Private Equity Insights Report

Q2 2025

SI Global

SI Global is an M&A advisory firm specialising in agencies, consultancies and technology service providers.

We offer trusted, insightful, and actionable M&A advice to entrepreneurs and investors across the globe; building partnerships that drive growth and long-lasting value.

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Welcome to SI Global's second annual report on Private Equity activity in B2B services. Based on our first party research into over 221 transactions over the last 19 years.

Private Equity ('PE') is of growing significance to any potential seller in B2B service sectors. Our Global Market Insights report showed that PE and PE-backed M&A activity now accounts for more than a third of all acquisitions. And while there are many investors, particularly at the lower-mid market levels, the industry and M&A processes are increasingly difficult to navigate.

In our first PE report, published in Q1 of 2024, we looked back at the emergence of PE in our space and how 2019 saw a material shift in PE interest in the sector. An excess of 'dry powder' and a constantly evolving B2B services landscape have provided plenty of investment opportunities in fast-growing and fragmented markets. We found that the majority of PE platforms were pursuing buy & build strategies; investments were held for around 5 years; and the most likely exit was to another financial (PE) sponsor.

We demonstrated that 2023 was a 'down year' for investments as many companies suffered from poor economic conditions, but we predicted that activity would bounce back in 2024, but PE-backed groups would look to sell, which happened.

A year on, we have analysed 2024 activity to examine how the market has evolved, and our findings show a continuing trend, but with some subtle changes occurring.

First money activity has intensified but exits and refinancings have decreased. This is counter to our prediction and there are now twice as many platforms that could be considered 'overdue' for exit. The number of PE investments held for more than 5 years has increased from 10% of our sample last year, to over 20% today.

'Buy & build' was a core strategy in 2023, with over 60% of investments making an acquisition within the first 12 months. This has tumbled to less than 5% for the 2024 investment cohort.

We have looked at the potential drivers of these trends and refreshed our predictions for the year ahead. We hope you find this report useful, if you would like to know more about us or the world of Private Equity, please do reach out.

