



Investment Banking in Tech Services,
Consulting, Software & Healthcare

Decoding the \$2.18 Trillion Global Engineering Services Market

Analysis of Trends and Deal Activity in 2023-24

November 2024

Introduction

This report from Technology Holdings (TH) offers an in-depth exploration of the dynamic engineering services landscape, covering key trends and strategic growth initiatives. It not only measures the financial health of the sector by analyzing market valuations and revenues of leading publicly listed companies but also tracks global market opportunities and strategic initiatives driving sector growth.

The Deal Analysis section provides a comprehensive review of transaction volumes, trends, and the strategic dynamics shaping global deal activity.

Key Insights

- **End-to-end engineering led** total deal activity, accounting for **41% of deal volume**, while **embedded and software engineering** made up **19.9% and 28.8%**, respectively, for 9M 2024
- In 2024, **nearly 69% of M&A transactions** were **under \$50 million**, while **18% surpassed \$100 million**
- **Companies in the industrials (17.9%) and manufacturing (13.5%)** sectors were key **drivers of deal activity** within the engineering services sector
- The sector saw a **shift toward larger strategic investments in 2024**, with **median deal sizes increasing significantly**. Despite market normalization, investor interest remained strong, with **over 800 deals completed**

Disclaimer: The information herein is accurate or complete. This report was prepared within Technology Holdings market research department and recipients of this report should not interpret the information herein as sufficient grounds for an investment decision. This presentation includes logos or words that may be registered trademarks of their respective organizations. Such use is solely for purpose of convenience in referring to the trademark owners and their products/services. This presentation and its content are not endorsed, sponsored or affiliated with any trademark owner.

Contents

About Technology Holdings	03
---------------------------	----

Market Overview	04
-----------------	----

Deal Analysis	09
---------------	----

Key Takeaways	18
---------------	----

TH's Transaction Track Record	19
-------------------------------	----

About Technology Holdings

Technology Holdings is a global boutique investment bank dedicated to delivering M&A and capital raising advisory services to Technology Services, Software, Consulting, Healthcare Life Sciences and Business Process Management companies globally with enterprise values ranging from **\$25 mn to \$500 mn**.

Technology Holdings today has presence in **20 cities** and **11 countries** across **4 continents** and a rapidly growing team of over **120 employees**. We are proud to have closed transactions in **24 countries**.



Our focus, with a 24-year track record...

Engineering
Services



Analytics, Data
Sciences & AI

Consultancies



Fintech, Insurtech
and SaaS

IT Services, Cloud &
Cybersecurity



Digital
Transformation &
Innovation

Business Process
Management



Healthcare &
Lifesciences



TECHNOLOGY
HOLDINGS

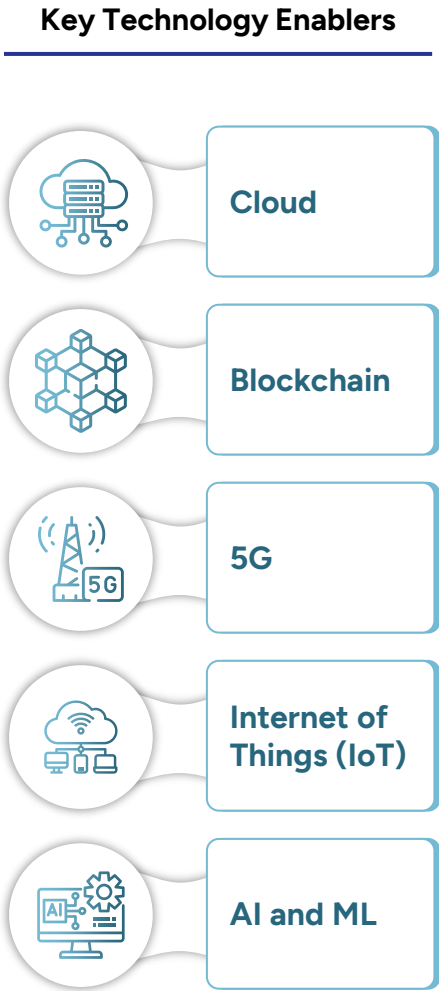
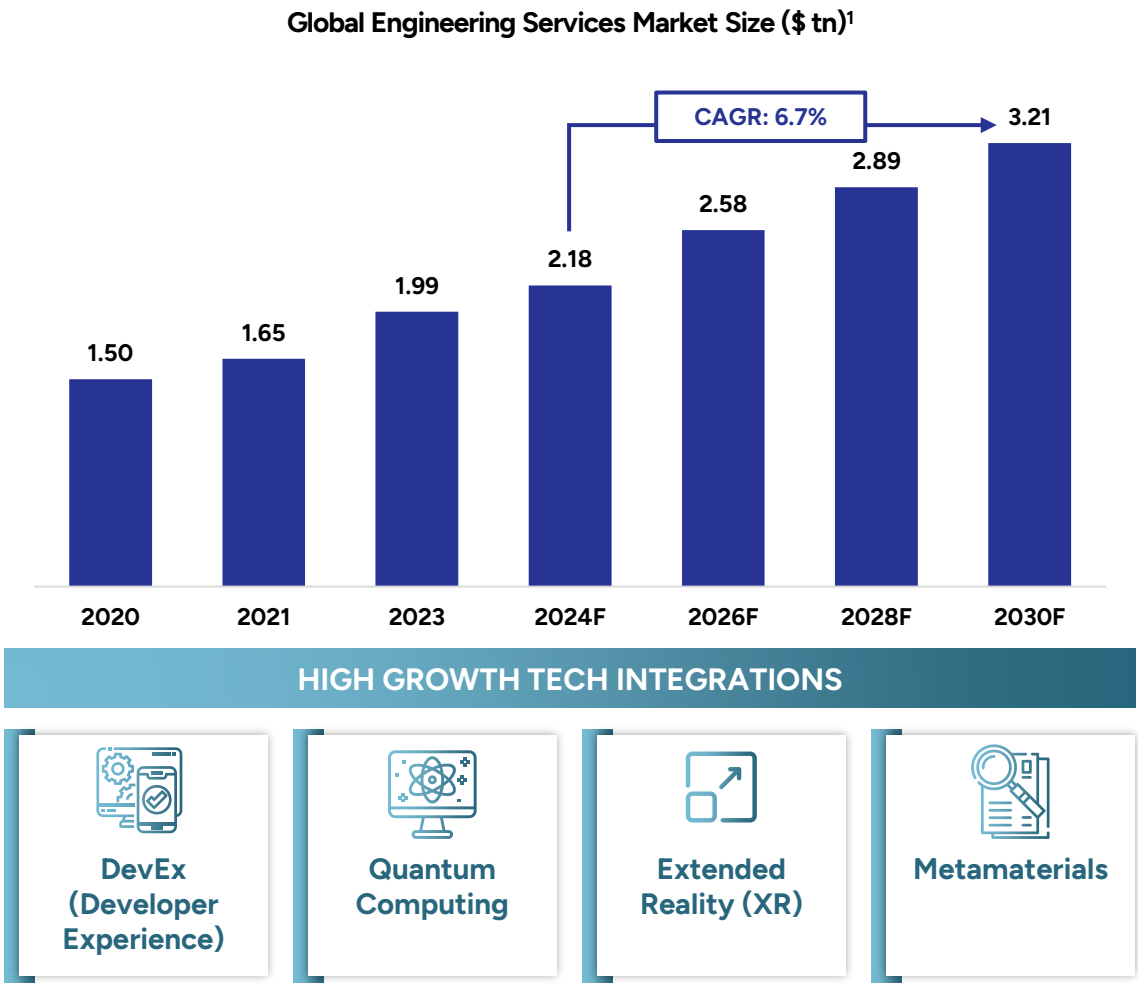
Investment Banking in Tech Services,
Consulting, Software & Healthcare

