

An aerial photograph of a small sailboat with a white hull and colorful accents, moving across a dark, textured blue sea. The boat is positioned in the lower center of the frame, leaving a white wake. To the right of the boat, a white line graphic resembling a pulse or an ECG trace extends horizontally across the image. The line starts with a flat segment, followed by several sharp peaks and valleys of varying heights, and ends with another flat segment.

On The Pulse

M&A Market Insight
B2B Services sectors



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.

Patience Becomes the Price of Admission

Market conditions are constructive but increasingly effortful. Through Q3 2026, capital remained available and buyer intent stayed strong, but the path from first conversation to signed deal kept lengthening. Three forces are doing most of the work: a mandatory ACCC merger regime now fully bedded in, a Reserve Bank that has resumed hiking after three moves earlier in the year and is signalling it isn't finished, and buyers who are simply demanding more proof before they commit capital. None of this is closing the market. It is raising the cost of getting a deal wrong, which is a different problem for sellers to solve.

For assets that can show recurring revenue, embedded customer relationships and a credible AI story (not a slide about AI, but evidence that AI is already improving margin or retention), buyer appetite has arguably never been stronger. The gap between these businesses and everything else has widened further this quarter. Labour intensive, project based and discretionary spend models are facing longer processes, deeper diligence and, in a growing number of cases, no process at all.

Preparation is no longer a “nice to have”. It is the difference between a clean process and a stalled one. The ACCC's mandatory and suspensory regime, now over a year old, has settled into a predictable rhythm for straightforward deals but continues to add real weeks to anything involving scale combinations or roll ups. Layered on top is a rising rates environment: after holding at 4.35% through August, the RBA lifted the cash rate to 4.60% in September as inflation failed to fall fast enough, and most major banks now expect at least one further hike before year end. Buyers underwriting deals today are baking in a higher for longer funding cost, which is feeding directly into valuation discipline.



“The winners this quarter aren't the fastest movers, they're the best prepared ones. In a market where every assumption gets tested twice, readiness has become the real point of differentiation.”

Pierre Briand, Founder and Managing Partner of SCD Advisory

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01

Market Rhythm

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

Discipline Compounds

Australia's Q3 2026 deal environment tightened further rather than reopened. Where Q2 felt like a gradual reopening of risk appetite, Q3 felt like that reopening meeting real friction: buyers continued to prioritise higher conviction opportunities, but the mechanics of getting a deal done (regulatory clearance, financing certainty, and more forensic diligence on earnings quality) added time and cost to almost every process, regardless of asset quality.

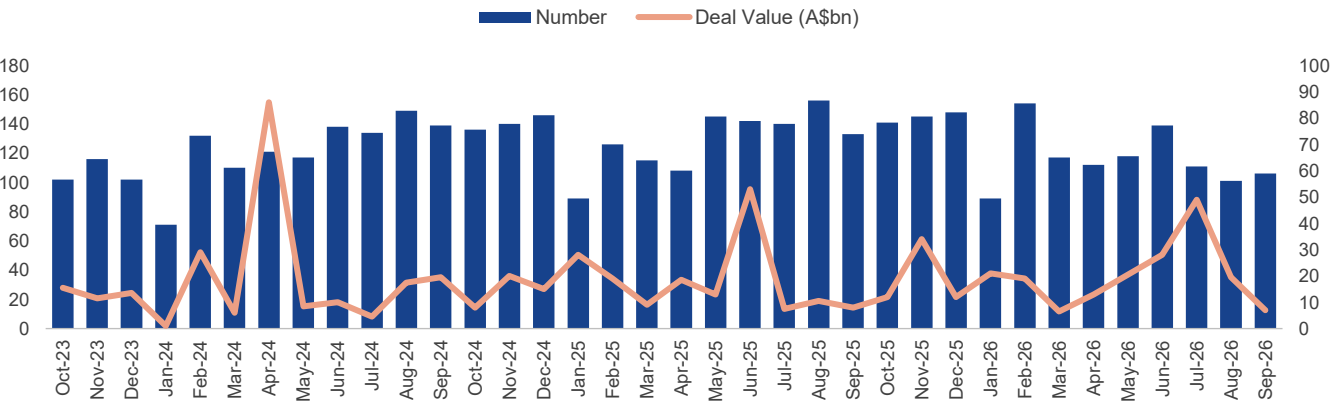
The macro backdrop hardened during the quarter. After holding the cash rate at 4.35% through August, the RBA lifted it to 4.60% on 29 September, its fourth hike of 2026 and the highest level since late 2011. Headline inflation reached 4.0% in August, with trimmed mean inflation stuck at 3.6%, and the Board has left the door open to further rises. That has pushed buyers to stress test leverage assumptions and cash conversion more conservatively than at any point earlier in 2026, with debt funded and sponsor backed processes the most affected.

Regulation is now a structural feature of dealmaking, not a transitional one. Twelve months into the ACCC's mandatory merger regime, most straightforward transactions are clearing in a predictable window, but scale combinations, roll ups and anything with adjacent market overlap continue to draw prenotification engagement and extended review, and sellers who have not built this into their process timeline are the ones getting caught out. At the same time, AI diligence has matured from a thematic question ("what's your AI strategy?") into a forensic one: buyers are testing model governance, data rights, third party AI exposure and infrastructure cost as rigorously as they test working capital.



Source: RBA, as at 30 September 2026.

Australia Deal Count and Deal Value (Oct 2023 to Sep 2026)



Source: IMAA, S&P Capital IQ. Data as at 30 September 2026

Market Rhythm: M&A Activity

IT Services

Sovereignty Premium Emerges

IT Services deal count fell in Q3 as buyers narrowed their focus. Beyond familiar cloud and cyber demand, a sovereignty premium opened up: onshore AI infrastructure now draws distinct buyer interest as hyperscaler dependency becomes a board level concern.

Software

Per Seat Pricing Under Pressure

Software deals halved in Q3, and the diligence lens changed. With agentic AI compressing per seat revenue models industry wide, buyers tested whether a target's pricing and moat could survive an agent first world. Vertical, workflow critical platforms with genuine lock in commanded the cleanest processes.

Management Consulting

Restructuring Reshapes the Target Pool

Management Consulting remained the softest sector on demand, but the story moved beyond generic "AI disruption." Visible restructuring at the Big Four, simultaneous cuts and AI hiring, is reshaping how buyers underwrite these businesses, alongside a broader shift towards outcome based fees over hours billed.

Design & Engineering

The Bottleneck Has Moved

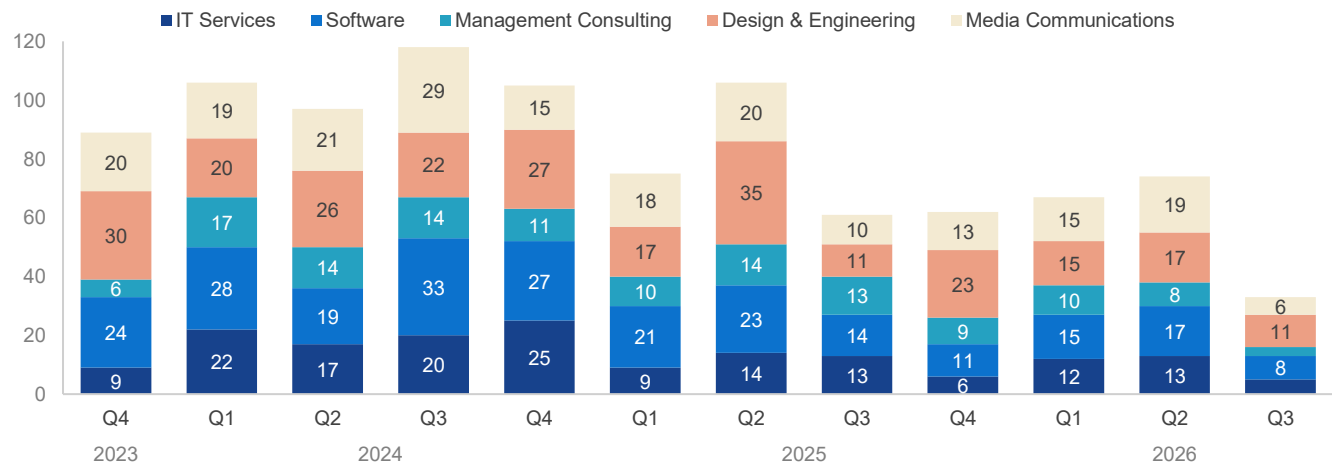
Design & Engineering was the most active B2B segment in Q3. Grid connection engineering, not generation or construction volume, is now the binding constraint on the energy transition, while a fast growing defence pipeline adds a parallel tailwind, tempered by tighter government margin scrutiny.

