Canadian IT Services M&A

H1 2026 Review and Early H2 Update

Osprey Capital Partners

Founded in 1998, Osprey Capital Partners is one of the largest independent investment banking firms in Canada.

Mid-Market Expertise

Proven Track Record

Proprietary Database

Dedicated Team

Optimized Process

Value Creation

Osprey Capital Partners Inc. is a Canadian Mid-Market Investment Bank Headquartered in Toronto.

Additional Offices are located in Winnipeg, Calgary and Halifax.

Our firm is led by a group of dedicated investment bankers who possess in-depth knowledge and expertise in a wide-range of industries and sectors.

Our strength is in:

- M&A transactions where we have a strong track record of successful outcomes for clients;
- Growth financings for companies already generating revenue and profit.

Osprey Capital's national platform is extended globally through membership in Globalscope, a leading international family of corporate finance and business advisors.

Manufacturing | Technology | IT Services | Distribution | Food and Beverage | Industrial | Healthcare

Introduction

Casey Scanlan
Partner
cscanlan@ospreycapital.ca
416-867-8279

Global first half M&A reached US$3.28 trillion, up 48% -almost entirely on deal size- with megadeal volume up 125%. Below US$1 billion, value has been flat since 2025 across roughly 47,000 transactions. North American IT services volume fell 11.8% to 261 deals, and Canada fell 39.4% to 20. Capital pooled at the top while the mid-market waited for proof.

What buyers bought shows in the mix. Managed security rose 31%, IT consulting and systems integration 14%, back office BPO 18%. Managed services fell 36%, digital engineering 42%, IT staffing 17%. Generic managed services is recurring and still lost a third of its volume. Recurring revenue has stopped being the test; what matters now is whether it's a service the client cannot cancel, cannot defer, and cannot source cheaper.

Public markets priced the same judgment (plus AI fears). XLK rose 32.3% while CGI, Cognizant, Accenture, Kyndryl and EPAM fell materially. Gartner has 2026 IT spending growing 14.2%, data centre systems 62.5% and IT services 5.3%. Budgets are growing at the layer AI consumes and stalling at the layer that sells hours. The 44% rebound since 30 June arrived ahead of any improvement in bookings, so it repriced durability, not demand.

Scale cannot be changed before a sale. However, mix can. Our size curve runs from 6.7x below US$5 million of enterprise value to 12.7x above US$500 million. The subsector spread is nearly as wide, roughly 8x for resale led models against 16x for data and security. Add ons were 37% of screened North American volume, and sponsors holding 16,000 companies past four years cannot exit but can still buy. The bid for Canadian IT services businesses is real, mostly from the US and Europe, and the sellers who win are currently optimizing.

KEY TAKEAWAYS

261

Screened North American transactions in H1 2026, down 11.8% year over year

4 of 9

IT services subsectors grew despite a lower overall transaction count

+44%

Median early H2 price return for CTSH, EPAM and GLOB through 10 September

Public Markets and IT Spending

KEY TAKEAWAYS

H1 2026 produced a sharp divergence between technology indices and labour-based IT-services equities. XLK rose 32.3%, while the services named in the exhibit declined 30% (CGI) to 61% (EPAM).

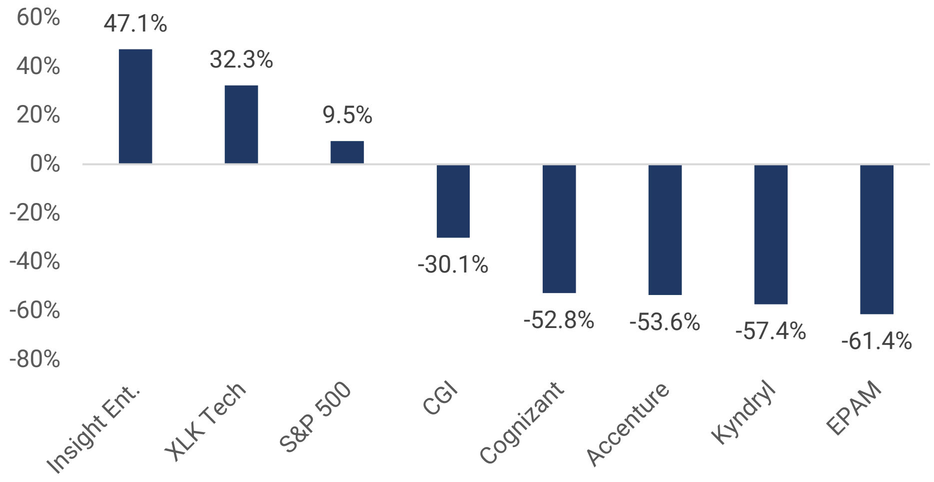
That divergence narrowed in early H2. Cognizant, EPAM and Globant rose approximately 26% to 51% from 30 June through 10 September. The recovery is meaningful, but it starts from a depressed base.