Market Overview

SECTION I

Driving Innovation and Expansion: The Future of Global Engineering Services

- The global **Engineering Services market**, valued at **\$1.99 tn in 2023**, is set to expand to **\$3.21 tn by 2030**. A **CAGR of 6.7% from 2025 to 2030** reflects the strong momentum behind infrastructure modernization, digital transformation, and the push for sustainable technologies, boosting growth in **key sectors like automotive, aerospace, and industrial manufacturing**
- The rise of **next-generation technologies such as Quantum Computing, Extended Reality (XR), and Metamaterials** is expected to enhance product design, prototyping, and simulation capabilities, further driving the need for specialized engineering expertise
- **Increasing investments in Digital Twins, Edge Computing, and Biomanufacturing** are reshaping how industries approach efficiency, predictive maintenance, and operational cost reduction, making engineering services pivotal for competitive advantage
- As the demand for **DevEx (Developer Experience)** tools rises, companies are adopting new solutions to streamline engineering workflows, improve collaboration, and accelerate time-to-market for innovations in fields like **automotive electrification and smart cities**



The market is poised for significant expansion, swelling at 5.4% CAGR until 2030 – driven by technological innovation and sustainability trends

Key Themes Contributing to Engineering Services Market Growth



Platformization and Softwarization

- **Platformization** integrates tools for design, simulation, and operations, boosting efficiency in sectors like **automotive and aerospace**
- **Softwarization** through virtualization and automation, is facilitating agile, software-defined solutions, enhancing productivity in industries like **telecom and manufacturing**
- Companies are increasingly relying on these advancements to transition to digital-first operations

01



Software-defined Everything (SDx)

- **SDx** virtualizes hardware functions and enables software-based control. This shift **enhances agility and reduces costs**, allowing engineers to manage infrastructure through software interfaces and **improves productivity** by automating tasks like network management and resource allocation
- In sectors such as **telecommunications and manufacturing**, it drives efficiency by streamlining processes, enabling rapid development, and innovation

02



Integration with GenAI

- **GenAI** can undertake complex responsibilities as a co-pilot and auto-pilot for intelligent automation and decision-making processes, thereby **allowing organizations** an opportunity to **modernize and optimize their infrastructure architecture**
- Allows engineers to **generate optimized designs, run simulations, and predict outcomes faster**, improving productivity across sectors like **manufacturing, automotive, and construction**

03



Industry 4.0 and Digital Manufacturing

- **Integrates smart technologies like IoT, AI, and automation into manufacturing processes.** This transformation **enables real-time data collection, analysis, and decision-making**, enhancing operational efficiency and productivity
- By embracing **Industry 4.0** principles, engineering services can **optimize production, reduce downtime, and improve product quality**, allowing engineers to design smart factories that leverage interconnected systems for seamless communication