Media & Communications

Two Speed Sector, One Landmark Deal

Media & Communications stayed selective, defined by two stories: a maturing retail media sector entering its own "margin is the metric" reckoning, and I Squared Capital's takeover of oOh!media, signalling infrastructure capital's arrival as a buyer for contracted media networks.

ANZ B2B Services Deal Count (Oct 2023 to Sep 2026)



Source: S&P Capital IQ. Data as at 30 September 2026

Q3 2026 B2B Services M&A Overview

SCD Advisory is delighted to announce 2 closed transactions in Q3 2026, one in IT Services (Microsoft partner) and one in AI capability, proof that well prepared processes still get quality assets across the line.

B2B M&A activity in Q3 2026 continued the more disciplined pattern set through the year: deal volumes fell and processes lengthened, and buyers grew more selective about the assets they were willing to underwrite at last cycle multiples.

Activity concentrated around contracted revenue, specialist capability and credible technology stories, particularly AI infrastructure, cybersecurity and vertical software. Buyers used longer ACCC and financing timelines to sharpen diligence rather than walk away. Elsewhere, labour intensive and discretionary spend businesses faced the toughest conditions of the five sectors.

Monthly M&A blogs

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



September 2026



August 2026



July 2026



June 2026



May 2026



April 2026

Looking Ahead: Fewer, Bigger Bets Define the Next Wave

Global conditions remain supportive but selective, and that pattern looks set to continue into Q4. 2025 delivered the strongest global M&A year since 2021 by value, and Australian dealmaker confidence has recovered sharply from its 2025 lows, but the shape of that recovery matters: fewer, larger, higher conviction transactions globally, and in Australia, mid market outperformance built on succession, carve outs and portfolio reshaping rather than a broad based volume rebound.

Australia's near term outlook is cautiously constructive but rate sensitive. With the RBA's September decision live and a further hike increasingly priced in by the major banks, funding costs are likely to stay a gating factor into early 2027. Any signal of a clearer path to easing, even a pause through Q4, would likely do more for buyer confidence than further inflation data alone.

Structural drivers should keep the pipeline full even if headline volumes stay measured. Succession and founder led exits, carve outs, technology enablement and sector consolidation remain the clearest transaction triggers into 2027, sharpened by the upcoming CGT reforms from 1 July 2027, which are prompting some vendors to bring forward exit timing. Combined with a maturing ACCC regime and increasingly forensic AI, cyber and data governance diligence, execution will keep favouring sellers who have done the preparation work and buyers who move with genuine conviction rather than optionality.

SCD STATS

60%

Cross Border

+27%

Value Uplift

89%

Success Rate



02

Industry Pulse

Key updates, valuations and deals affecting the B2B Services sectors.

Where multiples moved between Q2 and Q3

SUBSECTOR	Q3 READ	BASIS	Q2 → Q3	MOMENTUM
IT Services	Resilient but selective	EV/EBITDA	9.7x → 10.5x	Expanding
Software	Sharper filters on quality	EV/Revenue	3.5x → 4.3x	Expanding
Management Consulting	Specialist advisory leads	EV/EBITDA	7.7x → 8.5x	Expanding
Design & Engineering	Specialist firms lead	EV/EBITDA	10.0x → 11.0x	Expanding
Media & Communications	Stable in specialist niches	EV/EBITDA	5.9x → 6.5x	Expanding

Sovereignty Becomes a Growth Driver, Not Just a Compliance Cost

12.5%

Australian government cloud market CAGR 2026-34

Source: IMARC Group

"Buyers are no longer asking whether a provider uses AI, they're asking whose jurisdiction that AI answers to."

01 Data sovereignty has become a genuine commercial differentiator

Government agencies, banks and health providers now ask where their data is stored and processed, and which country's laws can reach it, before they sign. Onshore hosting and certified local environments have moved from a tender extra to an entry requirement, and global cloud providers are investing billions in Australian data centres to keep up. Local cloud, AI and managed service providers are winning work as reliance on offshore platforms becomes a named board level risk, opening a higher margin niche.

02 The AI delivery model is reweighting where value sits in the stack

As enterprise AI shifts from pilots to embedded infrastructure (Microsoft reporting 560% Copilot seat growth locally), the highest value IT services work is moving towards AI governance, agent identity control and data layer engineering, distinct from the generalist staff augmentation model of the last cycle. Buyers are pricing this explicitly, rewarding deep AI infrastructure capability over broad but shallow delivery benches.

03 Cybersecurity is becoming an identity problem as much as a perimeter one

AI agents acting autonomously inside business systems are creating a new class of privileged access risk that traditional security models were not built for. Agents send emails, action workflows and touch sensitive data, often without the oversight a human employee would get. This is driving fresh demand for AI specific identity governance and "agent security" capability, a genuinely new subsegment layered on top of the more familiar managed security growth story, and one buyers are actively hunting for via bolt on acquisitions.

04 Recurring, contracted revenue still commands the cleanest processes

Across all of these trends, buyers want the same thing. Businesses with contracted customer relationships and recurring revenue clear diligence fastest and hold their price best. Project based and staff augmentation models face longer processes and closer scrutiny of how durable their margins are, even where they offer AI work.

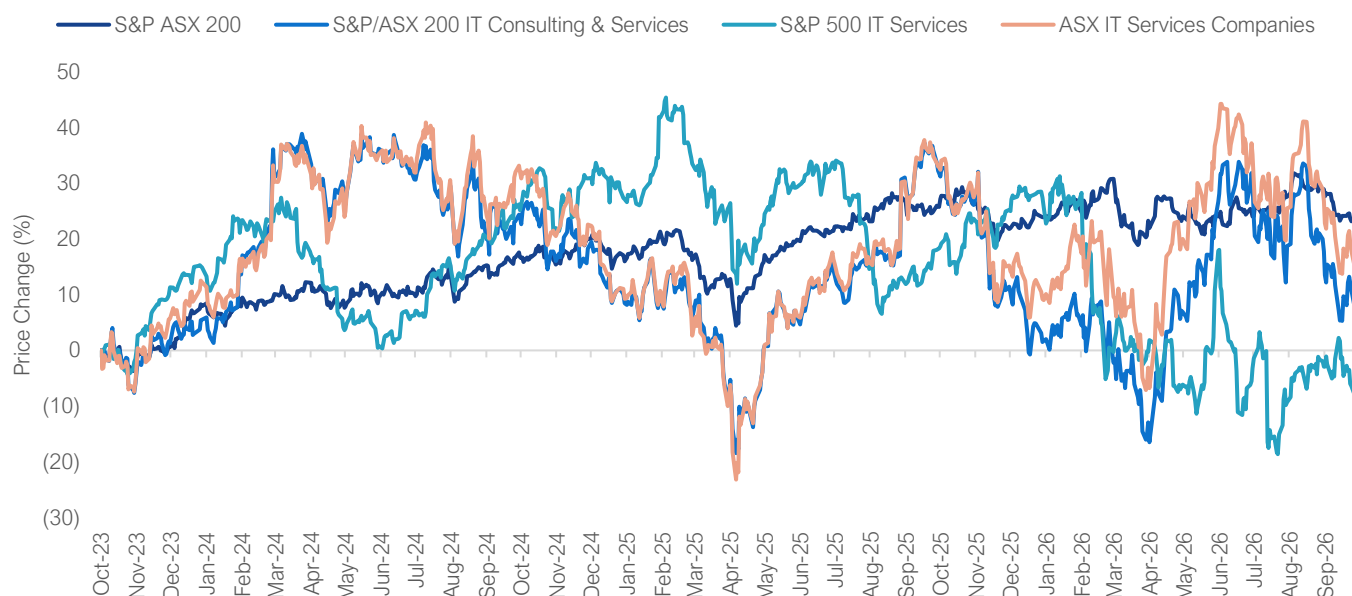
Q3 2026: Q2 Rebound Fades as Rates and AI Weigh on Services Valuations

Q3 2026 erased much of the Q2 rally in IT services. Australian IT services companies peaked at around 43% above their October 2023 level in late June, then fell to around 16% by the end of September. The local IT consulting and services index fell harder, from roughly +33% to +7%. Over the same period the ASX 200 held broadly flat at around +25%, so the sector moved from outperforming the market at the end of Q2 to trailing it by quarter end. The size of the swing suggests investors had priced a recovery in forward demand that Q3 results and guidance did not fully confirm.

