026

# IT Services

## IT Services Global Trading Comparables (EV/LTM EBITDA)



Source: S&P Capital IQ. Data as at 31 March 2026

### Q1 Multiple Reset Reflects Clear Risk-Off Turn in IT Services

Global IT services trading multiples softened in Q1 2026, with median EV/LTM EBITDA declining from 13.5x in Q4 2025 to 11.7x. The de-rating was broad-based across the peer set, indicating a weaker sector backdrop rather than purely stock-specific moves.

Higher-quality, scaled names remained relatively more resilient and continued to trade at a premium, while lower-growth and mid-tier peers experienced more meaningful multiple compression.

Overall, the sector entered Q2 2026 on more conservative valuation benchmarks, reflecting softer sentiment, macro uncertainty and reduced confidence in near-term growth.

### SCD Advisory Deals



**SOLD TO**




**SOLD TO**




**SOLD TO**



**11.3%**

CAGR  
2025-30  
(Global)

Source: Grand View Research

***“Value is shifting to defensible, recurring platforms embedded in core workflows”***

## Software

### **Buyers Prioritise Defensibility, Revenue Quality and Practical AI in Software**

#### **Sector Specialists Continue to Outperform**

Buyer demand remains strongest for software serving defined industries and mission-critical workflows. Austrade highlights Australia’s strength in SaaS, fintech and cybersecurity, reflecting continued demand for sector-specific platforms with deeper customer integration and stronger switching costs.

#### **Recurring Revenue and Visibility Still Anchor Value**

Recurring and contracted revenue continues to underpin valuation outcomes, with buyers placing greater weight on revenue visibility, churn and retention. This remains consistent with a market that is still rewarding subscription-based models, embedded workflows and software that sits close to core operating processes. This is an inference from current Australian software spending and sector positioning trends.

#### **AI Moves from Differentiator to Baseline**

AI functionality is increasingly becoming a standard feature rather than a standalone source of premium valuation. In Australia, ABS data show business spending on AI R&D more than doubled to A\$668.3m in 2023-24, up from A\$276.3m in 2021-22, underscoring how quickly investment is rising. Even so, buyers still want proof of monetisation, defensibility and customer ROI, meaning AI capability alone is rarely enough to justify a valuation premium.

#### **Workflow Control Underpins Strategic Value**

Software spending in Australia is forecast to reach almost A\$60bn in 2026, up 13.6% year on year, making it the largest IT spending category. In that environment, buyers are concentrating on platforms with deeper functionality, stronger integration and clearer workflow ownership, while narrower point solutions face more scrutiny.

# Software

## AI in Software: Winners, Losers and Shifting Value Pools

### Winners: Workflow Owners, Vertical Platforms and Data-Rich Products

The biggest beneficiaries of AI in software are likely to be platforms already embedded in core customer workflows.

Vertical software, systems of record and products with proprietary data, strong distribution and clear customer ROI are better placed to convert AI into higher retention, pricing power and product expansion. These businesses can use AI to deepen workflow ownership, automate higher-value tasks and improve user outcomes without relying on AI as a standalone selling point.

### Losers: Point Solutions, Shallow Feature Sets and Undifferentiated AI Claims

More vulnerable software businesses are those with narrow functionality, weak integration and limited control over customer workflows.

Point solutions that rely on features AI can replicate, or products without differentiated data or sticky workflows, face greater risk of commoditisation. Businesses promoting AI capability without clear monetisation, defensibility or customer adoption are also likely to face more valuation pressure.

### Positive Impact of AI

AI can improve product functionality, accelerate development cycles and strengthen customer value propositions through automation, analytics and better user experience. For stronger software platforms, this can support expansion into adjacent workflows, higher wallet share and better long-term retention.

AI also raises the strategic value of software that sits close to decision-making, transaction flows or operational execution.

### Negative Impact of AI

AI also increases the risk of feature commoditisation, faster competitive replication and pricing pressure, particularly in categories with lower switching costs.

As AI becomes more standardised, product depth, data advantage and workflow ownership matter more. This means some software businesses may find it harder to sustain premium valuations unless they can show that AI is improving revenue quality, not just product marketing.

# Software

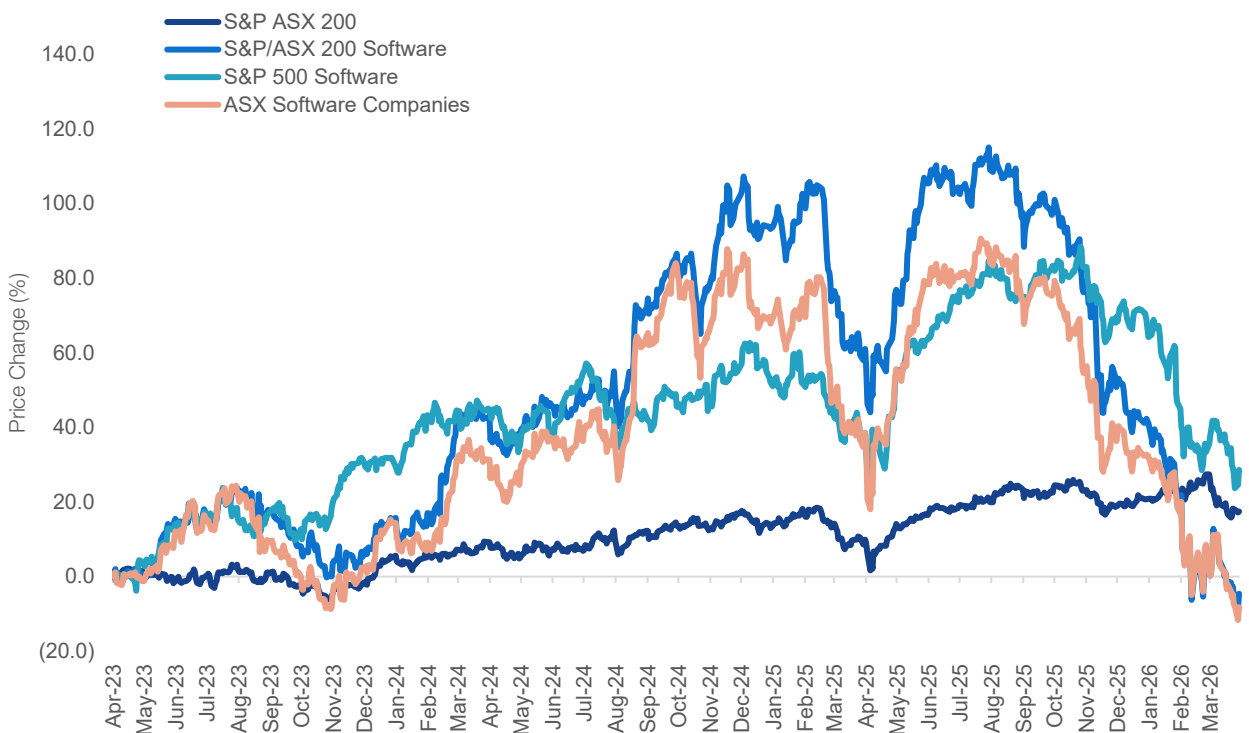
## Q1 2026 Sell-Off Highlights High-Beta Nature of Software Equities