04



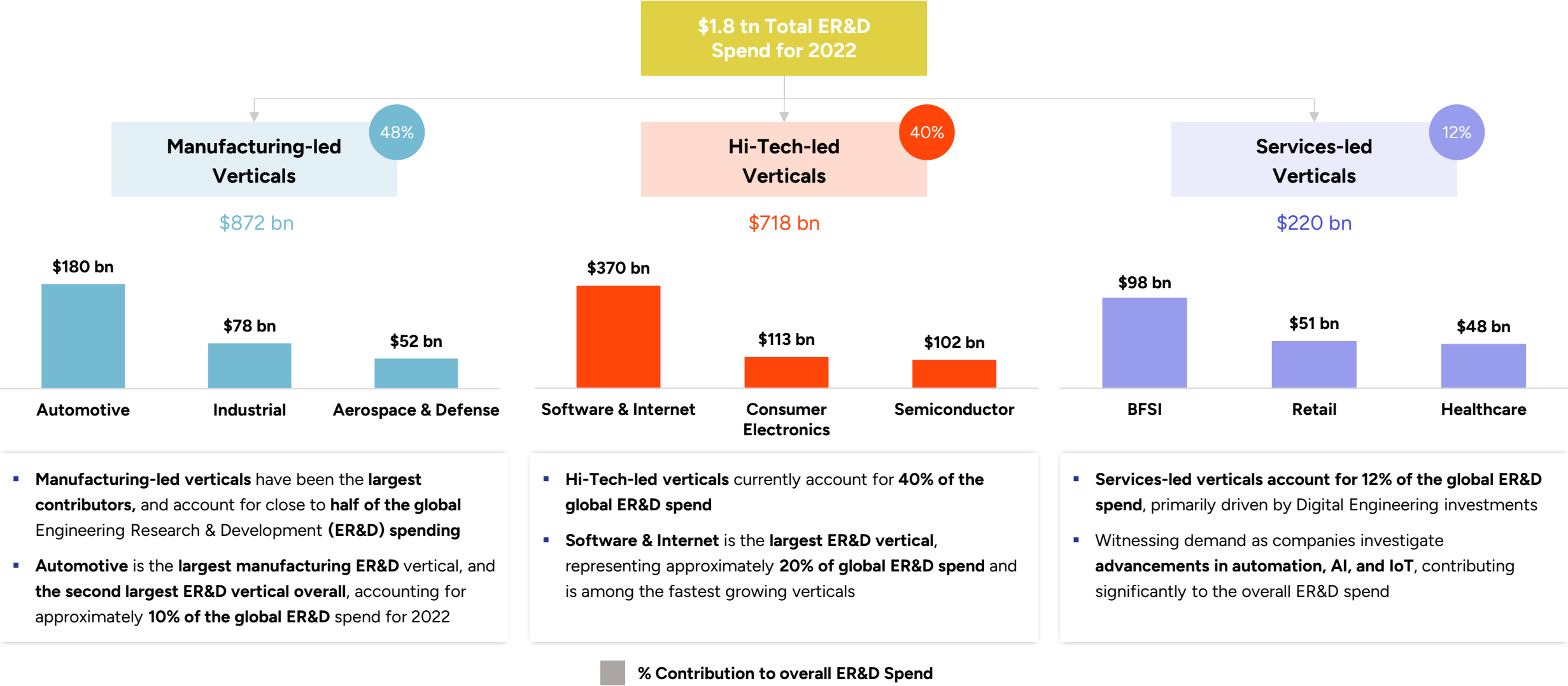
Spatial Computing and Industrial Metaverse (incl. AR, VR, Cloud, Blockchain, and AI)

- **Utilizing spatial computing enhances design workflows, streamlines training processes,** and optimizes operational efficiency
- The **Industrial Metaverse promotes real-time data exchange** directly helps engineering teams to **develop smarter, interconnected systems**, fundamentally changing how products are conceptualized, produced, and serviced

05

Integration with next-gen technologies is set to transform engineering services, driving efficiencies and innovation for a competitive edge in the market

Manufacturing-led and Hi-Tech-led Verticals are the Largest Contributors, Accounting Represent Almost 90% of the Global ER&D Spend





TECHNOLOGY
HOLDINGS

Investment Banking in Tech Services,
Consulting, Software & Healthcare

Deal Analysis

SECTION II

Strategic Focus Areas in Engineering Services M&A (1/2)

Date	Target	Acquiror	Target Country	Deal Size (\$ mn)
Select Market Expansion Deals				
Aug-24	 	  Equity Partners		Undisclosed
Aug-24				Undisclosed
Aug-24		  		363.0
Jul-24				517.8
TH Jun-24				86.3
Apr-24				Undisclosed
Apr-24		 		Undisclosed
Apr-24				89.2
Apr-24				Undisclosed
Apr-24				Undisclosed
TH Mar-24				59.8
Mar-24		 		Undisclosed

Date	Target	Acquiror	Target Country	Deal Size (\$ mn)
Mar-24		Blackstone		1,518.2
Mar-24				Undisclosed
Mar-24				106.5
Mar-24				Undisclosed
Feb-24				Undisclosed
Feb-24				86.0
Feb-24		  		Undisclosed
Jan-24				Undisclosed
Jan-24				Undisclosed
Jan-24				35,000.0