Spending remains supportive but uneven. Gartner forecasts 14.2% total IT-spending growth in 2026, led by data-centre systems and software. Reported IT-services growth is 5.3%.

The read-through is improving confidence, not a synchronized upcycle. Public multiples are recovering ahead of clear evidence in bookings or M&A volume.

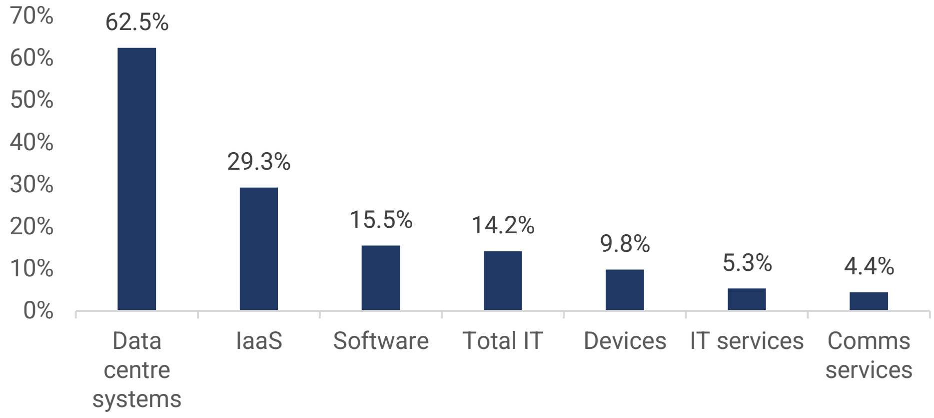
H1 2026 Price Returns

- H1 was a sector-specific de-rating. XLK rose 32.3%, while CGI, Cognizant, Accenture, Kyndryl and EPAM fell 30% to 61%.
- Since 30 June, Cognizant, EPAM and Globant have recovered approximately 26% to 51%. This closes part of the valuation gap but does not erase the H1 decline.
- The initial trigger was weaker bookings and lower guidance across labour-led providers. Recent issuer updates are better, but still point to modest growth.



Worldwide IT Spending Growth, 2026E

- Gartner forecasts total 2026 IT-spending growth of 14.2%, but the mix is concentrated in data-centre systems (+62.5%) and software (+15.5%). Reported IT-services growth is +5.3%.
- ISG's Americas managed-services ACV fell 12% in Q2, while XaaS and AI-infrastructure demand expanded. Budget growth is real but uneven across delivery models.



Source: Osprey Capital analysis; Gartner, July 2026; ISG Index, Q2 2026; company filings and market data through 10 Sep. 2026.

Canadian IT Services Deal Activity

KEY TAKEAWAYS

Canada was the clear regional laggard in H1 2026. Screened volume declined 39.4% to 20 transactions, versus an 8.4% decline in the United States.

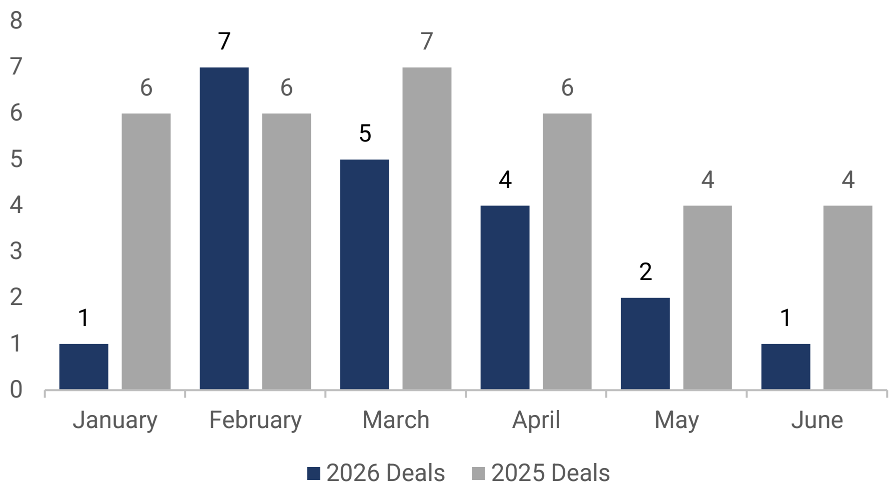
Q1 remained active at 13 transactions. Q2 slowed to 7, including only one announcement in June.