Software equities saw a sharp reversal in Q1 2026, underperforming the broader market after a strong run through 2024 and mid-2025. The chart highlights a pronounced sell-off from late 2025 into March 2026, with the S&P/ASX 200 Software and ASX Software Companies indices declining more steeply than the S&P/ASX 200, reflecting their higher beta and sensitivity to risk sentiment.

The drawdown was broad-based across both domestic and global software indices, though Australian names experienced more severe declines. This suggests increased exposure to valuation compression and weaker earnings visibility, particularly as macro conditions tightened and investor appetite for long-duration growth assets deteriorated.

Overall, software remains a high-beta segment, with performance closely tied to shifts in interest rate expectations and risk appetite. The Q1 2026 correction underscores the sector's sensitivity to macro headwinds, with prior outperformance unwinding as markets rotated toward defensiveness and near-term earnings certainty.

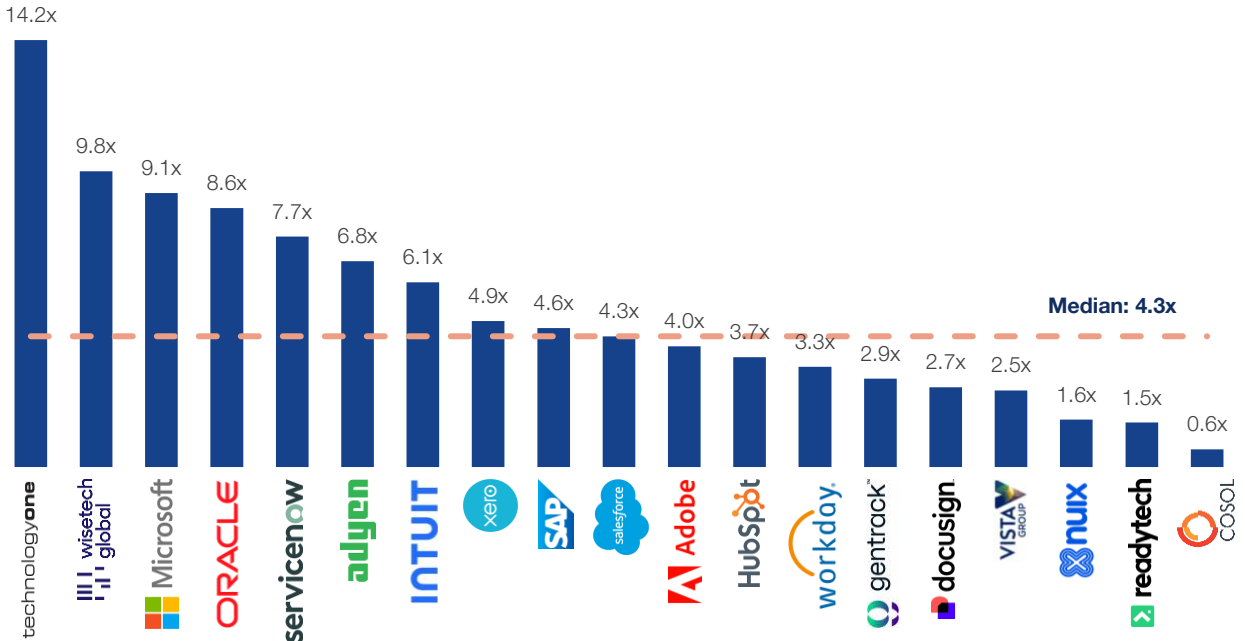
### Software Indices



Source: Source: S&P Capital IQ. Data as at 31 March 2026

# Software

## Software Global Trading Comparables (EV/LTM Revenue)



Source: S&P Capital IQ. Data as at 31 March 2026

### Q1 2026 Valuation Reset on Macro Pressure and Rising AI Disruption Concerns

Software trading multiples compressed materially in Q1 2026, with median EV/LTM revenue declining from 6.6x in Q4 2025 to 4.3x. The de-rating was broad-based across the peer set, reflecting a reset in growth expectations, a weaker macro backdrop and increased pressure on long-duration software valuations.

In addition to macro uncertainty, sentiment was pressured by Anthropic’s product releases, which sharpened investor concerns around AI-led disruption and the risk that automation could compress revenue pools across parts of the software and services stack. By quarter-end, the sector was trading on more conservative valuation benchmarks, with greater scrutiny on revenue durability, profitability and the ability to defend market position as AI capabilities continue to advance.