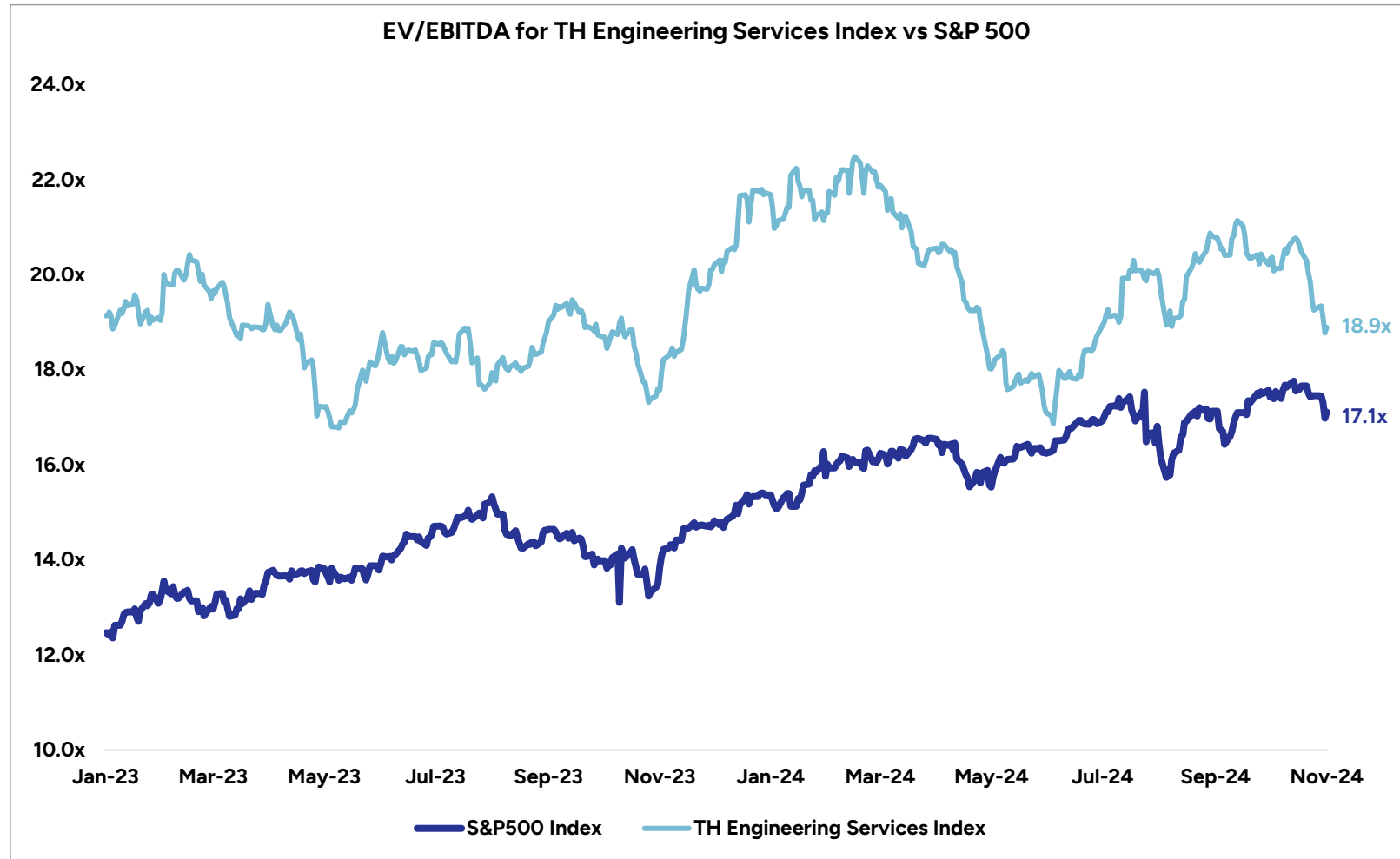
Strategic Focus Areas in Engineering Services M&A (2/2)

Date	Target	Acquiror	Target Country	Deal Size (\$ mn)
Select Capability Enhancement Deals				
Sep-24				Undisclosed
TH Aug-24				31.2
Aug-24				Undisclosed
Jul-24		 		Undisclosed
Jul-24				Undisclosed
Jul-24				Undisclosed
Jun-24				Undisclosed
May-24				93.4
May-24				33.6
May-24		 		Undisclosed
Mar-24				4.7
Jan-24				95.2

Date	Target	Acquiror	Target Country	Deal Size (\$ mn)
Select Growth Funding Deals				
Sep-24				600.0
May-24				16.0
May-24				7.0
Apr-24		 		175.0
Mar-24		     		1,502.7
Mar-24	Hefei Xinjing Semiconductor			806.4
Feb-24				Undisclosed
Feb-24				Undisclosed
Feb-24				Undisclosed
Jan-24		 		11.0
Jan-24				Undisclosed