Two forces drove the derating. Rates moved against growth multiples: the RBA lifted the cash rate to 4.60% on 29 September, its fourth hike of 2026, and markets spent the quarter pricing that move in. AI also continued to reshape how investors value labour based delivery. The S&P 500 IT Services index, dominated by large outsourcing and consulting firms, fell to about 16% below its starting level in July and ended the quarter around -8%. That reflects ongoing concern that AI automation will compress billable hours and pricing in traditional services contracts. Australian names have held up better than their global peers, but the gap narrowed through September.

For private market sellers, the message is differentiation rather than retreat. Buyers are still paying for businesses with recurring revenue, intellectual property, and exposure to cyber, data and AI implementation, where AI expands demand rather than replaces it. Businesses whose revenue relies mainly on headcount and time and materials billing face harder questions on margin durability, and should expect valuation discussions to reflect listed comparables more closely than in the first half of the year.

IT Services Indices



Source: S&P Capital IQ. Data as at 30 September 2026

Global IT Services Multiples Recover in Q3 as AI Work Builds

IT services trading multiples recovered in Q3, with the median EV/LTM EBITDA multiple rising to 10.5x from 9.7x in Q2. The quarter opened under pressure, as investors worried that enterprise spending on AI and cloud was coming out of traditional IT services budgets. Those concerns eased as providers kept announcing AI led transformation and cloud migration deals, and investors began to see AI as a source of new work.

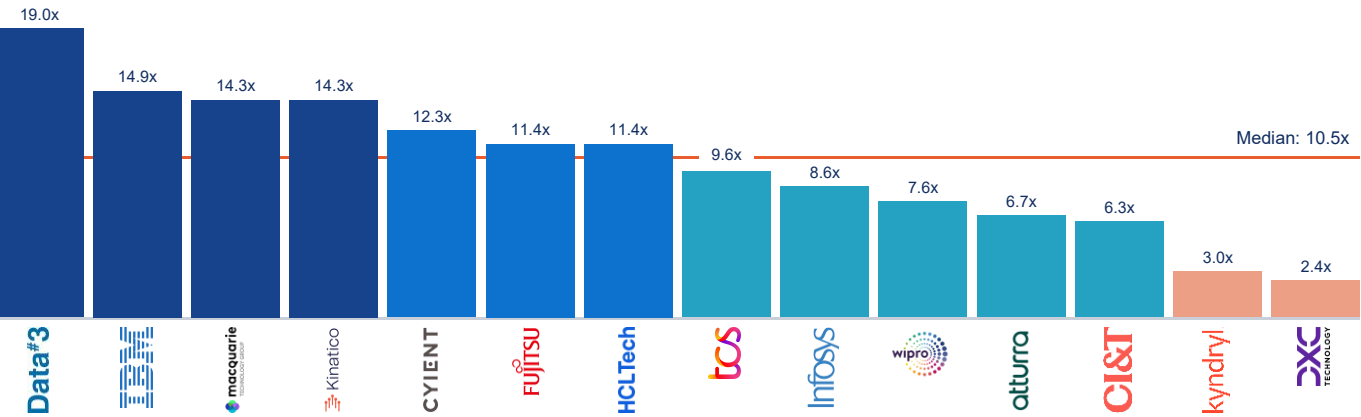
The premium at the top narrowed. Data#3 remains the highest rated name at 19.0x, down from 21.2x, even though its shares rose after a record FY26 result. EBITDA grew 15%, helped by demand for Microsoft Copilot, so earnings rose faster than the share price. IBM (14.9x) and Macquarie Technology (14.3x) also derated from above 18x, and Atturra fell below the median to 6.7x from 11.0x. Kyndryl (3.0x) and DXC (2.4x) continue to trade at a deep discount to the peer set.

MEDIAN EV/LTM EBITDA

9.7x → 10.5x

Q2 2026 to Q3 2026

IT Services Global Trading Comparables (EV/LTM EBITDA)



Source: S&P Capital IQ. Data as at 30 September 2026

SCD Advisory Deals

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SOLD TO

Recent M&A Deals in IT Services Sector

TARGET	ACQUIRER	DATE	DEAL VALUE	SERVICES
 ENGAGE SQUARED	 Alceon	Sep 2026	A\$36m (52% stake)	Microsoft 365, Copilot & Power Platform
 Concept Data  voice select	 LYRA TECHNOLOGY GROUP (Evergreen)	Sep 2026	N/A	Managed IT, cyber & business communications
 Assure Point	 A-LIGN	Sep 2026	N/A	Cyber security assessment (IRAP)
Jucari	 Sirma Group	Sep 2026	N/A	CargoWise & logistics technology services
 Accelerate IT SOLUTIONS	 xAmplify	Sep 2026	N/A	ServiceNow consulting & implementation
 evolution business systems.	 PINE SERVICES GROUP (Evergreen)	Sep 2026	N/A	Microsoft Business Central ERP
 FocusDynamics GROUP	 Adactin Empower With Technology	Sep 2026	N/A	Dynamics 365 & Azure solutions
 on Platinum	 efex	Sep 2026	A\$30m	Managed IT services
 FIRSTFOCUS	 Integriss.	Sep 2026	N/A	SMB managed IT, cyber & AI services
 idea science	 Nexifi	Aug 2026	N/A	CX & digital transformation
 INFINITUM TECHNOLOGIES	 fuse technology	Aug 2026	N/A	Managed IT services
 EvolveCyber	 AFFINITYMSP	Aug 2026	N/A	Managed cyber security, pen testing
 GKC CONSULTANTS	 Cello.	Aug 2026	N/A	Network observability & resilience

The Per Seat Model is Breaking, and Buyers are Repricing Accordingly

45%

Global AI agents market
CAGR 2026-30

Source: Grand View Research

"When an AI agent does the work of five people, you don't need five seats, you need one. That's the moment multiples start to compress."

01 **Agentic AI is structurally undermining the per seat revenue model**

2026 has been the year the industry stopped treating this as theoretical. Several vendors have reported outright declines in enterprise seat counts as customers replace human licences with AI agents doing the same work, and a well documented single day repricing event wiped tens of billions from SaaS valuations in February. Per seat ARR is no longer a reliable proxy for durable value.

02 **Outcome and usage based pricing is becoming a genuine valuation signal**

Software businesses that have already repriced around consumption or measurable outcomes, rather than clinging to legacy per seat contracts, are being rewarded with cleaner diligence and less multiple compression because their revenue model is structurally aligned with how AI actually delivers value. Vendors still dependent on seat count growth as their primary expansion lever are facing much harder questions from buyers about what happens to that metric as their own customers deploy agents.

03 **Defensibility now means data and workflow lock in, not feature breadth**

With AI collapsing the cost of building competing functionality, feature parity is no longer a moat. Buyers are focusing diligence on whether a target's AI capability is genuinely defensible (proprietary data, deep workflow embedding, high switching costs) versus a thin wrapper over third party foundation models that a well resourced competitor could replicate in months.

04 **Vertical and workflow critical platforms are the clearest beneficiaries**

Vertical SaaS and compliance critical platforms with strong customer lock in attract the most buyer interest of any software subsegment, they are the hardest for a generic AI agent to replace. This reinforces the wider theme across the sector, where recurring, embedded revenue is being valued more highly than everything else.