### SCD Advisory Deals

VIOSTREAM

SOLD TO

banyan SOFTWARE

Delacon

SOLD TO

VOLARIS

# Management Consulting

**5.3%**

CAGR  
2024-30  
(Global)

Source: MMR

***“Consulting is shifting from strategy to execution, with value driven by delivery and outcomes”***

## **Execution, Restructuring and Specialist Advisory Are Reshaping the Consulting Sector**

### **Performance Improvement and Change Management Take Priority**

Consulting demand is increasingly focused on cost reduction, productivity improvement and execution support. Change management is also becoming more important as clients seek help implementing change across people, processes and operating models. As a result, buyers are placing greater weight on measurable outcomes, faster payback and delivery capability.

### **AI Demand Is Shifting to Implementation**

AI is still creating advisory demand, but the mix is shifting beyond high-level strategy into use-case prioritisation, governance, operating model redesign and deployment support. With the Australian Government’s National AI Plan released in December 2025, firms with practical implementation capability and risk management expertise are better placed than those offering strategy advice alone.

### **Restructuring and Value-Creation Mandates Persist**

Demand for restructuring, turnaround and performance improvement advice remains supported by elevated financial stress across parts of the economy. ASIC reported that 3,556 companies entered external administration in the first three months of 2025-26. This continues to support firms with capability in cost-out, working capital, restructuring and hands-on execution.

### **Regulatory Complexity Supports Specialist Firms**

Specialist demand is being supported by Australia’s new sustainability reporting regime. ASIC states that the first cohort must report for annual periods starting on or after 1 January 2025, with first lodgement dates falling in September and October 2026. This reinforces demand for advisory work in risk, governance, reporting readiness and assurance support.

# Management Consulting

## AI in Management Consulting: Who Wins, Who Gets Disrupted

### Winners: Execution-Led, Specialist and Change-Capable Firms

Consulting firms are best placed in the AI era when they combine domain expertise with implementation capability, change management and measurable delivery outcomes.

The strongest positions are likely to be with firms focused on performance improvement, restructuring, risk, compliance and AI deployment, where clients value practical execution over broad strategic advice. Businesses that can help clients redesign workflows, embed new tools and manage organisational change are better placed to sustain demand and pricing.

### Losers: Generalist, Strategy-Only and Labour-Intensive Models

More vulnerable firms are likely to be those relying on high-level strategy work, undifferentiated advisory services or labour-intensive delivery models with limited specialist depth.

As AI lowers the cost of research, analysis and content generation, clients have more reason to question traditional pyramid-based consulting structures. Firms that cannot show clear implementation capability, specialist relevance or outcome-based value are likely to face greater pricing pressure and longer sales cycles.

### Positive Impact of AI

AI can improve consultant productivity, accelerate research and analysis, and enhance delivery across diagnostics, reporting and workflow design. It also creates new demand in AI strategy, governance, operating model redesign, risk management and enterprise implementation.

For stronger firms, AI can support better margins, faster delivery and deeper relevance in client transformation programs.

### Negative Impact of AI

AI puts pressure on traditional consulting models by automating parts of the research, documentation and analytical work that previously supported fee generation. This may compress billing on lower-value work and reduce the advantage of scale alone.

Firms also face higher expectations around proof of ROI, implementation credibility and specialist expertise, raising the bar for defensible consulting offerings.

# Management Consulting

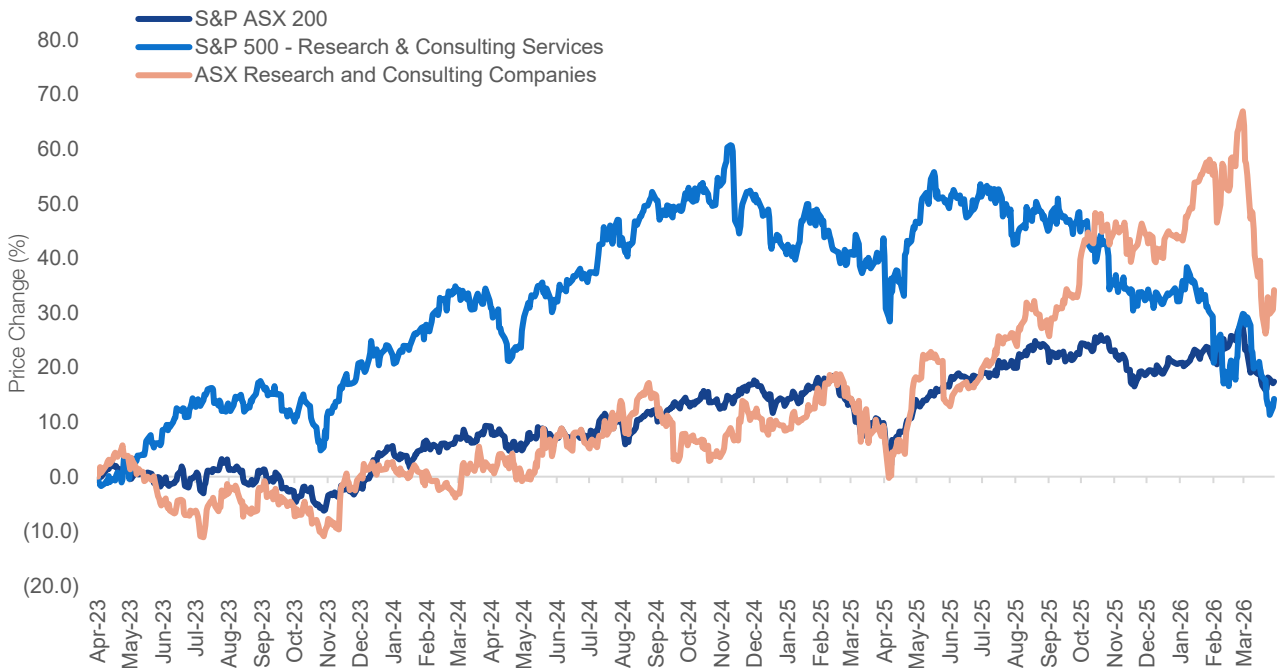
## Q1 2026 Pullback Following Late-Cycle Outperformance in Consulting

Consulting equities declined in Q1 2026, underperforming after a period of strong gains through 2024 and much of 2025. The chart shows a clear pullback into February/March, with both the S&P 500 Research & Consulting Services and ASX-listed peers retracing from recent highs, though still remaining above broader market levels on a trailing basis.