Tech-Driven Outperformance: Engineering Services Index Outpaces S&P 500

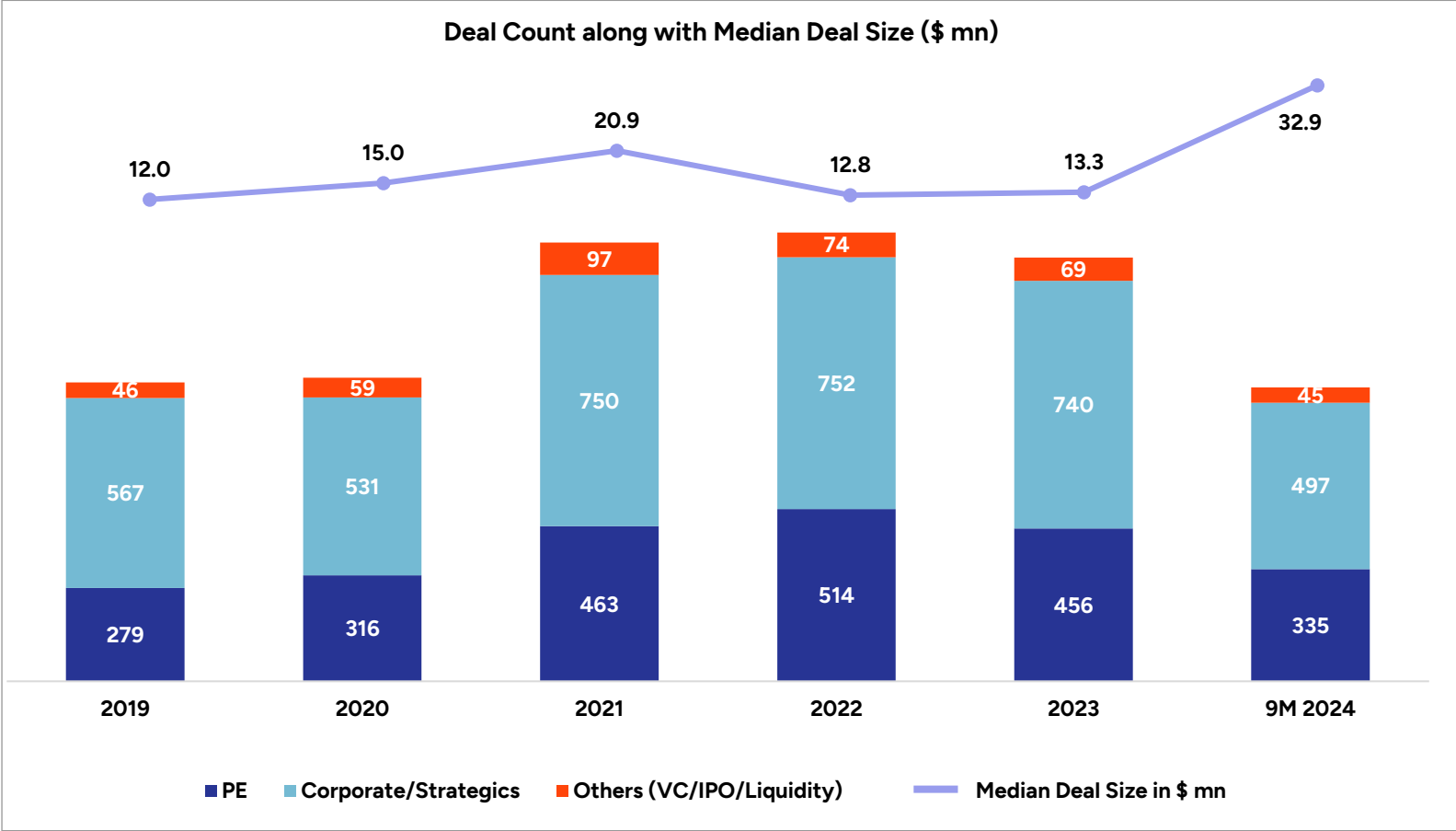
- The **TH Engineering Services index** maintained a median multiple of **19.1x**, consistently above the **S&P 500's 15x**. Major players like **Infosys** and **HCL Technologies** benefited from demand for software engineering services, as enterprises continued to scale digital transformation initiatives, cloud adoption, and automation
- Companies like **KPIT Technologies** and **LTIMindtree** saw significant EV/EBITDA expansion, outperforming peers. Their **focus on embedded systems, digital engineering, and IoT-related solutions** drove sustained investor interest, as demand surged for advanced technologies across sectors like **automotive and industrials**
- Between May 2023 & Feb 2024, the engineering services index witnessed **significant movement** which can be attributed to **market confidence in the scalability of companies like Wipro and TCS**, which weathered macroeconomic headwinds by delivering critical services to industries undergoing transformation
- With companies like **L&T Technology Services** playing a pivotal role in providing cutting-edge mechanical and engineering solutions, the index **capitalized on the global shift towards automation, 5G, and AI integration**, reinforcing their market positioning and investor confidence



With a 4.1x premium over S&P 500, TH Engineering Services Index capitalized on the surge in the demand for digital and embedded systems. KPIT and LTIMindtree's multiples of 42.8x and 24.5x boosted the index

Bigger PE and Corporate Deals define 2024's Engineering Services Landscape

- The number of **Private Equity (PE)** deals increased by **28.2%** from **279 in 2019** to **514 in 2022**. Despite a decrease of **34.8%** to **335 in 2024**, the overall trend indicates sustained investor confidence
- **Corporate/strategic** deals consistently outpaced PE activity, peaking at **750 in 2021** (up **32.6%** from **567 in 2019**) and remained strong at **740 in 2023**. This resilience underscores the emphasis on strategic growth through acquisitions
- **The decrease in deal numbers for PE and corporate/ strategic in 2024 compared to 2023 represents a decline of 54.8% and 32.9%, respectively.** However, the significant increase in median deal size suggests a focus on larger, strategic investments
- **The median deal size experienced fluctuations, with a rise to ~\$33 mn in 2024 increasing from ~\$13 mn in 2023.** This increase likely reflects large-scale transactions, indicative of growing confidence and capital availability in the market