Ontario drove the contraction. Quebec and Alberta gained share, while British Columbia remained subdued.

July activity improved sequentially, but the evidence still supports selective stabilization rather than a broad Canadian rebound.

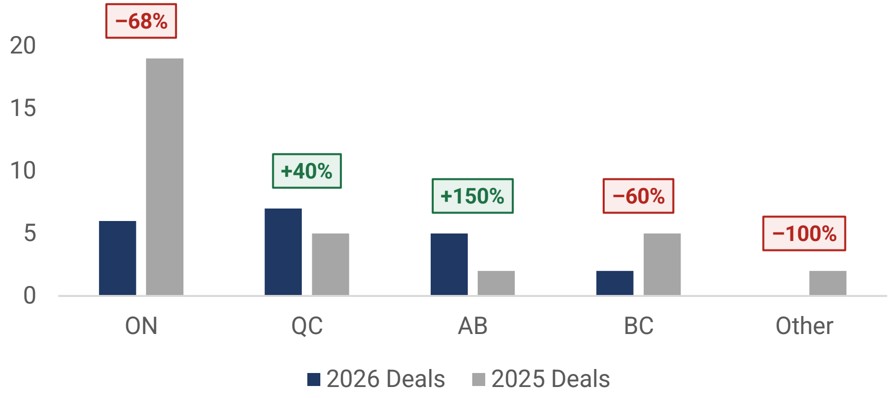
IT Services Deal Count by Month

- Screened Canadian IT-services volume fell to 20 transactions from 33, down 39.4%, versus an 8.4% decline in the United States.
- Activity was front-loaded. Q1 produced 13 transactions versus 19 a year earlier, while Q2 produced 7 versus 14.
- Only two H1 2026 deals disclosed value, totaling US$128 million, compared with seven deals and US$2.2 billion in H1 2025. The comparison is heavily influenced by two 2025 take-privates.
- Three Canadian targets were recorded in July, versus one in June. That is encouraging sequentially, but not enough to call a recovery.



IT Services Deal Count by Province

- Ontario accounted for the full year-over-year decline, with 6 transactions versus 19.
- Quebec led with 7 transactions, up from 5. Alberta increased to 5 from 2, while British Columbia declined to 2 from 5.
- Investissement Québec's C$125 million minority investment in Sherweb was the largest publicly disclosed Canadian IT-services transaction of H1 2026.



Source: Osprey Capital analysis of screened PitchBook data. Transactions announced 1 Jan.-30 Jun. 2025 and 2026; July 2026 is excluded from H1 comparisons.

Osprey Capital Partners

Transaction Activity

OSPREY CAPITAL PRIVATE EQUITY COVERAGE

+1,700 private equity firms covered

Active Acquirers of Canadian IT Services Assets in 2026

AYCE Capital	F12.net	LYRA Technology Group	COFOMO	CGI	Innovia Consulting
5 Deals	**3 Deals**	**3 Deals**	**3 Deals**	**2 Deals**	**2 Deals**

Notable IT Services Transactions

Osprey Capital		Osprey Capital				
SDG	Capgemini	solifi	Coforge	accenture	Persistent	accenture
Acquired	Acquired $3,300M	Acquired	Acquired $2,350M	Acquired $1,200M	Acquired ~$1,400M	Acquisitions $4,180M
Synergetika	WNS	leasepath	encora	OOKLA	nagarro	DRAGOS, runZero, NETRISE
Jun 2025	Jul 2025	Jul 2025	Dec 2025	Mar 2026	Jun 2026	Jun 2026
Cybersecurity IT Services	BPO	FinTech	Digital Eng.	Network Intel.	IT Services	Cybersecurity

Source: Osprey Capital analysis and company disclosures. Acquirer counts: Jan. 2025-Jul. 2026. Deal cards: Jun. 2025-Jun. 2026; US$.

North American Activity and Buyer Mix

Canada Was the Regional Outlier

- Screened North American IT-services transactions declined 11.8% to 261 from 296.
- United States volume fell 8.4% to 241 from 263. Canada fell 39.4% to 20 from 33.