The correction was more pronounced in ASX-listed companies, which had outperformed into late 2025 but experienced sharper volatility and a steeper drawdown in early 2026. This reflects higher beta characteristics and greater sensitivity to shifts in discretionary spending, particularly as clients reassessed budgets and delayed project-based engagements.

While the Q1 2026 pullback was primarily driven by a softer macro backdrop and weaker client spending visibility, sentiment was also weighed down by rising concerns around AI-led disruption. Rapid advances in generative AI and agentic tools increased investor scrutiny on labour-intensive research, advisory and consulting models, adding to the sector's de-rating during the quarter.

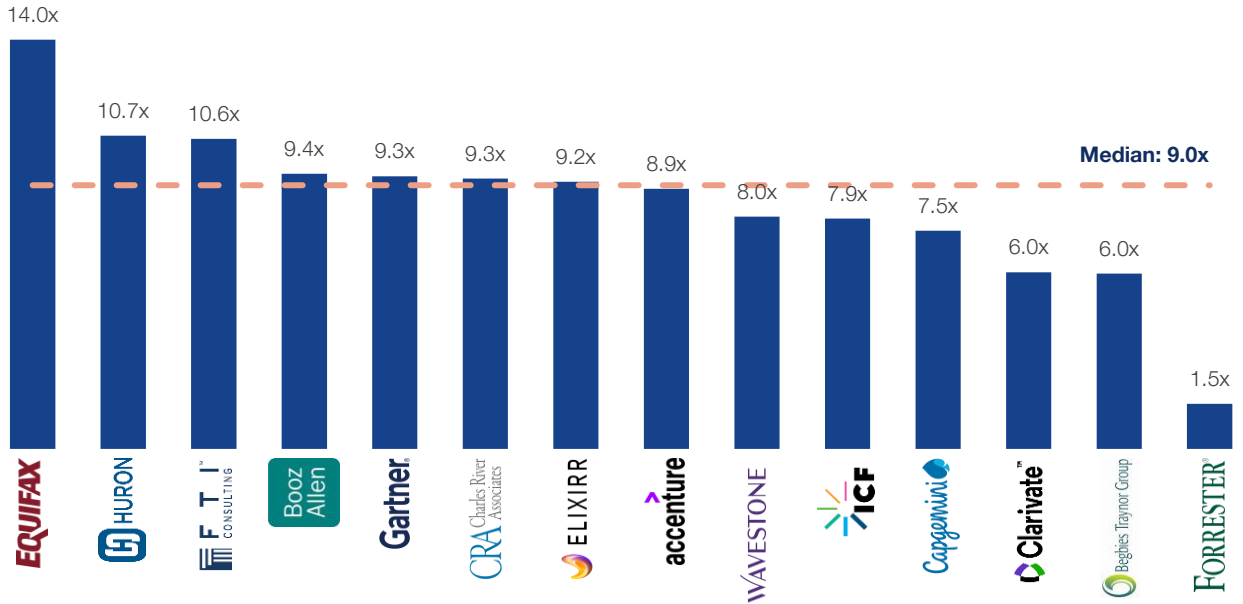
### Management Consulting Indices



Source: S&P Capital IQ. Data as at 31 March 2026

# Management Consulting

## Management Consulting Global Trading Comparables (EV/LTM EBITDA)



Source: S&P Capital IQ. Data as at 31 March 2026

### Q1 2026 Multiple Compression Reflects Softer Demand and Risk-Off Sentiment

Management consulting trading multiples declined in Q1 2026, with median EV/LTM EBITDA contracting from 9.8x in Q4 2025 to 9.0x.

Premium firms (e.g., Huron, Gartner, Equifax) continued to trade above the median, supported by scale, recurring revenue exposure and stronger earnings visibility. In contrast, mid-tier and more project-based consulting firms saw greater multiple pressure, reflecting increased sensitivity to discretionary spending and demand cyclicality.

Overall, while less severe than in software and IT services, the sector entered Q2 2026 with slightly more conservative valuation benchmarks and heightened scrutiny on demand durability.

### SCD Advisory Deals

exent

SOLD TO

atturra

Future Friendly

SOLD TO

EY

Hypothesis

SOLD TO

McKinsey & Company

# Design & Engineering Services

**5.7%**

CAGR  
2025-30  
(Global)

Source: Grand View Research

***“Infrastructure, defence and energy transition are sustaining demand, with capability the key differentiator”***

## **Infrastructure, Defence and Energy Transition Continue to Support Demand**

### **Public Infrastructure Pipelines Remain Supportive**

Demand for design and engineering services remains supported by Australia’s infrastructure pipeline. Infrastructure Australia estimates the major public infrastructure pipeline at A\$242bn across FY25 to FY29, up 14% on the prior corresponding outlook. That continues to underpin demand for firms with transport, utilities and social infrastructure capability, although delivery timing remains uneven across states.

### **Defence Work Expands Specialist Opportunity Set**

Defence continues to create a supportive backdrop for higher specification engineering and technical services. The 2025-26 Federal Budget highlighted A\$159bn of maritime capability investment over the decade, alongside long-duration activity linked to the submarine program. This is supporting demand for businesses with security-cleared talent, systems engineering capability and exposure to complex, regulated project environments.