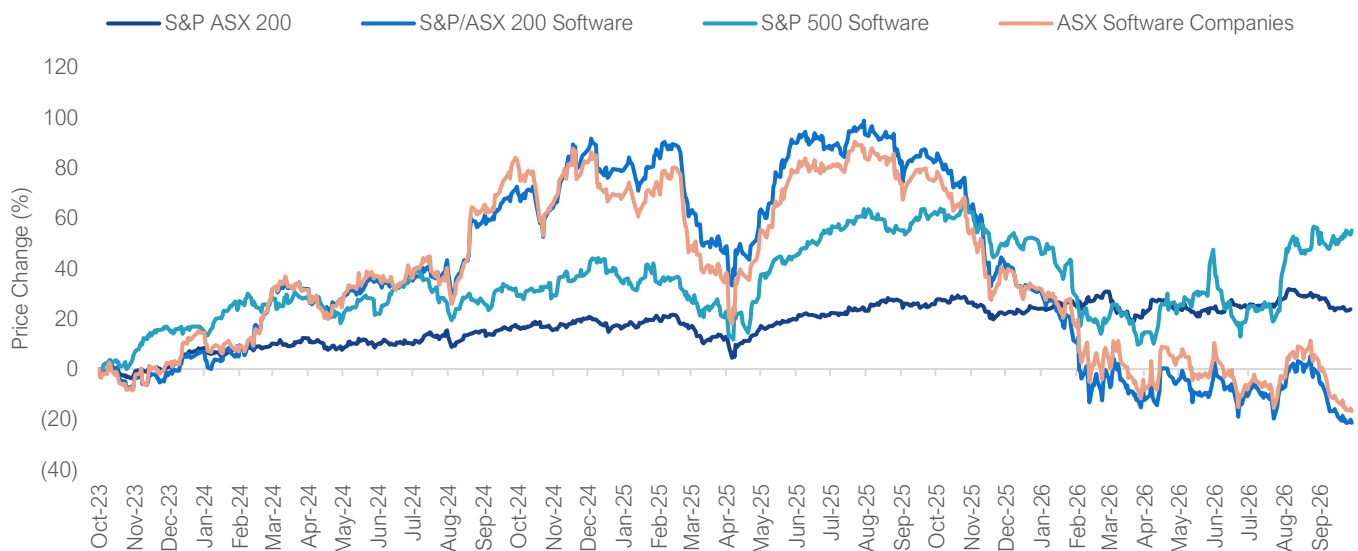
Q3 2026: Local Software Slides as Global Peers Recover

Australian software stocks fell further in Q3 2026. The S&P/ASX 200 Software index ended September around 20% below its October 2023 level, against a peak of nearly +95% in mid 2025, and now trails the ASX 200 by more than 40 points. The weakness began with a global sell off in February, when renewed concerns about AI driven disruption followed the release of new AI tools that highlighted how quickly generative AI can be embedded into existing workflows. A brief recovery in August did not hold, and both local software measures closed the quarter near their lows.

The global picture diverged sharply. The S&P 500 Software index rose from roughly +25% to +55% over the quarter, as investors returned to US platforms with scale and visible AI revenue. Locally, rising rates added to the pressure. Investors also kept marking down the largest local names, with Xero shares hitting a seven year low in late September. The result is a clear split between global software leaders seen as AI winners and local software companies still having to prove their AI strategy.

For private software assets, buyers are pricing AI risk explicitly. Businesses with embedded workflows, proprietary data, mission critical use cases and high net revenue retention continue to attract interest. Products that are easier to replicate with AI agents face tougher diligence on churn, pricing power and the cost of the AI roadmap. Sellers should expect valuations to be benchmarked against depressed local comparables rather than the US rebound, unless they can show AI is growing revenue rather than threatening it.

Software Indices



Source: S&P Capital IQ. Data as at 30 September 2026

Global Software Multiples Recover in Q3, Led by US Platforms

MEDIAN EV/LTM REVENUE

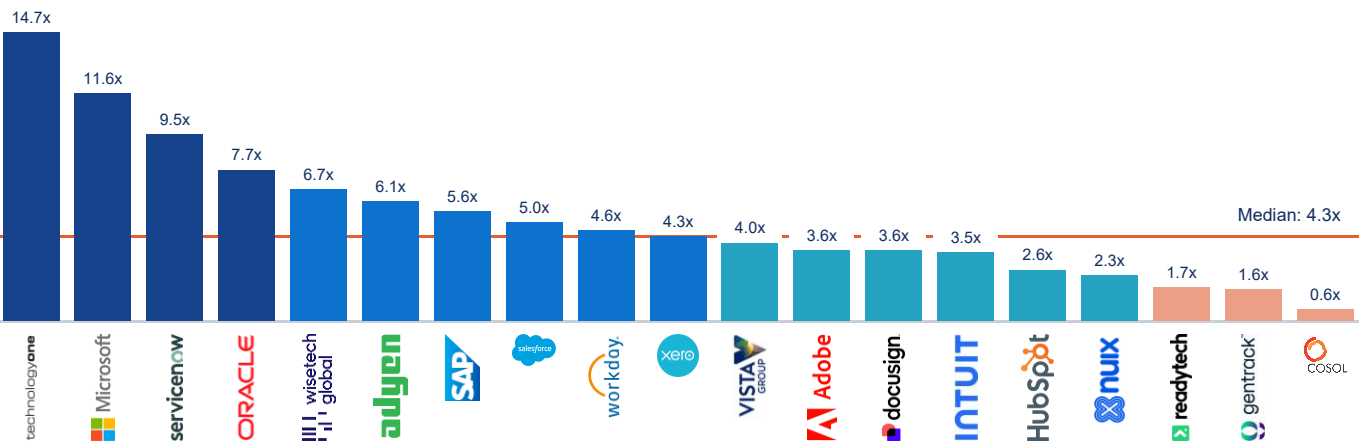
3.5x → 4.3x

Q2 2026 to Q3 2026

Software trading multiples recovered in Q3, with the median EV/LTM revenue multiple rising to 4.3x from 3.5x in Q2. The rebound followed a first half sell off driven by fears that AI agents would replace subscription software. Earnings from Salesforce, ServiceNow and others came in stronger than expected, and new partnerships with AI labs helped ease those concerns.

Investors now separate software that AI could replace from software that helps customers adopt AI. Platforms with high switching costs and sticky enterprise customers trade at a premium. TechnologyOne (14.7x), Microsoft (11.6x) and ServiceNow (9.5x) are at more than twice the median. Smaller ASX names such as ReadyTech (1.7x), Gentrack (1.6x) and COSOL (0.6x) still trade at a deep discount.

Software Global Trading Comparables (EV/LTM Revenue)



Source: S&P Capital IQ. Data as at 30 September 2026

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Recent M&A Deals in Software Sector

TARGET	ACQUIRER	DATE	DEAL VALUE	SERVICES
 paradino	 netwealth	Sep 2026	A\$20m + up to A\$9m earn-out	AI advice automation platform
 Soul Machines	 AppDirect	Sep 2026	N/A	AI digital people platform
 U Group The U Group & Co Ltd	 NielsenIQ	Sep 2026	N/A	Consumer purchase data & AI receipt intelligence
 Assura	 onside	Sep 2026	N/A	Agri workflow, H&S & compliance software
 Formbay	 Xpansiv	Sep 2026	N/A	Solar compliance & paperwork platform
 tourwriter	 wetruavel	Sep 2026	N/A	Tour operator itinerary & booking software
 GROW INC.	 MUFG	Aug 2026	A\$78m	Superannuation administration software
 FRDM	 wisetech global	Jul 2026	US\$10m + up to US\$14.31m earn-out	AI supply chain risk & compliance
 converlens	 OPEN*POINT	Jul 2026	N/A	AI public consultation analytics
 ParaScript Smart Software. Smart People	 stakk	Jul 2026	US\$63m	AI document intelligence & fraud detection
 dG DOT GOLF	 R&A	Jul 2026	N/A	Golf federation & club management software

The Pyramid is Being Rebuilt: Cutting and Investing at the Same Time

21%

Global AI consulting services
market CAGR 2026-30

Source: Research and Markets

"Firms aren't choosing between investing in people and cutting headcount, they're doing both, simultaneously, and betting that a smaller, sharper pyramid wins."

01 The traditional pyramid is giving way to an "obelisk" structure

This year has seen the Big Four and major consultancies move from talking about AI disruption to visibly restructuring around it. KPMG cutting roughly 400 US advisory roles, Accenture cutting ~11,000 positions while pledging tens of thousands of AI focused hires, and McKinsey reducing headcount by 10%. The shift is from a traditional pyramid towards a narrower, AI leveraged structure, with entry level analytical work the most exposed layer.

02 This is reshaping the economics buyers underwrite

For M&A, this matters directly: a consultancy's historical revenue per partner or revenue per employee metric is becoming less predictive of forward margin, because the cost base underneath it is being actively restructured. Buyers are increasingly diligencing how much of a target's delivery model is already AI leveraged versus how much margin improvement is still to come, and pricing the acquisition accordingly, rather than simply capitalising trailing EBITDA.

03 Outcome based billing is gaining real traction, not just rhetoric

Firms leading on AI investment (Deloitte's committed spend through 2030, Accenture's AI bookings up 120% year on year) are increasingly tying fees to measurable client outcomes rather than hours billed. A pricing shift that rewards firms with genuine delivery capability and penalises those still selling time based generalist advice, mirroring the same repricing dynamic playing out in software.