In 2024, the engineering services sector demonstrates resilience with 832 M&A deals, reflecting sustained investor interest. Sharp median deal size increase signifies a shift towards larger, strategic investments

Driving Innovation and Growth: M&A Trends in Engineering Services

Capability Enhancement



- Companies are pursuing acquisitions to **integrate cutting-edge technologies, such as AI and IoT**, into their service offerings, improving efficiency and innovation in project delivery
- Acquisitions are **aimed at acquiring specialized skills and expertise**, allowing companies to enhance their technical capabilities and better meet evolving client needs

32%

Market Expansion



- Companies are **pursuing acquisitions to enter high-growth markets, particularly in emerging economies**, capitalizing on the demand for technology infrastructure development and engineering services
- M&A activity is increasingly focused on forming strategic partnerships with local companies**, enabling faster adaptation to regional market dynamics and enhancing competitive positioning

41%

Value Creation by PE Firms

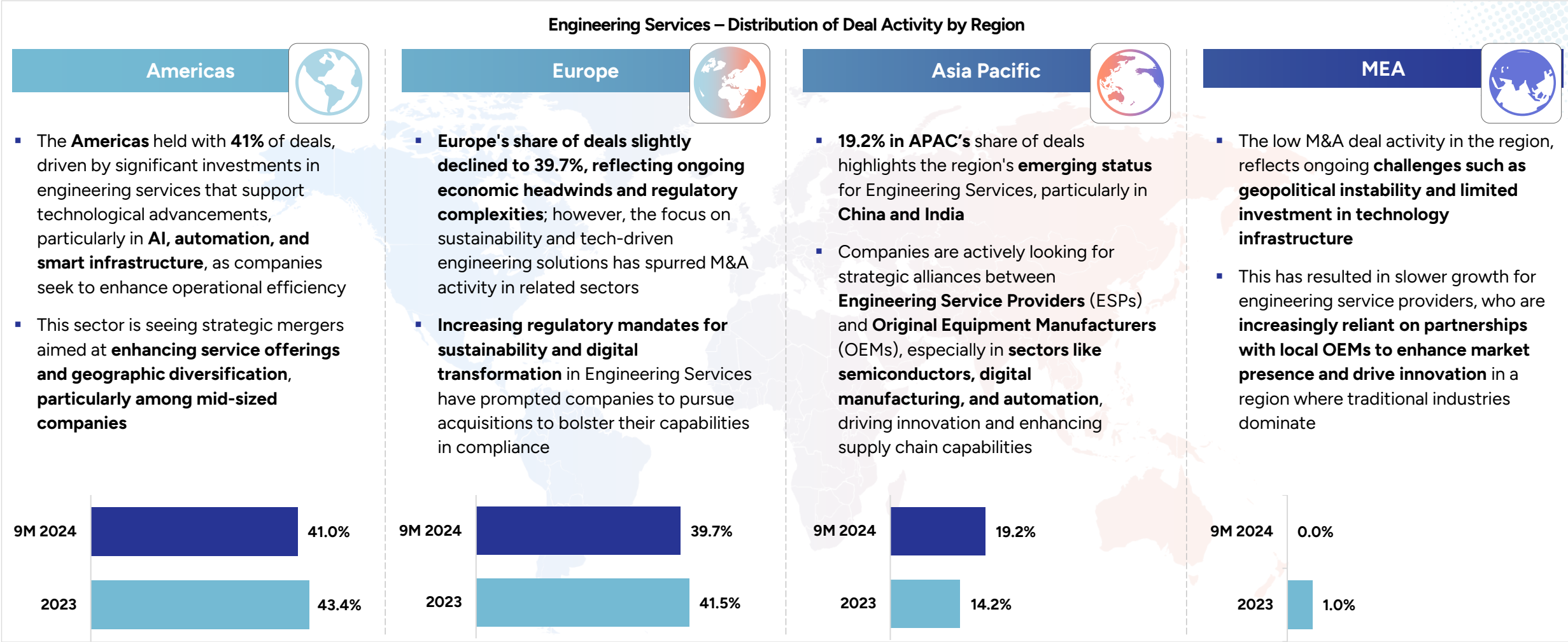


- Companies are **targeting established companies with strong financial foundations** to stabilize performance and diversify revenue streams amid market volatility
- The **influx of PE funds into the engineering services sector** is prompting traditional companies to pursue acquisitions, ensuring they stay competitive by accessing innovative solutions and technologies

27%

41% of deals in engineering services prioritized market expansion, showcasing a strong focus on geographic diversification to capitalize on emerging growth opportunities

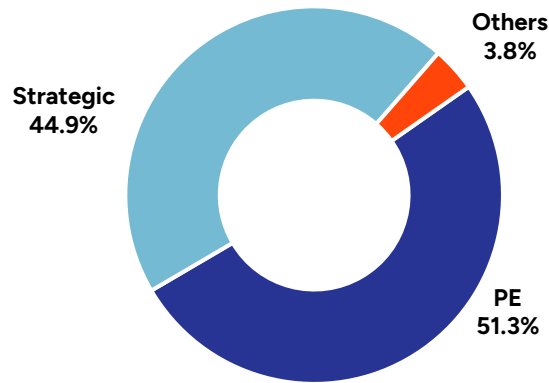
The Future of Engineering Services: Strategic M&A Unveiled