### **Energy Transition Broadens the Addressable Market**

Engineering demand is being supported by the energy transition, particularly across grid, storage and related infrastructure. That is driving demand for firms with capability in power systems, grid connection, environmental approvals and project delivery.

### **Capability Constraints Still Matter**

Skills availability remains an important differentiator. Infrastructure Australia estimates a shortage of 141,000 workers on public infrastructure works as at October 2025, with shortages expected to rise again later in the cycle. While some engineering occupations have eased from shortage, capacity constraints continue to support firms with stronger delivery benches, technical depth and access to specialist labour.

# Design & Engineering Services

## AI and Structural Demand in Engineering: Who Wins, Who Falls Behind

### Winners: Specialist Capability, Tier-One Delivery and Long-Cycle Exposure

Engineering firms are best positioned when they combine technical depth, strong delivery capability and exposure to long-duration infrastructure, defence and energy transition programs.

The strongest performers are likely to be firms with capability in complex project environments – such as systems engineering, grid and energy infrastructure, and defence-aligned work – where barriers to entry are higher and demand is more resilient. Scale, client relationships and access to skilled labour remain critical differentiators.

### Losers: Sub-Scale, Generalist and Capacity-Constrained Firms

More vulnerable firms are likely to be smaller, generalist providers with limited technical differentiation or exposure to shorter-cycle, discretionary projects.

Businesses that lack scale, struggle to secure skilled labour or have weaker delivery track records may face margin pressure, project risk and reduced competitiveness in winning large or complex contracts.

### Positive Impact of AI

AI and digital tools can improve design efficiency, accelerate modelling and simulation, and enhance project planning and delivery.

Technologies such as digital twins, automation and advanced analytics are helping firms improve productivity, reduce rework and strengthen project outcomes. For leading firms, this can support better margins, faster delivery and stronger client value propositions.

### Negative Impact of AI

AI may increase competitive intensity by lowering barriers in certain design and drafting tasks, placing pressure on lower-value engineering work. Firms may face higher upfront investment requirements in technology, talent and systems, while also managing risks around quality, compliance and integration. As a result, value is likely to concentrate in higher-end engineering capability rather than commoditised services.

# Design & Engineering Services

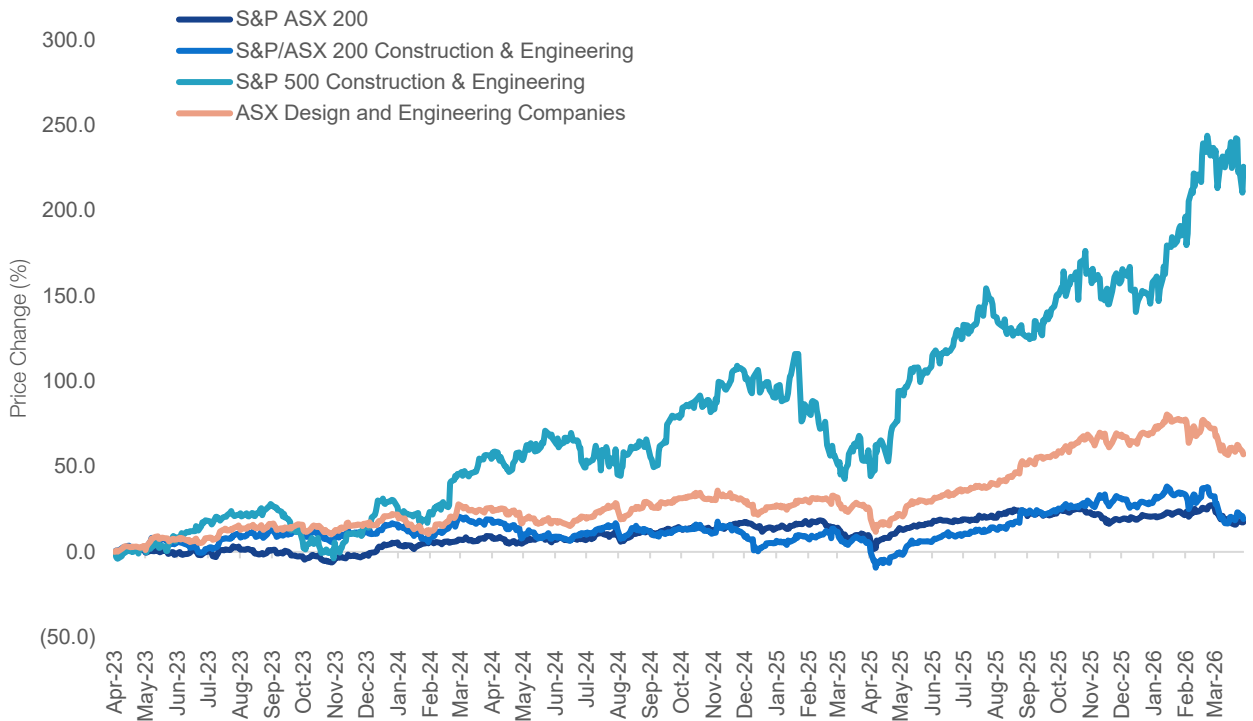
## Resilient Uptrend Moderates in Q1 2026 After Strong Outperformance

Design and engineering equities significantly outperformed the broader market over the period, particularly in global markets, with the S&P 500 Construction & Engineering index delivering sustained gains through 2024 and 2025. Domestic ASX Design & Engineering names also trended upward, albeit at a more moderate pace, reflecting steady demand and infrastructure-driven tailwinds.

While construction and engineering indices weakened in Q1 2026, the pullback was less severe than in software, IT services and consulting. This likely reflects lower near-term exposure to AI-led disruption, alongside more resilient demand supported by infrastructure, power and data centre-related investment. In contrast to more digitally exposed sectors, investors appear to have viewed engineering and construction names as beneficiaries of physical capacity expansion rather than near-term disruption risk.