SCOPE OF RESEARCH

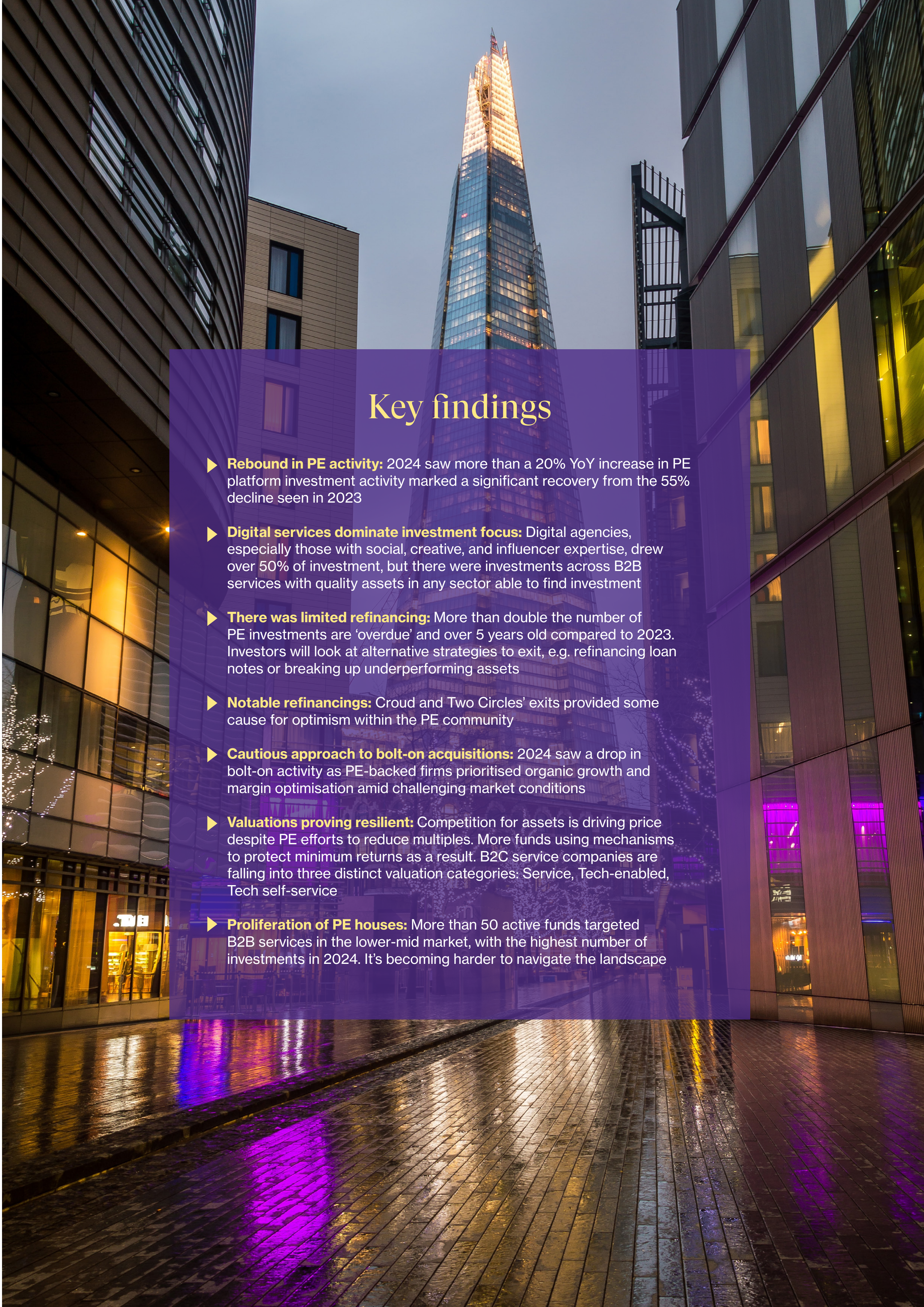
In preparing this report, SI Global conducted analysis of 58 Private Equity firms, with geographic representation distributed approximately as follows: 50% in the UK, 45% in the US, and 5% across the rest of Europe. The research encompasses 193 of their portfolio companies, geographically split as 55% in the UK, 36% in the US, 8% in Europe, and 4% in the APAC region. The scope of the research spans back to 2007, capturing initial investments as well as multiple reinvestments for several portfolio companies. In total, 221 transactions were analysed, alongside 478 bolt-on acquisitions that form part of the broader dataset.

221 transactions

58 PE firms

193 portfolio companies

478 bolt-on acquisitions



Key findings

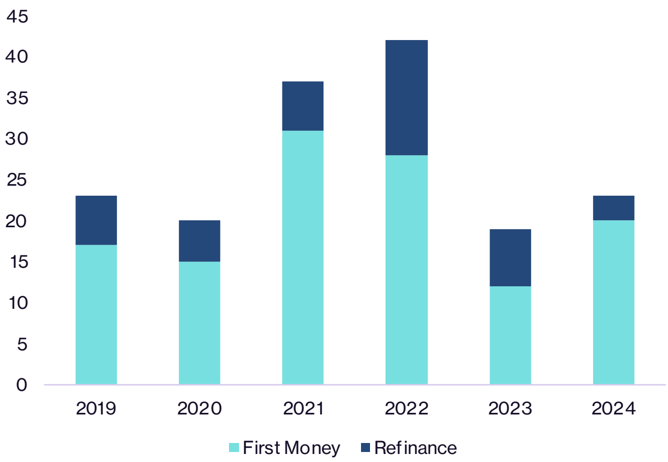
- **Rebound in PE activity:** 2024 saw more than a 20% YoY increase in PE platform investment activity marked a significant recovery from the 55% decline seen in 2023
- **Digital services dominate investment focus:** Digital agencies, especially those with social, creative, and influencer expertise, drew over 50% of investment, but there were investments across B2B services with quality assets in any sector able to find investment
- **There was limited refinancing:** More than double the number of PE investments are ‘overdue’ and over 5 years old compared to 2023. Investors will look at alternative strategies to exit, e.g. refinancing loan notes or breaking up underperforming assets
- **Notable refinancings:** Croud and Two Circles’ exits provided some cause for optimism within the PE community
- **Cautious approach to bolt-on acquisitions:** 2024 saw a drop in bolt-on activity as PE-backed firms prioritised organic growth and margin optimisation amid challenging market conditions
- **Valuations proving resilient:** Competition for assets is driving price despite PE efforts to reduce multiples. More funds using mechanisms to protect minimum returns as a result. B2C service companies are falling into three distinct valuation categories: Service, Tech-enabled, Tech self-service
- **Proliferation of PE houses:** More than 50 active funds targeted B2B services in the lower-mid market, with the highest number of investments in 2024. It’s becoming harder to navigate the landscape