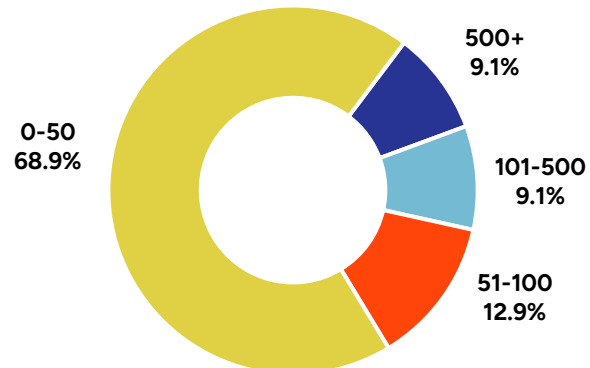
41% deal share in the Americas underscores a commitment to technological innovation, while APAC's 19.2% and Europe's steady performance highlight diverse growth trajectories

Small Deals, Big Impact: The Rise of Transactions under \$50 mn

Deal Activity – by Acquiror Type, 9M 2024



Deal Activity – by Deal Size, 9M 2024 (\$ mn)

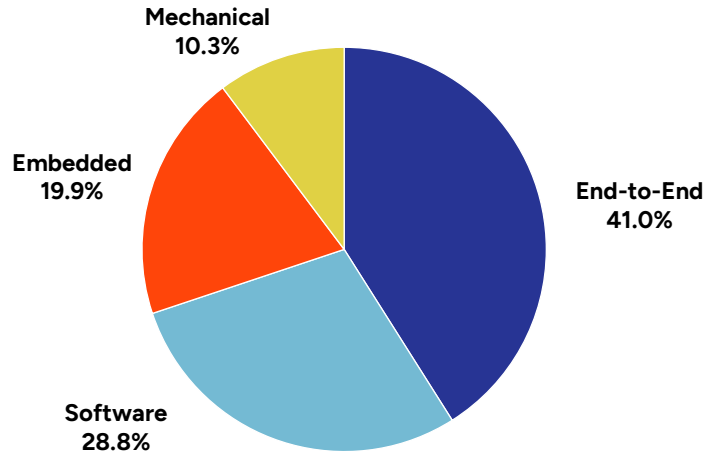


- **PE buyers accounted for 51.3% of the deals**, reflecting sustained interest in the engineering services space, with a focus on **acquiring high-growth targets, leveraging digital transformation trends, and offering cutting-edge technological services**
- With ~45% of all deals, **corporate and strategic buyers drove M&A activity**, focusing on expanding capabilities and market presence in sectors like software, embedded systems, and mechanical engineering
- Deals valued between **\$0 mn - \$50 mn** made up ~69% of the total transactions, focused on acquiring **specialized skills and niche technologies at a lower cost**
- Only **9% of deals were above the \$500 mn** mark, showing that while there is appetite for larger investments, buyers are cautious. These deals were aimed at securing key capabilities in **high-value engineering sectors like automation and digital services**
- The demand for **advanced technologies** in sectors like **AI, IoT, and automation** is **propelling M&A activities, especially with strategic acquirers and PE firms** eyeing software and embedded engineering companies to enhance innovation pipelines and future-proof their portfolios

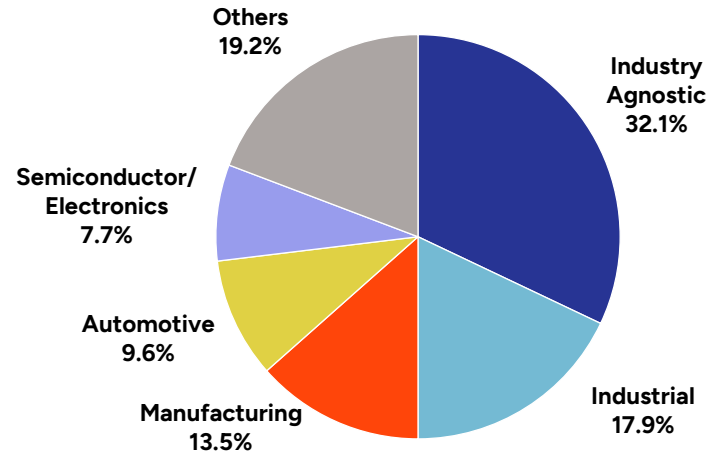
With a focus on smaller, high-growth targets, M&A activity is shaping the future of engineering services, led by PE buyers seeking investments in niche players