Subsector Performance Was Highly Bifurcated

- IT consulting and systems integration increased 14%, managed security 31%, back-office BPO 18%, and value-added resellers 6%.
- Managed services declined 36%, digital and software engineering 42%, data-centre and hosting 21%, analytics 9%, and IT staffing 17%.
- The mix is consistent with buyers prioritizing security, mission-critical workflows and specialist capability over undifferentiated delivery capacity.

Sponsors and Programmatic Acquirers Remained Active

- Strategics represented 44% of screened North American transactions. Platform add-ons were 37%.
- Including direct sponsor investments, sponsor-backed buyers influenced approximately 56% of volume, broadly stable year over year.
- Roughly 60% of screened Canadian targets were acquired by foreign buyers. Cross-border participation remained important despite lower overall volume.

Source: Osprey Capital analysis of screened PitchBook data, H1 2025 and H1 2026.

Private-Market Valuation Evidence

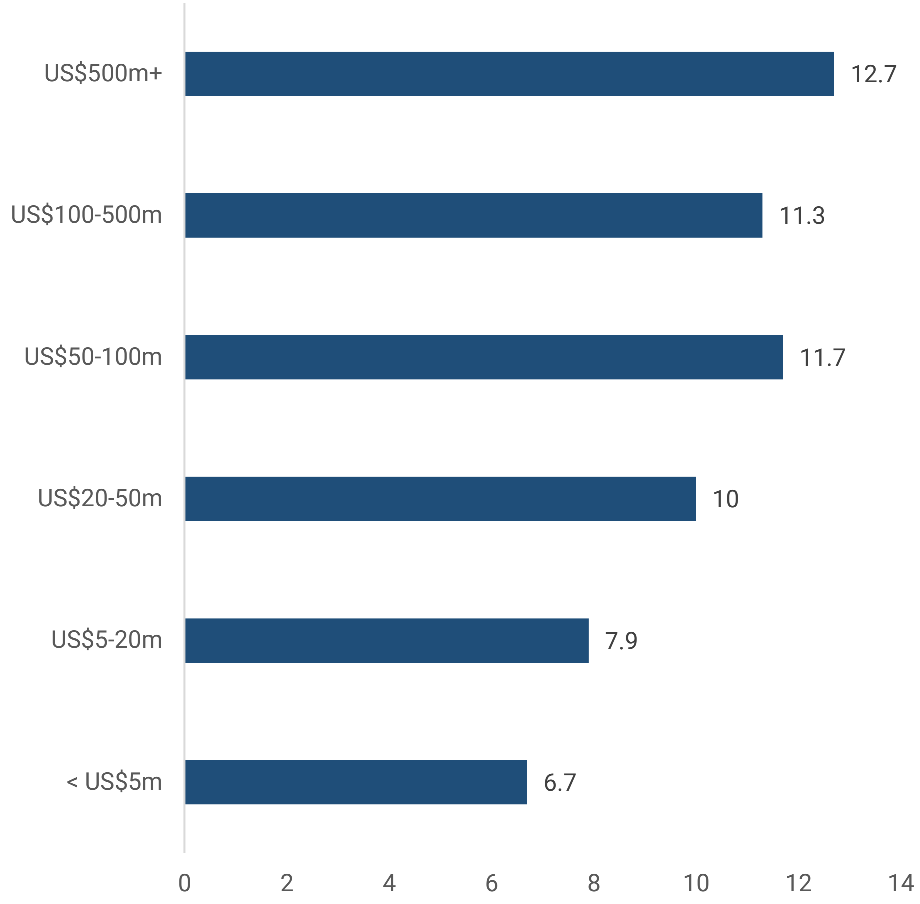
KEY TAKEAWAYS

PitchBook shows median EV/EBITDA of 11.5x on only seven disclosed deals, versus 12.8x on four a year earlier. Median EV/revenue was 2.0x on 18 deals, versus 1.6x on 12.

Scale, recurring revenue, cybersecurity exposure and vertical specialization remain the most consistently cited drivers of premium outcomes.

Illustrative EV/EBITDA by Enterprise Value

- Benchmarks show a steep size curve, from approximately 6.7x below US$5 million of enterprise value to 12.7x above US$500 million.
- Subsector ranges are similarly wide. Published medians place data and analytics and cybersecurity near 16x, compared with approximately 8x for resale-led models.
- Recurring revenue, contract duration and management depth can move outcomes materially within any size band. MSP benchmarks indicate a 1.5x-3.0x premium for recurring revenue above 70%, but definitions and samples vary.



Source: Screened PitchBook disclosures; Aventis Advisors; Solganick; CT Acquisitions; Drake Star. Adviser benchmarks are directional.