Activity bounced back in 2024 driven by first money investments, refinancings softened

Private Equity platform investment activity increased by 21% in 2024, showing signs of recovery from the dip seen in 2023. The rise in the number of investments was fuelled by a combination of factors, including sustained market interest; a strong pipeline of available assets; and a growing desire among firms and agencies to pursue a 'PE journey'.

While 2024 was expected to be a pivotal year for platform investments via refinancing, the anticipated surge failed to materialise. Instead, first money investments dominated the landscape, accounting for 87% of total portfolio activity, as refinancing continued its downward trajectory.

Figure 1: Private Equity platform investment activity



Source: SI Global Proprietary Research

What factors drove the deviation from the anticipated trends?

Underperformance of PE-backed entities: Many existing PE-backed portfolio companies underperformed relative to investor benchmarks and exit criteria. This underperformance hindered their eligibility for successful refinancing-based platform investments.

Sectoral capital flows: Investment funds continued to flow heavily into the B2B services sector. This sector's resilience and growth prospects attracted significant first money investments, drawing capital away from traditional refinancing plays.

Proliferation of lower threshold funds: There has been growth in the number of investment funds operating with smaller capital bases, contributing to the increase in first money deals. In many cases, these deals replaced what might otherwise have been strategic sales. Notable examples include investments into Omne, Lede, and Campfire.

2024 21% YoY
increase in PE activity
(compared to a **54.8% YoY decline** in 2023)

Figure 2: Select deals from 2024

BGF: proventeq, NEWGEN, BWP, eleven sports media	Charlesbank: FRONT ROW	gcp: Coolr
LITERACY CAPITAL: Campfire	SHAMROCK CAPITAL: LEDE, DE-YAN	SVOBODA CAPITAL PARTNERS: HIGHDIVE, AXIOM ADVISORS
KESTER CAPITAL: THE BOUNDARY	fpe: VANDA RESEARCH	LDC: PRECISE TV

PE was laser-focused on digital in 2024, with investments in other agency sectors being more opportunistic

2024 saw a significant shift in investor focus, with digital marketing and related companies accounting for more than half of all new investments in 2024 - a substantial leap from just 16% in 2023 and demonstrating three-fold year-on-year growth.

With PE firms seeking growth above all, investment trends often reflect those seen within the wider market. The surge in social and influencer channels as the dominant force in global brand spend - now commanding the largest share - has been driven by their broad reach, enhanced targeting capabilities, and more measurable outcomes. This has made these platforms an attractive area for capital deployment. The rise of influencer marketing and the rapid emergence of social commerce as a powerful sales channel has only strengthened this trend. These forces are expected to remain central to the scale-up plans of newly-backed agencies heading into 2025 and the growing number of social and influencer agencies reaching a level of maturity suitable for external funding should continue the cycle for years to come.

Meanwhile, technology-enabled firms made up the joint-second largest category of investment activity in 2024 (13%), as their integrated data, automation, and performance tracking capabilities align well with the broader industry shift toward digital-first, measurable marketing.

In contrast, investment in the consultancy sector declined by 80% year-on-year – although we believe this was due to a lack of supply rather than demand. After several years of strong performance in the consultancy segment, the number of scaled assets available for investment has fallen. These companies remain attractive to PE investors, and the increasing supply of cash into lower market funds could result in smaller platforms being created.