Even so, the sector was not immune to the broader risk-off backdrop. Macro uncertainty, project timing risk, funding delays and ongoing cost pressures continued to temper sentiment during the quarter, contributing to some moderation after a strong period of outperformance.

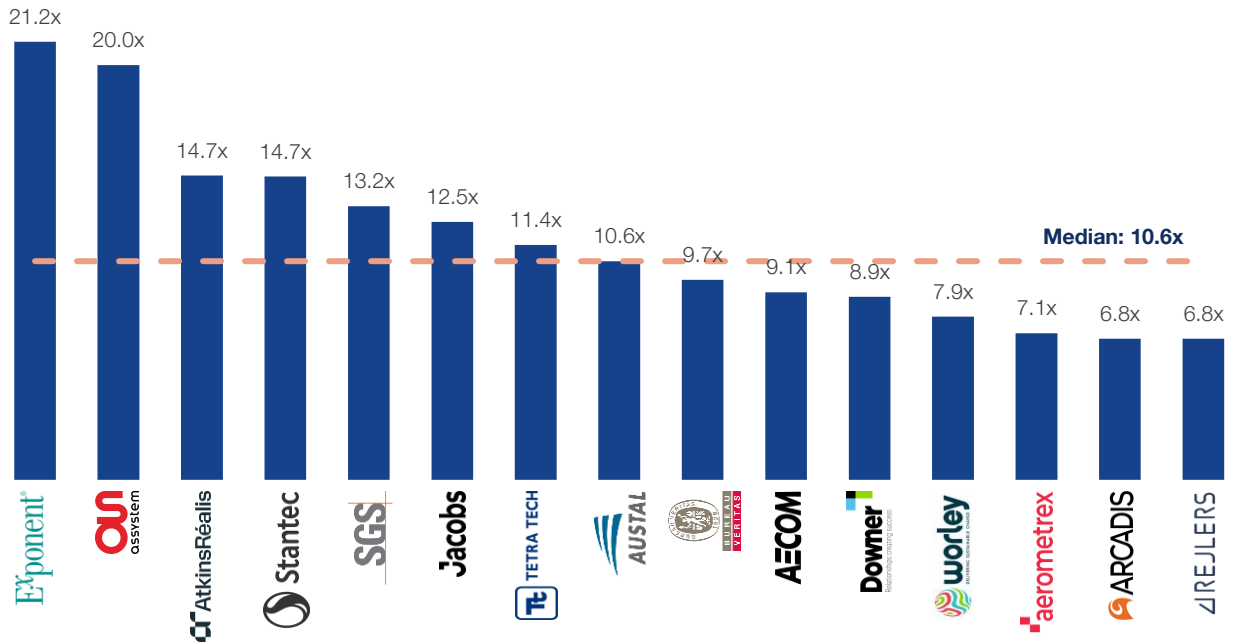
## Design & Engineering Indices



Source: S&P Capital IQ. Data as at 31 March 2026

# Design & Engineering Services

## Design & Engineering Global Trading Comparables (EV/LTM EBITDA)



Source: S&P Capital IQ. Data as at 31 March 2026


### Q1 2026 Multiple Compression Moderates After Strong Re-Rating

Design and engineering trading multiples softened in Q1 2026, with median EV/LTM EBITDA declining from 12.8x in Q4 2025 to 10.6x.


The compression was evident across most of the peer set, with some reduction in premium valuations at the top end (e.g., Evolent, AECOM), while mid-tier names moved closer to or below the median.

Overall, the reset appears more measured than in software and IT services, consistent with stronger demand visibility and lower disruption risk. While macro uncertainty and funding dynamics weighed on sentiment, valuation levels remain supported by structural tailwinds in infrastructure, energy transition and data centre-related investment.

### SCD Advisory Deals



**SOLD TO**



A portfolio company of Five V Capital



**SOLD TO**





**ACQUIRED**



# Media & Communication

**3.7%**

CAGR  
2025-29  
(Global)

Source: PwC

*“Growth is digital, but pressure persists across traditional media and regulation is rising”*

## Digital Growth, Platform Shift and Regulation Are Reshaping the Sector

### Digital Advertising Remains the Core Growth Engine

Digital continues to lead sector growth in Australia. IAB Australia reported internet advertising revenue reached A\$18.4bn in 2025, up 11.5% YoY, reinforcing the ongoing shift toward digital-first channels and performance-led media. This continues to support agencies and media assets with stronger data capability, measurable ROI and exposure to higher-growth formats.

### Streaming Continues to Shift Audience Value

Audience behaviour continues to move toward streaming-led consumption. ACMA reported paid subscription streaming services were used by 68% of Australian adults in 2025, while free-to-air catch up and streaming services reached 44%. This continues to shift value toward digital video, connected TV and cross-platform content models, while traditional linear media faces a more fragmented audience base.

### Traditional Media Revenues Remain Under Pressure

While digital formats continue to grow, broader market conditions remain challenging across traditional media. ACMA notes TV advertising continues to shift to digital, with overall TV ad spend expected to keep falling. This is reinforcing pressure on legacy media models and supporting more selective buyer appetite across the sector.

### Regulation Tightens Across Media

Regulatory change is becoming more relevant to the sector’s outlook. Australia’s social media minimum age rules took effect on 10 December 2025, and new laws passed in November 2025 established Australian content requirements for major subscription video-on-demand services. Together, these changes point to a more regulated operating environment across digital platforms, streaming and advertising-supported media.

# Media & Communication

## AI and Platform Shift in Media & Communications: Who Wins, Who Falls Behind

### Winners: Digital-First, Data-Led and Performance-Oriented Platforms

The strongest performers are likely to be businesses with digital-first models, measurable ROI and closer proximity to customer acquisition or conversion. This includes scaled agencies with performance capability, media platforms with first-party data, and businesses exposed to digital video, retail media, search and other measurable formats.