04 AI native consultancies are emerging as one of the sector's hottest M&A targets

Buyers, including the Big Four themselves, are increasingly hunting for small, AI native consultancies (deep technical build capability, no legacy pyramid to unwind) as bolt on acquisitions, rather than trying to retrofit AI onto traditional advisory teams. These targets are commanding premium multiples relative to generalist peers, reflecting how directly acquirers can plug their capability into existing client relationships.

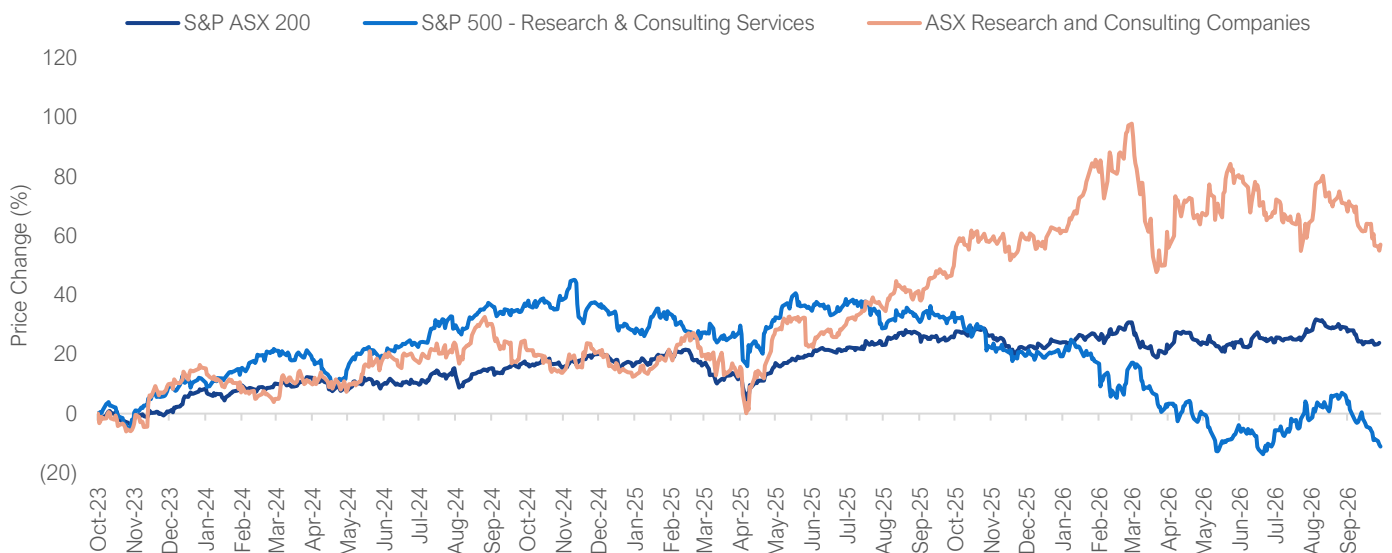
Q3 2026: Local Consulting Gives Back Gains but Holds a Clear Premium

Australian research and consulting stocks eased in Q3 2026 but held a clear lead over the broader market. The ASX Research and Consulting Companies index ended Q3 2026 around 55% above its October 2023 level. That is down from roughly +75% at the end of June, but still more than 30 points ahead of the ASX 200. The index has been volatile since its early March peak near +95%, and the September decline came as the RBA lifted the cash rate, adding pressure to valuations across the market.

Global peers continued to diverge. The S&P 500 Research & Consulting Services index fell to around 10% below its starting level, after a brief recovery in August faded. Investors are weighing how far AI tools will automate research, analysis and advisory work that consulting firms bill by the hour, and the US index has priced that risk more heavily. The local premium suggests investors see Australian names as more exposed to specialist, regulated and government linked work where demand is less easily replaced.

Private market activity has been weaker than listed valuations imply. Management Consulting recorded the lowest deal volume of the five B2B sectors tracked, as buyers became more selective. Firms with specialist expertise, recurring advisory relationships and their own data or IP continue to attract interest. Generalist, partner dependent practices billed on time and materials face closer scrutiny on key person risk, utilisation and how AI will affect their pricing, and should expect buyers to value them closer to the weaker global comparables.

Management Consulting Indices



Source: S&P Capital IQ. Data as at 30 September 2026

Consulting Multiples Edge Up in Q3 as Specialist Advisory Firms Lead

Management consulting multiples rose in Q3, with the median EV/LTM EBITDA multiple up to 8.5x from 7.7x in Q2. The sector entered the quarter under pressure. Accenture's June results showed a softer revenue outlook and lower new consulting bookings, and investors read them as a sign that AI is reducing demand for consulting and managed services. Sentiment improved through the quarter as AI related project demand held up.

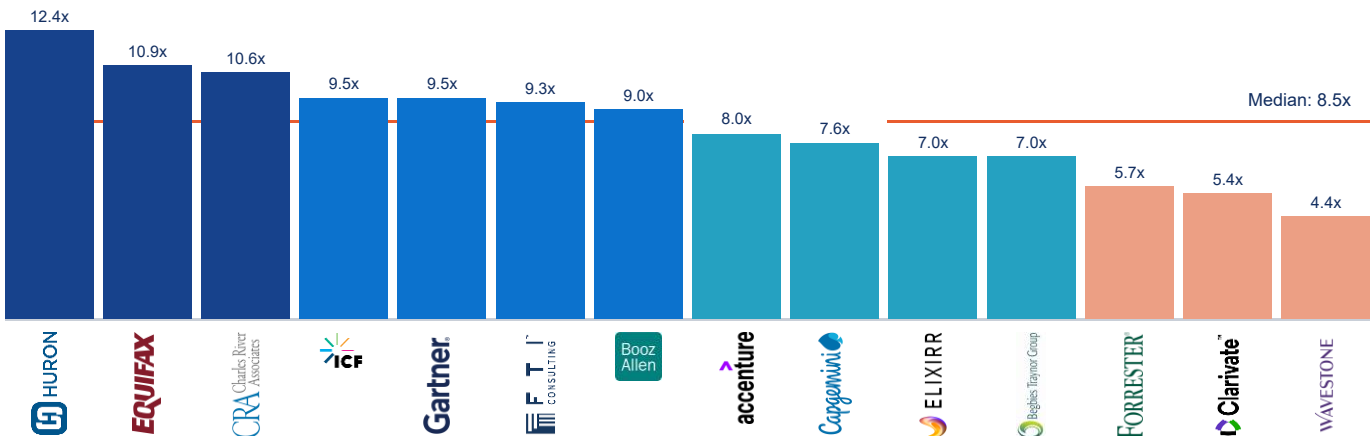
Specialist advisory firms trade at the top of the group: Huron (12.4x), CRA (10.6x), ICF (9.5x) and FTI (9.3x) are all above the median. Research providers are split, with Gartner at 9.5x against Forrester (5.7x) and Clarivate (5.4x). Large scale and European IT consultancies trade below the median, including Accenture (8.0x), Capgemini (7.6x) and Wavestone (4.4x).

MEDIAN EV/LTM EBITDA

7.7x → 8.5x

Q2 2026 to Q3 2026

Management Consulting Global Trading Comparables (EV/LTM EBITDA)



Source: S&P Capital IQ. Data as at 30 September 2026

SCD Advisory Deals

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Trust | Experience | Results

SOLD TO

SOLD TO

Recent M&A Deals in Management Consulting Sector

TARGET	ACQUIRER	DATE	DEAL VALUE	SERVICES
 Driving strategy to results		Sep 2026	N/A	Commercial due diligence & value creation advisory
		Aug 2026	N/A	Business transformation, program delivery & change
		Aug 2026	N/A	Grid connection & power systems advisory
		Aug 2026	N/A	Leadership development platform
 STRATEGIC PARTNERS AN SAS GROUP COMPANY		Aug 2026	N/A	Strategic advisory & public affairs

Grid Demand Becomes Engineering's Biggest Growth Story

~2x

Forecast growth in Australian electricity consumption to 2050

Source: AEMO, 2026 Integrated System Plan

"The grid, not generation, is now the constraint everyone is pricing around."

01 Grid connection has become the industry's central constraint

AEMO's 2026 Integrated System Plan confirms transmission construction has slipped roughly two years against prior forecasts, even as generation and storage capital remains available. With connection studies and approvals now the binding constraint, demand has shifted decisively towards firms with genuine grid connection and interconnection engineering capability, a narrower niche than generic renewables engineering.