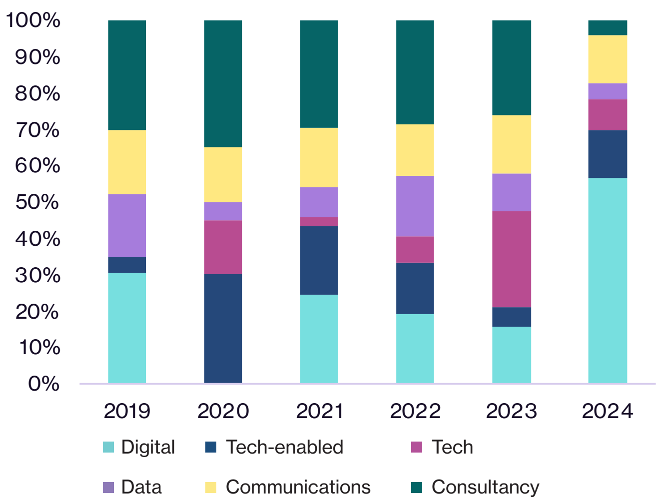
Similarly, activity in the data and analytics sector was subdued due to a scarcity of assets of sufficient scale. This segment accounted for just 4% of total activity. One exception was Vanda's investment from FPE, which stood out in an otherwise quiet space.

Elsewhere, the broader tech services segment struggled to gain traction in 2024, with activity falling 60% year-on-year. For digital transformation and CX, the slowdown was largely due to patchy client budgets and low business confidence throughout the year. Additionally, tech consulting firms specialising in niche technologies increasingly gravitated toward strategic, high-value deals, such as BlakYaks' sale to Proact.

AI captured the zeitgeist in 2024 and while many companies have been using AI for years, there are few pure AI, or tech-enabled AI companies in B2B services that are ready for later-stage Private Equity. Many are still raising money through venture capital. That said, we have seen PE investment into AI-focussed consulting businesses such as Quantum Rise.

Lastly, despite an influx of new entrants in recent years, investor interest in communications agencies remained strong, accounting for 13% of overall activity in 2024. Notable deals included investments in Axiom Advisors by Svoboda and in Omne by YFM.

Figure 3: Platform investments split by sector



Source: SI Global Proprietary Research

333% Increase in platform investments in the **digital** sector

200% Increase in platform investments in the **tech-enabled** sector

60% Decrease in platform investments in the **tech** sector

50% Decrease in platform investments in the **data** sector

–% No change in platform investments in the **communications** sector

80% Decrease in platform investments in the **consultancy** sector

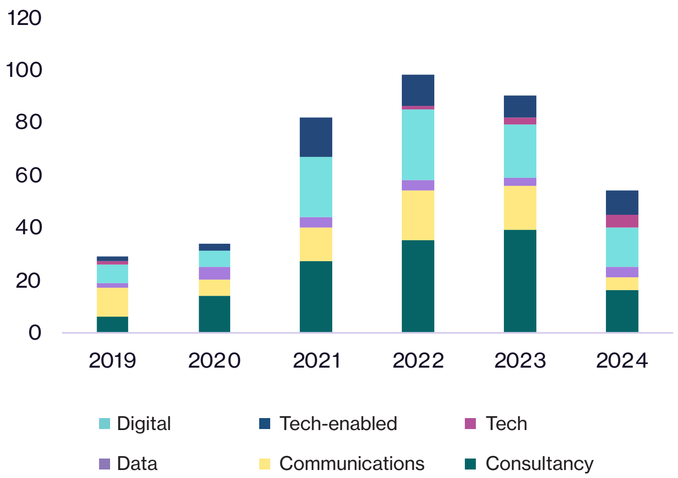
Bolt-on acquisitions are decreasing, with the 2024 investment cohort being the least active in the last five years

As we predicted, the number of bolt-on acquisitions decreased in 2024 (40% year-on-year decline), as PE-backed groups increasingly prioritised operational optimisation in preparation for eventual exits. This shift was likely compounded by the need to preserve margin and drive organic growth in what remained a sub-optimal and uncertain trading environment.