Firms with stronger analytics, automation and cross-channel execution are better placed to defend relevance as spend shifts toward accountable media.

### Losers: Legacy Media, Fragmented Agencies and Undifferentiated Service Models

More vulnerable businesses are likely to be those exposed to traditional media formats, weaker audience economics or service models with limited differentiation.

Legacy media continues to face structural pressure from audience fragmentation and the shift of advertising budgets toward digital channels. Smaller agencies without scale, proprietary capability or clear performance credentials may also face margin pressure as clients consolidate spend and demand more measurable outcomes.

### Positive Impact of AI

AI can improve campaign execution, audience targeting, content production and workflow efficiency across the sector. For stronger businesses, this can lower delivery costs, improve responsiveness and strengthen ROI through better personalisation, optimisation and measurement.

AI also supports newer service lines in creative automation, data analysis and media planning.

### Negative Impact of AI

AI increases competitive intensity by lowering barriers in content creation, production and some lower-value agency tasks. This may place pressure on traditional fee structures and reduce differentiation for firms relying on labour-intensive execution.

As AI tools become more accessible, value is likely to shift further toward proprietary data, client relationships, platform access and measurable performance.

# Media & Communication

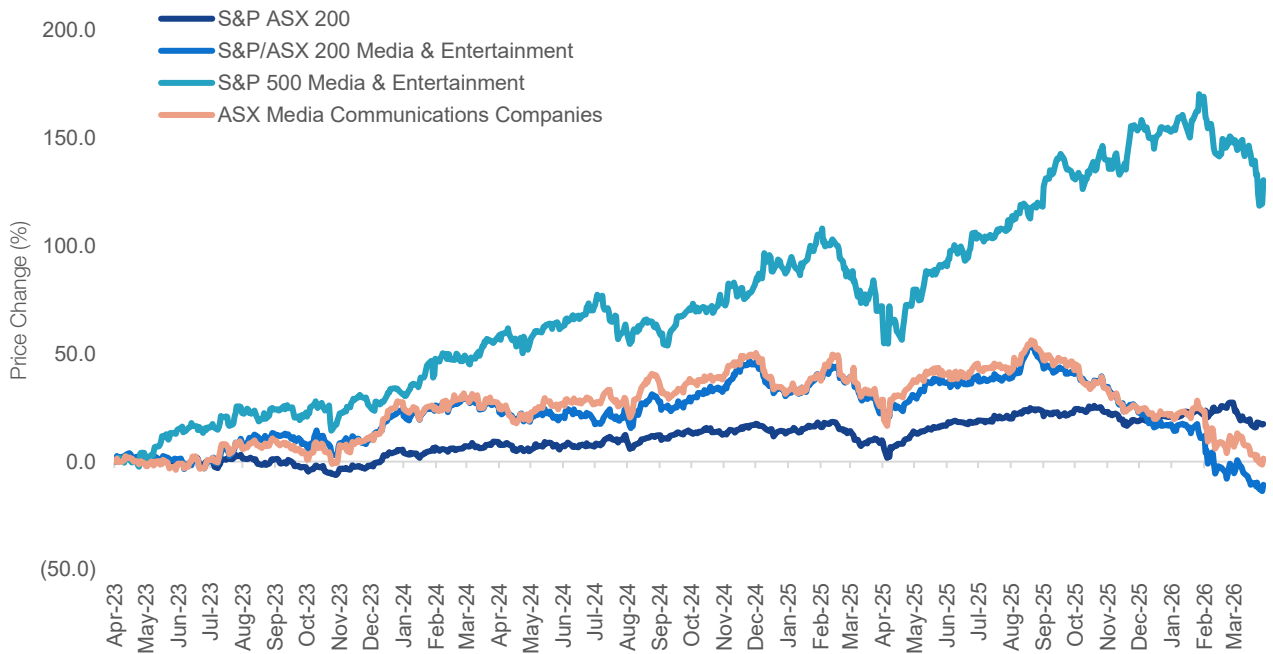
## Q1 2026 De-Rating Reflects Ad Market Weakness and Structural Media Pressures

Media and entertainment equities weakened sharply in Q1 2026, with domestic indices underperforming the broader S&P/ASX 200 and giving back much of their earlier gains. The chart suggests a broad-based sell-off across both ASX media names and the S&P/ASX 200 Media & Entertainment index, while the global S&P 500 Media & Entertainment index also pulled back from elevated levels.

The sell-off appears to have been driven by more than macro risk alone. Sector-specific pressures included weak advertising markets, ongoing deterioration in traditional linear TV economics, and continued uncertainty around the pace at which streaming and digital growth can offset legacy revenue declines.

Broader macro and geopolitical conditions likely amplified the move. Reuters reported that the Iran conflict weighed on client spending for advertising-related businesses, while rising recession concerns and tariff-related volatility were also seen as risks to ad budgets and other discretionary consumer-facing revenue streams. Overall, Q1 2026 reflects both cyclical pressure on advertising demand and deeper structural concerns across legacy media and entertainment business models.