02 The sector faces a structural talent shortfall, not just a cyclical one

Industry estimates point to roughly 85,000 additional engineering, technical and construction workers needed by 2030 to deliver the grid build out alongside the broader energy transition. This scarcity is a genuine driver of buyer interest in its own right: firms with proven delivery teams and the ability to win and retain scarce technical talent are commanding a premium that has little to do with backlog size.

03 Rising defence budgets are colliding with sharper government margin scrutiny

Defence spending is climbing sharply. The nuclear powered submarine program alone is now costed at A\$71-96 billion out to 2036, with acquisition spend set to approach half of total defence spend by FY35, creating a genuine multi decade demand pipeline for naval architecture and specialist defence engineering firms. At the same time, the Department is actively cutting reliance on external contractors and tightening cost scrutiny on major projects following well publicised blowouts.

04 Buyers are rewarding narrow, hard to replicate technical capability over backlog

The same pattern is repeating across data centres, grid connections and defence. Buyers are paying more for firms with scarce specialist capability and the capacity to deliver. A large project pipeline alone is not enough, as it can signal execution risk as easily as growth.

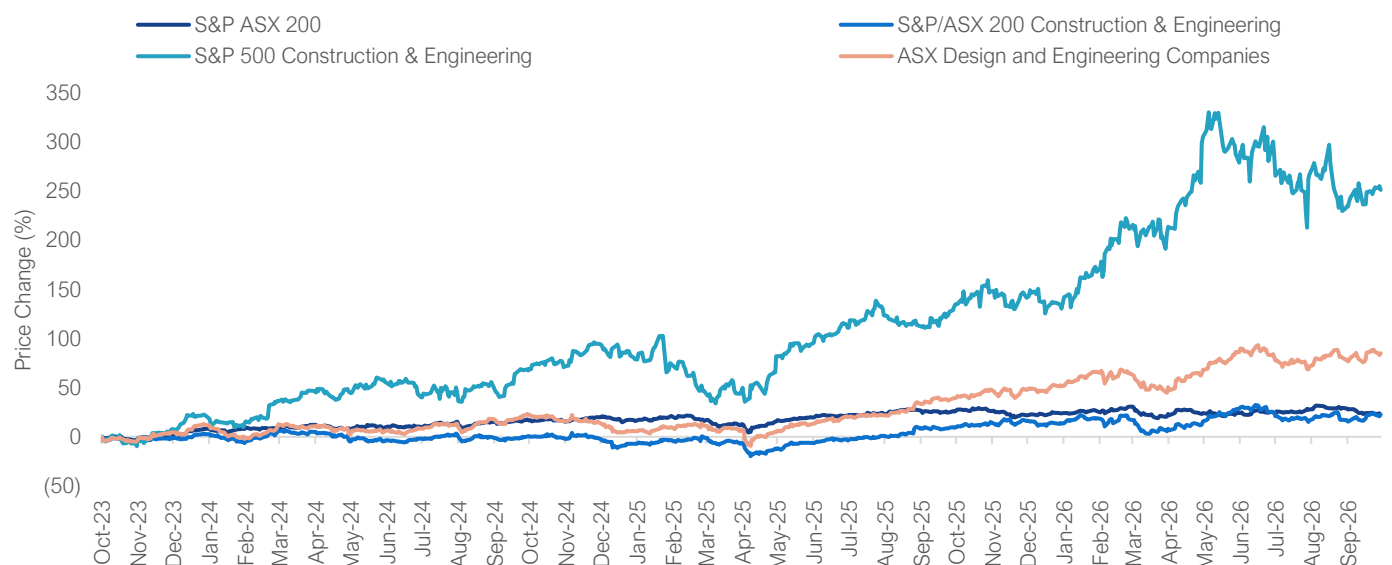
Q3 2026: Australian Engineering Valuations Hold Near Highs

Australian design and engineering stocks held their gains in Q3 2026 while other services sectors sold off. The ASX Design & Engineering Companies index ended Q3 2026 around 80% above its October 2023 level. That is close to where it finished Q2 and well ahead of the ASX 200 at around +23%. The index has risen steadily since mid 2025, with smaller swings than the technology indices. That suggests investors see these earnings as backed by multi year project pipelines rather than short term sentiment.

The broader S&P/ASX 200 Construction & Engineering index, which leans towards contractors, rose only about 20% and tracked the market. That gap shows investors paying more for specialist design and advisory capability than for construction risk. Demand is anchored in energy transition and grid connection work, defence, water and public infrastructure programs. The RBA's rate rise in September did little to dent the local index. In the US, the S&P 500 Construction & Engineering index eased from its May peak but remains around 250% higher.

Private market activity was steadier than in other sectors. Design & Engineering's deal volume levels with a year earlier, while overall B2B volumes fell sharply. Buyers continue to favour firms with specialist technical skills and long term framework contracts. Businesses tied to residential or commercial construction cycles should expect closer scrutiny of pipeline quality and project margins.

Design & Engineering Services Indices



Source: S&P Capital IQ. Data as at 30 September 2026

Design & Engineering Multiples Rise in Q3 as Specialist Firms Lead

MEDIAN EV/LTM EBITDA

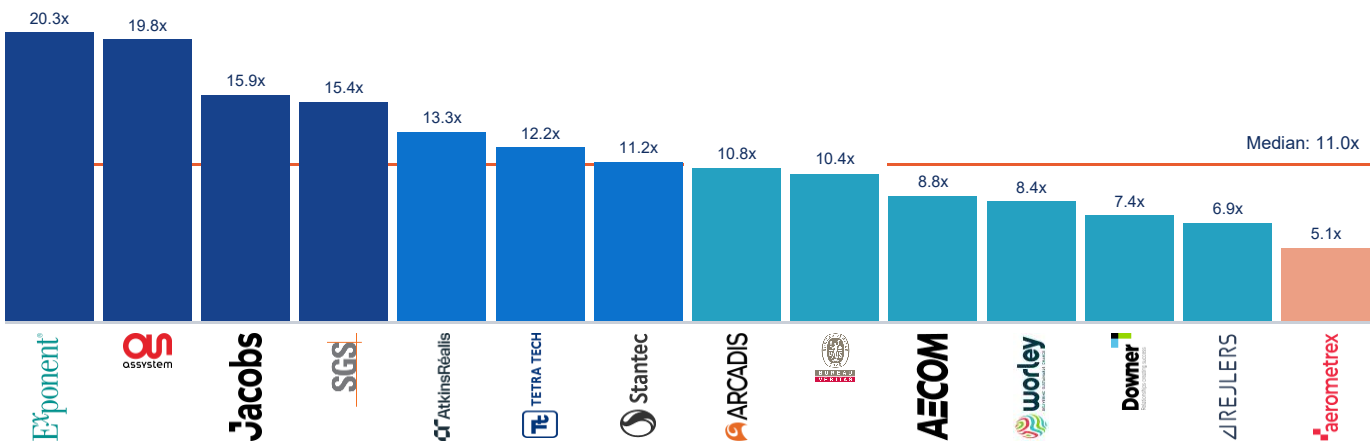
10.0x → 11.0x

Q2 2026 to Q3 2026

Design and engineering trading multiples rose in Q3, with the median EV/LTM EBITDA multiple up to 11.0x from 10.0x in Q2. The sector went into the quarter weighed down by fears that AI would take over work consultants charge high fees for. In May those fears hit listed engineering firms despite solid results, including Stantec, Jacobs, AECOM and Tetra Tech. Valuations partly recovered through Q3 as infrastructure demand held up.

Specialist and testing firms trade at the top of the group: Exponent (20.3x), Assystem (19.8x) and SGS (15.4x) all sit well above the median, alongside Jacobs (15.9x). Jacobs' record backlog reflects demand from data centres, water and grid work. Most large North American and European design firms sit near the median, including Stantec (11.2x), Arcadis (10.8x) and Bureau Veritas (10.4x). AECOM (8.8x), Worley (8.4x), Downer (7.4x) and Aerometrex (5.1x) trade at a discount.