That said, buy & build strategies continue to be relevant, with 63% of firms within our dataset still pursuing M&A. However, the landscape has become more nuanced. More than a quarter of firms (27%) have adopted organic-only growth strategies, and there has been a marked reduction in the number of firms immediately pursuing M&A – platforms that made acquisitions within the first year of the investment lifecycle dropped by 92%. There may be several reasons behind this departure from the historical trend:

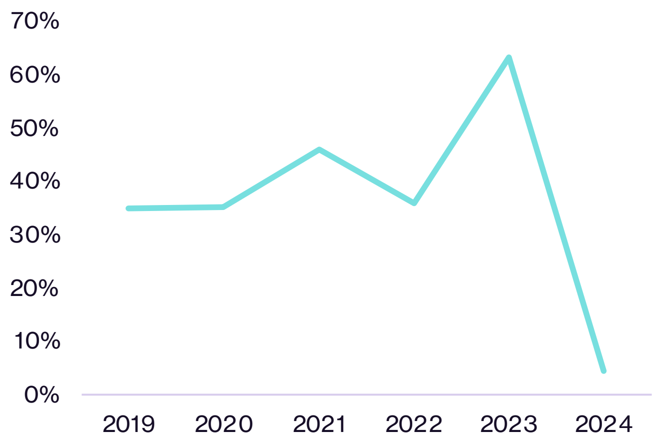
1. Heightened risk aversion in response to ongoing market uncertainty and challenging macroeconomic conditions
2. A shift in the perceived value of buy & build, due to evidence of an increasing number of dysfunctional groups
3. A shortage of suitable targets, particularly those with clear strategic fit and scale

Figure 4: Sector distribution of bolt-on acquisitions



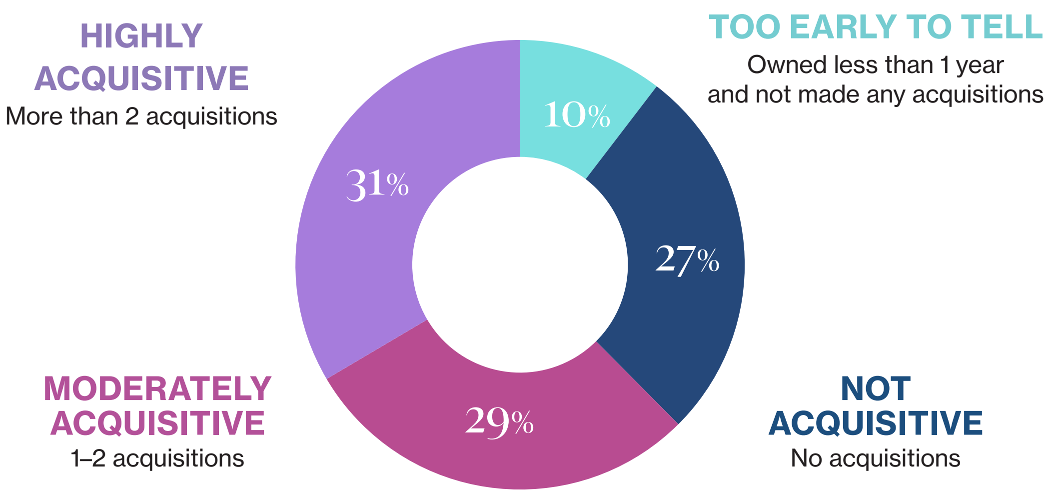
Source: SI Global Proprietary Research

Figure 5: Proportion of PE deals with first-year bolt-on activity



Source: SI Global Proprietary Research

Figure 6: Distribution of platform investments by acquisition strategy activity



Source: SI Global Proprietary Research

Valuations are proving resilient

Private Equity valuations in the lower-mid market are notoriously difficult to verify due to a lack of publicly available data. However, as an advisor at the centre of this market, we have broad evidence of bid prices and outcomes. Our assessment is that despite PE firms talking down prices since the peak of the market in 2022, multiples of profit have proved surprisingly resilient and remain higher than in the pre-Covid era.

The principal reason for this is the relatively high number of active acquirers in the market, fuelled in very large part by PE funds themselves. Prior to PE's market involvement at scale, competition for assets was less intense and buyers were far more able to dictate price and structure. In today's market, sellers can generate a lot more competitive tension from a mixture of corporates to trade buyers, PE-backed groups and PE funds. This has helped to keep profit multiples relatively high.

B2B service companies are increasingly categorised as either talent-based, tech-enabled talent, or tech-based. As a general (but not universal) rule, profit multiples increase with the level of technology enablement.