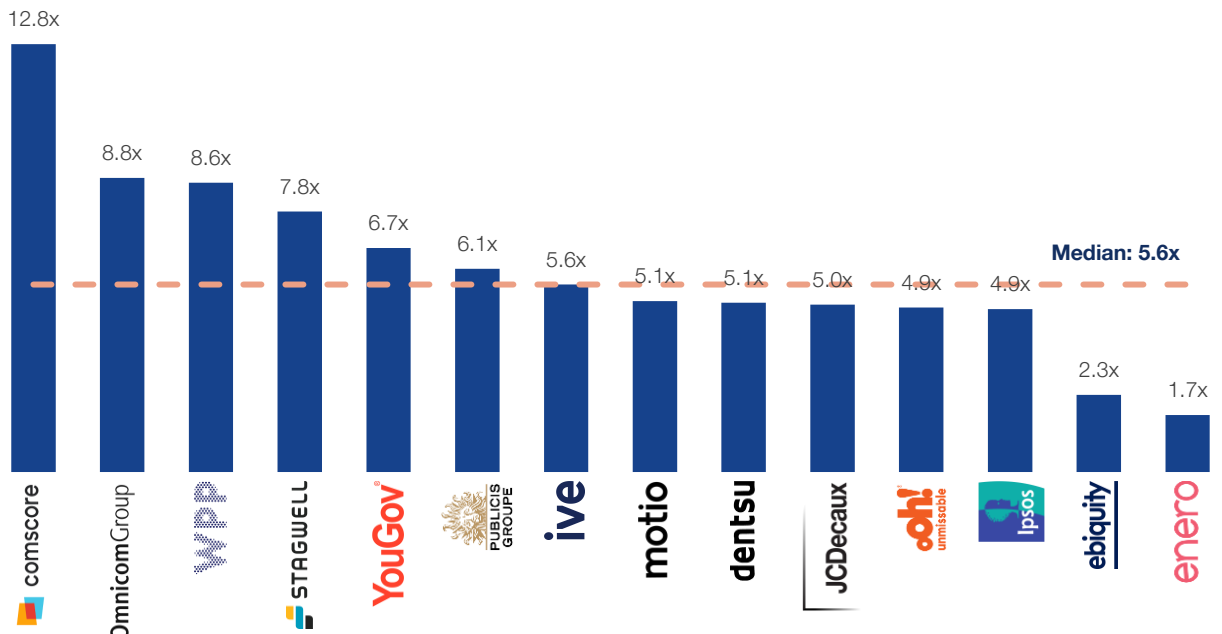
### Media Communications Indices



Source: S&P Capital IQ. Data as at 31 March 2026

# Media & Communication

## Media Communications Global Trading Comparables (EV/LTM EBITDA)



Source: S&P Capital IQ. Data as at 31 March 2026

### Q1 2026 Multiple Compression on Ad Weakness and Structural Pressures

Media communications trading multiples declined modestly in Q1 2026, with median EV/LTM EBITDA edging down from 5.7x in Q4 2025 to 5.6x. The compression was more evident at the top end of the range, with premium valuations (e.g., Comscore, Omnicom, WPP) moderating, reflecting softer sentiment toward advertising-linked earnings and reduced visibility on near-term growth. Mid-tier agencies and marketing services firms broadly clustered around the median, indicating a more cautious and selective investor approach.

Overall, weak advertising demand, ongoing structural shifts toward digital channels, and margin pressure in legacy models weighed on sentiment, alongside broader macro uncertainty impacting marketing spend.

### SCD Advisory Deals

rg the reload group

SOLD TO

Hardie Grant

DBM CONSULTANTS  
EXCELLENCE-INNOVATION-INSIGHTS

SOLD TO

I THE ILLUMINERA GROUP



# 03 Onboard with SCD Advisory

# Onboard with SCD Advisory

## Navigating the M&A waters

### Expertise in B2B Services sectors

Our focus on people and intellectual property differentiates us in the M&A landscape, allowing us to deliver tailored solutions that align with your vision.

### Strategic Insights

We provide data-driven insights and strategic advice, ensuring you make informed decisions that benefit your business in the long run.

### Dedicated Partnership

Our team partners with you, offering unwavering support and guidance throughout your M&A journey.

### Let's sail together

At SCD Advisory, we are passionate about helping businesses navigate the complex M&A environment. If you are ready to embark on a transformative journey, we invite you to connect with us. Together, we can steer your organisation towards new opportunities and horizons.



**Pierre Briand**  
Managing Partner  
[LinkedIn](#)

Pierre has 25 years of experience advising entrepreneurs, with a management background in corporate finance, private banking and wealth management. He has worked on numerous sell side and buy side deals, IPOs, mergers, integrations, and consulting projects in both small businesses and large global corporates. He is an experienced, established, savvy and trusted adviser.



**Naomi Wai**  
Senior Associate  
[LinkedIn](#)

Naomi brings over 7 years of investment banking expertise with cross-border transaction experience across Europe and the US. Prior to joining SCD Advisory, Naomi worked at London boutique firms Acuity Advisors and Waypoint Partners, specialising M&A advisory in the technology and media sectors.



**Marc Cincotta**  
Associate  
[LinkedIn](#)

Marc brings 6 years of experience in accounting and corporate finance. Most recently, he worked in Transaction Services and M&A at KPMG, gaining experience across various sectors. Marc has a track record working with both publicly listed and mid-market private companies across strategic transactions and broader financial advisory.

# Navigated Transactions

 SOLD TO 	 SOLD TO 	 SOLD TO 	 SOLD TO 	 SOLD TO 
 SOLD TO 	 SOLD TO 	 SOLD TO 	 SOLD TO 	 SOLD TO 
 SOLD TO 	 SOLD TO 	 SOLD TO 	 SOLD TO 	 SOLD TO 
 SOLD TO 	 SOLD TO 	 SOLD TO 	 SOLD TO 	 SOLD TO 
 SOLD TO 	 SOLD TO 	 SOLD TO 	 ACQUIRED 	 ACQUIRED 
 SOLD TO 	 SOLD TO 	 SOLD TO 	 SOLD TO 	 SOLD TO 
 SOLD TO 	 MBI  Alister Jordan	 SOLD TO 	 ACQUIRED 	 SOLD TO 
 SOLD TO 	 SOLD TO 	 SOLD TO 	 SOLD TO 	 ACQUIRED 



# Contact Us



**SCD**Advisory

[www.scdadvisory.com](http://www.scdadvisory.com)

[info@scdadvisory.com](mailto:info@scdadvisory.com)

Level 29

85 Castlereagh Street

Sydney NSW 2000