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



Source: S&P Capital IQ. Data as at 30 September 2026

SCD Advisory Deals

iq

SOLD TO

SGS

LOGIKAL
Project Intelligence

SOLD TO

Assystem

RGB ASSURANCE

SOLD TO

TSA Riley

Recent M&A Deals in Design & Engineering Sector

TARGET	ACQUIRER	DATE	DEAL VALUE	SERVICES
 ASPECT	 MACMAHON	Sep 2026	A\$75m	Engineering, project delivery & O&M for resources
 RTI progress Rail Technology International	 vossloh	Sep 2026	N/A	Automated rail inspection systems & services
 WGA	 AtkinsRéalis	Sep 2026	N/A	Multidisciplinary engineering & project management
 cogency	 RSK	Sep 2026	N/A	Renewable energy approvals & environmental advisory
 BTW	 RSK	Sep 2026	N/A	Civil, structural & geotechnical engineering, surveying
 niche Environment and Heritage	 Stantec	Aug 2026	N/A	Ecology, heritage & environmental consulting
 Taylor Bros Established 1916 A HIGHWATER COMPANY	 HIGHWATER	Aug 2026	N/A	Naval engineering, design & outfitting
 Hydrobiology	 SLR	Aug 2026	N/A	Water & aquatic environmental science
 WELLTECH TOTAL WATER MANAGEMENT	 VYSARN LIMITED	Jul 2026	A\$60m	Water & sewerage infrastructure services
 GO Guidera O'Connor	 osmoFlo	Jul 2026	N/A	Water & wastewater design and construct
 Biota Environmental Sciences	 RSK	Jul 2026	N/A	Ecological & environmental consulting
 e2m	 wsp	Jul 2026	N/A	Ecology & environmental approvals consulting
 CDC PROPERTY CONSULTANCY	 Nova Group Pacific A GROUP OF COMPANIES OF THE NORTHERN GROUP	Jul 2026	N/A	Property technical due diligence

Retail Media Enters Its Next Growth Phase

11%

Global retail media ad spend
CAGR 2025-30

Source: Forrester

"The next 12 months are when retailers learn what it actually takes to run a media business. Retail media is a transformation, not a plug and play revenue stream."

01 Retail media's growth phase is set to mature

After two years of near 30% annual growth, Australian retail media is entering its "reset year". It is still growing strongly but shifting from land grab to proving these networks can run as genuine, margin accretive media businesses. For buyers, this is opening M&A interest in the specialist adtech, measurement and retail media enablement layer behind the retailers themselves.

02 Structural channel shift is accelerating, not just continuing

WPP Media's mid 2026 forecast has Australian ad market growth revised upward to 7.4%, but almost entirely on the back of retail media, search, social and out of home, while traditional TV and streaming ad revenue is now forecast to fall roughly 5% this year on top of an already sharp 2025 decline. This is widening the valuation gap between data led, measurable channels and legacy broadcast adjacent models faster than most participants expected twelve months ago.

03 oOh!media deal signals infrastructure capital's arrival

The standout transaction of the quarter was I Squared Capital's binding \$1.04 billion takeover of ASX listed oOh!media, agreed in August after a competitive process against Oaktree Capital and Pacific Equity Partners. The final \$1.70 per share offer represented roughly a 100% premium to oOh!media's undisturbed price, signalling that infrastructure investors, not traditional media buyers, are now setting the price for scaled out of home networks with contracted, physical asset backed revenue. This is a genuinely new, deep pocketed buyer pool distinct from the data/martech driven interest reshaping the rest of the sector.

04 Undifferentiated agency and content models remain the weakest category

As in the other sectors in this report, generalist creative and communications businesses that rely on labour face some of the toughest buyer conditions across the five sectors. AI is driving down the cost of content production. At the same time, clients are moving discretionary marketing budgets towards the measurable channels described above.

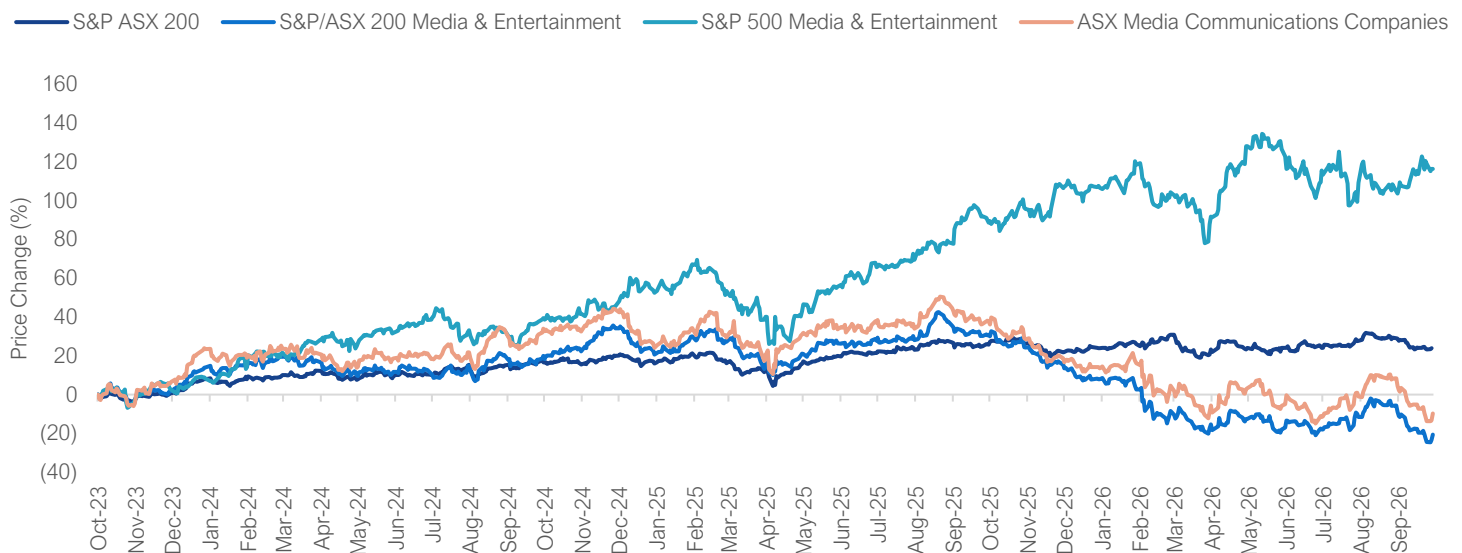
Q3 2026: Australian Media Stocks Fall Further Behind the Market

Australian media and communications stocks weakened again in Q3 2026. The ASX Media Communications Companies index ended September around 12% below its October 2023 level. A short rally in August, which briefly lifted the index back above its starting point, did not hold. The S&P/ASX 200 Media & Entertainment index fell further, to around -22%, its lowest point in the period. Both indices peaked near +50% in mid 2025 and have trailed the ASX 200 since early 2026. The gap to the market is now more than 35 points.

The local derating reflects pressure on how media businesses earn revenue. Advertising budgets are cyclical, and higher rates weigh on them first which added to concerns about consumer and business spending. AI is also changing how audiences find content, raising questions about search driven traffic and the value of traditional content production. In the US, the S&P 500 Media & Entertainment index held at around +115%, supported by large platforms with global scale and subscription revenue.

Private market activity slowed sharply. However, buyers remain interested in businesses with recurring revenue, proprietary data and audiences, or specialist communications and marketing technology capability. Agencies and publishers relying on project based or advertising led revenue should expect tougher questions on client concentration and earnings durability.