For most agency or consultancy businesses, the 'sweet spot' is in the tech-enabled category, where double-digit multiples can be achieved. This requires use of technology to reduce their reliance on talent; drive margin and scalability; differentiate from peers; and demonstrate recurring future revenues.

Figure 7: Evolution of value drivers

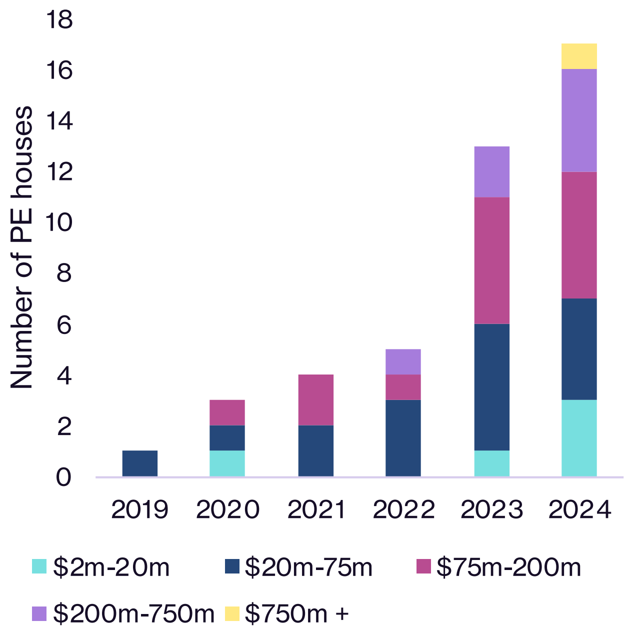
With over 50 PE firms investing in B2B services in the lower-mid market, the landscape is increasingly difficult to navigate

There is currently strong Private Equity interest in B2B services, particularly for founder-led firms. The number of investors active in this space continues to grow, with more than 50 PE houses targeting B2B services in the lower-mid market.

And the market is still expanding. With many houses raising funds in the past year, there is a significant amount of dry powder available, fuelling expectations for a buoyant investment landscape in 2025. As a result, navigating the market to find the right partner is more important than ever.

Entrepreneurs considering PE as an option need to assess:
- The pros and cons of US vs. UK and EU vs. Asia PE houses
- Techniques that PE houses use to manage their risk
- Differing approaches to backing the management team and their plan
- The previous sector experience of the funds and Investment Directors
- The very different growth expectations and time implications of PE vs. a strategic sale

Figure 8: Year PE houses that invest in B2B sevices last raised a fund, by investment size



Source: SI Global Proprietary Research

Figure 9: Select PE houses active in the B2B service space

Private Equity exits continue to decline from 2022 despite an ever-increasing number of investments held for more than 5 years

An increase in exit activity in 2024 was widely expected, driven by a large volume of assets reaching maturity at the end of 2023 and the sizeable cohort of investments from 2019 approaching or surpassing the five-year mark. Refinancing was anticipated to be the most likely exit route, in line with historical trends - our data shows that 65% of platform investments between 2019 and 2024 exited via financial buyers rather than strategic acquirers.

Refinancing expectations were further supported by the shrinking pool of strategic buyers capable of acquiring scaled assets, with a few exceptions, such as the recently announced strategy of Stagwell. Much of the anticipated activity, particularly refinancing-led exits, was forecast to materialise in the second half of the year, as PE-backed businesses aimed to down-weight weak 2023 performance in their valuation narratives.

However, increased exit activity failed to fully materialise. The number of Private Equity exits in our dataset declined by 27% year-on-year, and platform investments completed via refinancing fell by 57%. The shortfall can be largely attributed to macroeconomic challenges, including fiscal instability and election-related uncertainty, which weighed on company performance and prompted many firms to delay exit plans until early 2025 in search of stronger valuation conditions while also getting 2024 in the books.