Niche Engineering Companies Capture Investor Interest

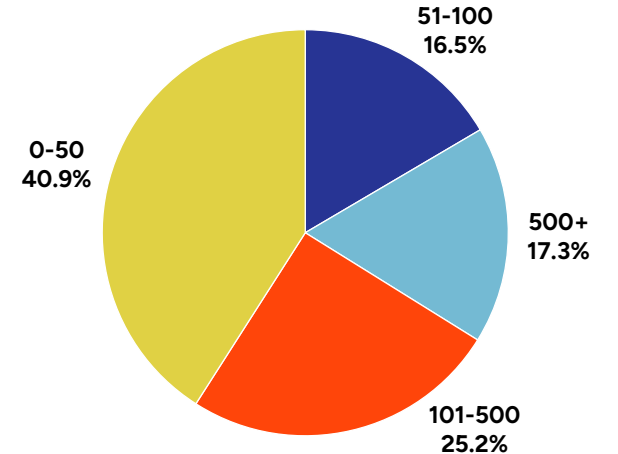
Deal Activity - by Target Type, 9M 2024



Deal Activity - by Target Industry, 9M 2024



Deal Activity – by Employee Size, 9M 2024



- **End-to-end engineering** dominated the landscape, accounting for **41%** of total deals, underscoring the demand for comprehensive engineering solutions that can integrate software, embedded systems and mechanical design, as **companies seek to streamline operations across sectors like automotive & manufacturing**
- **Software and embedded deals** combined made up **48.7%** of total deal activity, reflecting the rising emphasis on software-driven innovation and embedded systems integration. This surge is particularly **relevant as industries continue to prioritize digital technologies, IoT, and automation**, areas that have seen accelerated adoption in 2024
- **32.1%** of deals targeted **industry-agnostic companies**, reflecting an **increasing demand for versatile engineering solutions** that can be scaled across multiple industries. **~18%** of deals in the **industrial sector** aligns with the **global push for flexible solutions across sectors like automotive (10%) and semiconductor/electronics (8%)**, both of which also saw significant deal activity
- **~41%** of the deals involved **companies with fewer than 50 employees** highlights the **demand for nimble, specialized engineering services**. Larger companies with **500+ employees** made up just **17.3% of the deals**, indicating acquirers' focus on niche capabilities to enhance digital portfolios, particularly in software and embedded technologies

Automotive, industrial, and semiconductor sectors driving deal momentum, with end-to-end and software-led solutions providing critical innovations to meet the demand for automation and connectivity

Key Takeaways

Drivers of Growth for Engineering Services Sector

- Growth drivers include expansion of hi-tech industries in the US and Asia with an avalanche of technology disruptions
- Witnessed a rising alliance between engineering service providers and OEMs
- Outsourcing increased due to cost-cutting measures, growing product complexity and accelerated innovation cycles

Industry Outlook for 2025

- Despite economic headwinds, the engineering services sector remains resilient, driven by the adoption of digital technologies and automation
- Companies are leveraging AI, extended reality, and quantum computing to revolutionize product design and operational efficiency
- The rise of regulatory mandates and consumer demand for sustainable solutions is expected to increase investments in green engineering practices



M&A Outlook for 2025

- M&A activity will likely focus on acquiring capabilities in digital engineering, AI, and automation to stay competitive and innovate
- PE firms are expected to remain active in the engineering services space, focused on acquiring growing companies in the tech-driven sectors
- Companies will continue to pursue strategic partnerships and acquisitions, particularly in emerging markets with high growth potential



M&A Activity

- **497 deals for 9M 2024 so far.** 456 deals in 2023, slightly lower from 514 deals in 2022, as higher interest rates in 2023 increased the cost of capital, making financing more expensive for PE firms
- The most significant deal, valued at **\$35 bn**, was Synopsys's acquisition of Ansys
- Key transactions include **Capgemini's** acquisition of **D+I** in August 2024 for ~\$30 mn and **Synechron** acquisition of **Chamonix** in June 2024 for \$86 mn

Technology Holdings' Global Transaction Track Record

Technology Holdings (TH) is exclusively focused on **M&A and capital raising advisory services to Technology Services, Software, Consulting, Healthcare Life Sciences and Business Process Management Companies**. Over 24 years, TH has built deep expertise in digital platforms, with global reach and extensive strategic buyer and private equity relationships to help clients navigate through a sale and/or capital raise process, and to secure premium valuations.



Boutique Investment Banking Company of the Year



Boutique Investment Bank of the Year Award



M&A Deal of the Year Award
(\$100 mn – \$250 mn)



Cross-Border Deal of the Year Award



Mid-Market M&A Advisory Company of the Year Award

Engineering Services Transactions



Has been acquired by



Digital Engineering



Has been acquired by



MedTech Product Design & Engineering



Has been acquired by



Digital Product Engineering



Has been acquired by



Fintech Software Engineering



Has been acquired by



Digital Product Engineering



Has been acquired by



Software Engineering, Telco & Embedded Systems



Has been acquired by



MedTech Design & Innovation Consulting



Has been acquired by



Healthcare Innovation Consulting



Has been acquired by



Digital & Innovation Consulting



Has been acquired by



Engineering Design Services



Has been acquired by



Semiconductor Engineering Services

[CLICK HERE](#)

TO VIEW ALL TRANSACTIONS

AMERICAS



Vivek Subramanyam
Founder and CEO
vivek@technologyholdings.com
+44 7778863790



Jordan Houtz
Associate Director
jordan@technologyholdings.com
+1 801 935 1776



Sriharsha K V
Associate Director
sriharsha@technologyholdings.com
+91 961 994 0526



Geeta Ramanathan
Managing Director
geeta@technologyholdings.com
+44 7807173414



Michael Harris
Vice President
michael@technologyholdings.com
+1 512 296 6123



Abhishek Vaish
Associate Director
abhishekv@technologyholdings.com
+91 702 636 4000

EMEA



Bruce Green
Director
bruce@technologyholdings.com
+44 7917 683704



Pascal Berto
Vice President
pascal@technologyholdings.com
+33 601352815



Vasudha Sehgal
Associate Vice President
vasudha@technologyholdings.com
+91 997 128 3456

DACH



Pablo Jorge
Associate Director
pablo@technologyholdings.com
+44 7939 477147



Ryan Edelmann
Vice President
ryan@technologyholdings.com
+49 151 58070355



Eugene Chua
Associate Director
eugene@technologyholdings.com
+65 9722 1725

SINGAPORE