Media & Communications Indices



Source: S&P Capital IQ. Data as at 30 September 2026

Q3 Media Multiples Edge Up, but the Peer Set Remains Polarised

MEDIAN EV/LTM EBITDA

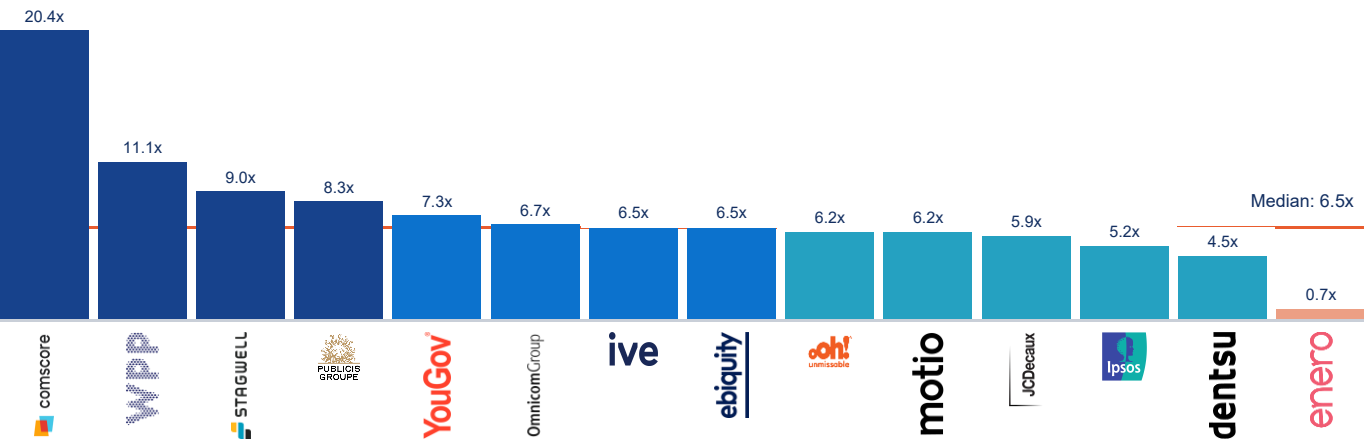
5.9x → 6.5x

Q2 2026 to Q3 2026

The median EV/LTM EBITDA multiple for media and communication rose to 6.5x in Q3, from 5.9x in Q2. Share prices across the local media indices weakened over the quarter, so the higher median partly reflects softer trailing earnings rather than renewed investor confidence.

WPP, Stagwell and Publicis traded above the median, supported by scale and investment in data and AI enabled marketing. Dentsu, Ipsos and Enero traded at a discount, reflecting restructuring and softer demand. comScore (20.4x) and Enero (0.7x) are outliers driven by depressed earnings.

Media & Communication Global Trading Comparables (EV/LTM EBITDA)



Source: S&P Capital IQ. Data as at 30 September 2026

SCD Advisory Deals

SOLD TO

SOLD TO

Recent M&A Deals in Media & Communication Sector

TARGET	ACQUIRER	DATE	DEAL VALUE	SERVICES
		Sep 2026	A\$16.7m	Digital place-based media (DOOH screens)
	HISTORY WILL BE KIND	Sep 2026	N/A	Brand & design agency
		Sep 2026	N/A	Creative branding studio
	 knowledge-driven communications	Aug 2026	N/A	Communications & reputation consultancy
 CUSTOMER RETENTION MARKETING AUSTRALIA		Aug 2026	N/A	Automotive dealer retention marketing
		Jul 2026	N/A	Financial & corporate communications



03

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.



[LinkedIn](#)

Pierre Briand

Managing Partner

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.



[LinkedIn](#)

Naomi Wai

Senior Associate

Naomi brings over 8 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 in M&A advisory in the technology and media sectors.



[LinkedIn](#)

Marc Cincotta

Associate

Marc brings 7 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.

Two Deals Closed This Quarter

SCD advised on two buy side transactions that closed in Q3 2026. In both, the buyer was adding capability in AI enabled technology services.



ACQUIRED



Buy side advisory

Structuring and execution
4 months to close

SCD advised Netwealth (ASX:NWL) on its acquisition of Paradino

Deal rationale Paradino's AI turns adviser meetings into file notes, parapanning requests and advice documents, taking Netwealth into the advice workflow under its Dx30 ambition.

SCD approach Netwealth chose SCD for our technology and software experience. Paradino stood out on strategic alignment, cultural fit and the quality of its technology and team.

SCD value add SCD advised on deal structure and supported negotiation and execution, identifying the synergies from Paradino and reflecting them in the consideration structure.

"SCD Advisory delivered strategic clarity and high quality guidance throughout Netwealth's assessment of this strategic acquisition."

Matt Heine · CEO, Netwealth



ACQUIRED



Buy side advisory

Commercial due diligence
3-month engagement

SCD advised Alceon on its acquisition of Engage Squared

Deal rationale Alceon's investment gives Engage Squared, a Melbourne based Microsoft partner across ANZ and Japan, the capital to scale its Copilot practice and pursue add ons.

SCD approach SCD sized the ANZ Microsoft partner landscape, positioned Engage Squared within it, and ran a strategic assessment and commercial due diligence.

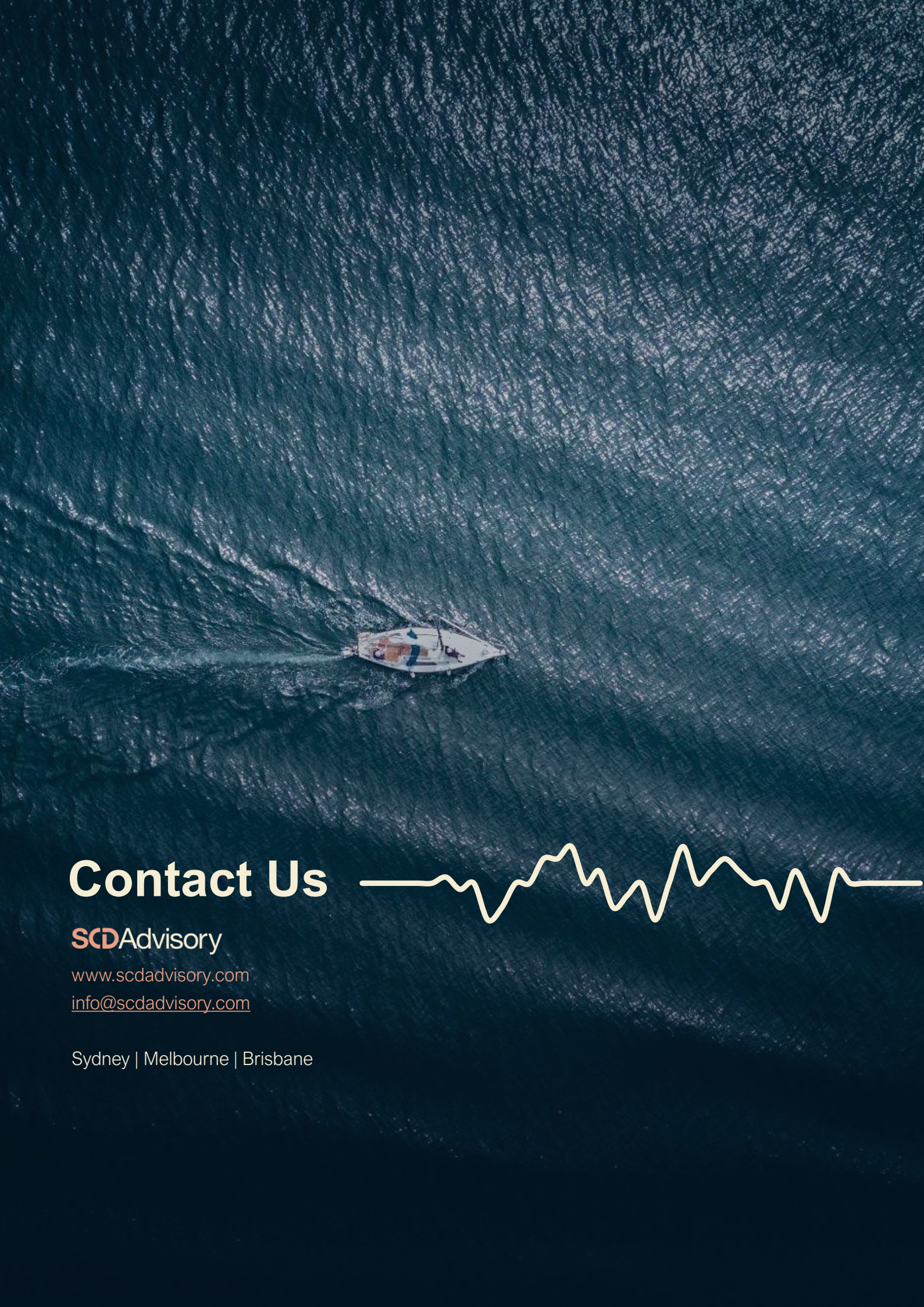
SCD value add SCD gave Alceon an independent view of demand drivers, competitive dynamics and the risks of a services business, focused on the questions behind the investment decision.

"Their knowledge of the space gave us conviction in our investment decision."

Zac Midalia · Managing Director, Head of Private Equity, Alceon

Navigated Transactions

 ACQUIRED 	 ACQUIRED 	 SOLD TO 	 SOLD TO 	 SOLD TO 	 SOLD TO 
 SOLD TO 	 SOLD TO 	 SOLD TO 	 SOLD TO 	 SOLD TO 	 SOLD TO 
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