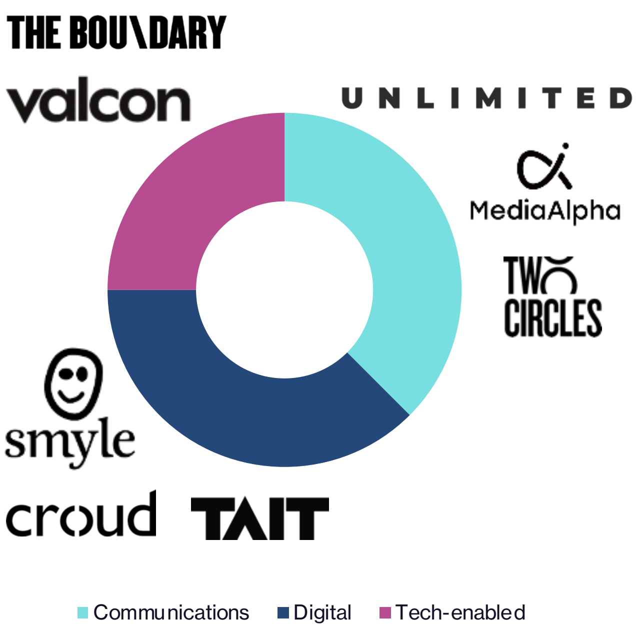
Despite the subdued environment, a handful of high-profile deals – such as LDC's exit from Croud to ECI and Bruin Capital's from Two Circles to Charterhouse – helped to maintain investor confidence and demonstrate that strong outcomes remain achievable for well-positioned assets.

CONSIDERATIONS WHEN EXITING TO A FINANCIAL BUYER

Exiting to a financial buyer should be a carefully considered decision for sellers. Founders who have established a strong succession team may be well-positioned to exit through a refinancing process. However, it is essential to align and manage expectations within the wider management team - particularly around the likelihood of needing to roll equity forward once again, rather than achieving a full exit, as might be possible in a strategic sale scenario.

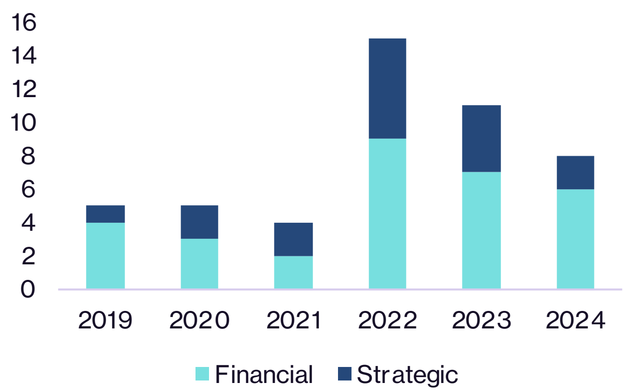
Eight exits in 2024, with an average hold period of 5 years, of which six were refinanced

Figure 10: Distribution of 2024 exits by sector



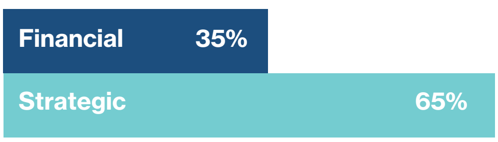
Source: SI Global Proprietary Research

Figure 11: Platform exits by year and exit type: financial vs. strategic buyers



Source: SI Global Proprietary Research

Figure 12: Exit pathways of portfolio firms, 2019–2024



Source: SI Global Proprietary Research

Case studies

Two Circles

2019
In December 2019, Bruin Capital acquired an 80% majority stake in Two Circles, valuing the company at $40 million

2024
In January 2024, Two Circles was sold to Charterhouse Capital for an estimated $315 million

KEY STATS

- **688%** value growth
- **400%** headcount growth
- **450%** increase in revenues
- Holding period of **just over 4 years**
- Opened new offices in **Los Angeles, Paris and Melbourne**
- Retained **96%** of its leadership team and **89%** of its entire team

Strategic acquisitions:
Completed three acquisitions to broaden and enhance the service offering

- TRM – ticketing firm
- SportsInk – technology company
- LiveWire Sport – creative content agency

The first acquisition was made just under a year into the investment cycle

Croud

2019
In November 2019, LDC completed a £30 million minority investment in Croud

2024
In October 2024, Croud was sold to ECI

KEY STATS

- **2.8x** return on investment
- Over **250%** headcount growth
- More than **360%** increase in revenues
- Holding period of **just under 5 years**

Strategic acquisitions:

Completed five acquisitions to enhance capabilities and scale

- Vert Digital - digital marketing and advertising agency
- Metageni - data analytics firm
- Born Social - digital marketing agency
- Impakt Advisors - data and analytics company
- VERB Brands (now Croud Luxe) - luxury-focused performance agency

The first acquisition was made just over two years into the investment cycle

Technology development:
Launched Croud Control, a proprietary technology platform enabling AI-powered planning, workflow automation and digital campaign execution

Investments in B2B assets are maturing with over 50% now ripe or overdue

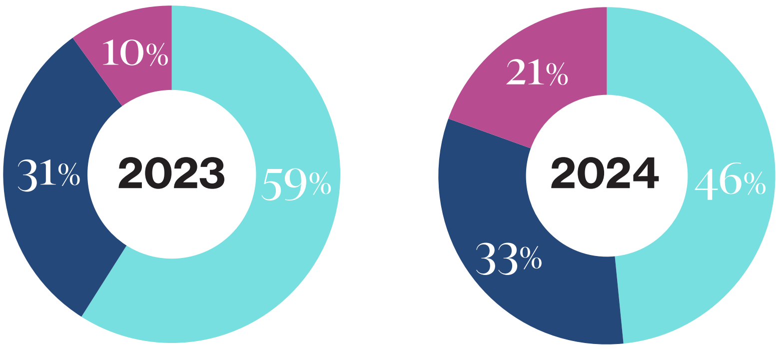
The pipeline of PE-backed companies that are likely to be eyeing an exit or refinancing is bulging, with 21% in the 'overdue' category – more than double the 10% we recorded a year ago (see figure 12 and 13).

Most firms tend to be relatively flexible on timing, with target returns remaining their primary goal. A potential issue for investments made during 'peak M&A' (2021–2022) is that they were often based upon strong multiples. To achieve their returns, they may be forced to wait for more favourable trading conditions, strong growth and improved market sentiment before initiating an exit process.

However, this can lead to tension between management teams and investors, with management often focused on a more fixed timeline. In some cases, leadership teams have initiated informal market conversations in an effort to elicit offers that could potentially accelerate PE decision-making.

2025 was widely tipped to usher in a more favourable M&A environment, buoyed by expectations of increased US domestic and international investment, ebbing inflationary pressures and lower interest rates. However, the recent political and economic uncertainty has introduced headwinds that have dampened investor confidence. Despite this, early signs in 2025 have been encouraging: deals such as Blis to T-Mobile and Hippo to Exponent have already closed, with others actively in market.

Figure 13: Maturity profile of platform investments in 2023 and 2024



OVERDUE
Been held for more than 5 years

RIPE
Been held for 3–5 years

BUILD
Been held for 0–3 years

The percentage of platform investments more than 5 years old has more than doubled year-on-year

Source: SI Global Proprietary Research

What does the future hold?

Only a fool would make firm predictions based on the current state of global trade and geopolitical tensions, but there are some indications of what we might expect from the remainder of 2025.

There was huge expectation that 2025 would herald an M&A boom as the Trump administration's more extreme policies gave way to common sense. In fact, a global trade war is now raging and public markets are in disarray, anxiously awaiting the next proclamation on Truth Social.

So how does this affect PE investment in B2B services sectors? Well (whisper it quietly), so far not very much. PE investment appetite appears undented, since the funds have been raised and need to be deployed. 2025 got off to a strong start and there has been a steady stream of deal announcements every week.

But we're not out of the woods. Just because agency and consultancy services are not subject to tariffs does not exempt them from the fallout. Disruption to supply chains could soon filter through to the client budgets that are their life blood, not to mention the effect of local or global recession.

We expect to see more risk aversion, making detailed pre-sale preparation all the more critical, as investors will crawl over every scrap of data for signs of weakness. We also anticipate greater use of structures to manage risk and protect minimum returns, which will require careful negotiation.

More adventurous funds may see opportunities from holding company carve-outs, as larger groups continue to streamline and refocus their holdings.

But one thing is certain: agencies and consultancies that deliver strong growth and margin through this period will be even more desirable targets for PE funds, and with no shortage of suitors, will command prices to match.

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