What Buyers Reward and Underwrite

Characteristics Supporting Premium Outcomes

- Contracted or highly recurring revenue, strong renewal history and limited customer concentration.
- Cybersecurity, data, vertical workflow or other capabilities that are costly for buyers to build organically.
- Scalable delivery with evidence that automation and AI improve gross margin, utilization or service quality.
- An established management team and a credible path to platform scale.

Factors Driving Valuation Discounts

- High exposure to time-and-materials billing, discretionary projects or commoditized labour.
- Revenue concentration, weak retention, short contracts or material owner dependence.
- Resale-led economics without a differentiated services layer.
- Digital-engineering models where revenue growth, utilization and pricing remain exposed to client deferrals and AI substitution.

Evidence Required To Maximize Value

- Cohort-level retention, backlog and renewal analysis.
- Gross margin and utilization by service line, with quantified impact from automation and AI.
- Customer concentration, management succession and security or compliance credentials.
- A clear organic growth plan and identified add-on opportunities that strategic and sponsor-backed buyers can underwrite.

Source: Osprey Capital analysis; screened transaction data; published IT-services and MSP valuation benchmarks.

Sector Drivers and Risks

Structural Demand Drivers

- Enterprise AI implementation is shifting spend toward data readiness, governance, integration and secure deployment.
- Managed cybersecurity demand remains supported by regulatory pressure and persistent talent shortages.
- Cloud modernization and data-centre capacity continue to attract capital, particularly where providers own mission-critical customer relationships.
- Canadian public-sector and regulated buyers create opportunity in sovereign cloud, data residency and security.

Near-Term Risks

- Americas managed-services ACV fell 12% in Q2, with IT outsourcing down 23%.
- Labour-based delivery models face pressure as clients shift from headcount pricing toward outcome-based contracts.
- Rapid infrastructure spending can crowd services budgets, while discretionary transformation programs remain easy to defer.
- Public-sector consulting restraint and procurement delays may weigh on Canadian demand.

Canadian Considerations

- Cross-border buyers remain essential. Roughly 60% of screened Canadian targets were acquired by foreign buyers in H1.
- A weaker domestic transaction market may increase the value of scarce, scaled assets, but it also raises execution risk for undifferentiated businesses.
- Data-residency requirements and local customer relationships can support defensibility in government and regulated verticals.
- Owners should be prepared to evidence revenue quality, delivery productivity and management depth before testing the market.

Source: Gartner; ISG Index, Q2 2026; Cognizant, EPAM and CGI filings; Government of Canada; Osprey Capital analysis.

Early H2 2026 Outlook

Public Markets Have Rebounded From the H1 Trough

- From 30 June through 10 September, Cognizant, EPAM and Globant rose approximately 51%, 44% and 26%, respectively.
- The median gain of roughly 44% is material, but all three entered H2 from sharply depressed levels.
- Equity investors are beginning to price stabilization. A full re-rating will require sustained bookings and organic growth.

Operating Indicators Point to Stabilization, Not Acceleration

- Cognizant reported Q2 revenue growth of 4.1% in constant currency and raised full-year guidance, although quarterly bookings declined.
- EPAM delivered 3.4% organic constant-currency growth and maintained a measured outlook.
- CGI reported 1.3% constant-currency revenue growth, 100% quarterly book-to-bill and a 108% trailing book-to-bill.
- Together, the results support a better demand floor, not a synchronized sector upcycle.

M&A Recovery Should Remain Selective

- July produced three screened Canadian announcements after one in June. The sequential improvement is encouraging but statistically thin.
- Large global transactions continued in cybersecurity, digital engineering, BPO and network intelligence, demonstrating strategic appetite for scarce capabilities.
- Our base case is improving confidence before improving volume. High-quality assets can clear in H2, while a broad Canadian recovery depends on firmer bookings and better valuation visibility.

Source: Osprey Capital analysis; company filings; market data through 10 Sep. 2026; screened PitchBook data.

Disclaimer

This material may not be reproduced in any format by any means or reproduced without the prior written consent of Osprey Capital Partners.

Osprey Capital draws on sources it believes to be reliable, but makes no representation or warranty, express or implied, as to the accuracy or completeness of the information in this presentation. The material reflects what was known to the authors at the time of writing and is subject to change without notice. Forward-looking information and statements are subject to risks and uncertainties, many of them difficult to predict, that could cause actual results to differ materially from those expressed, implied, or projected. Past performance is not an indication or guarantee of future performance, and figures may vary as a result of currency fluctuations.

The views expressed accurately reflect the personal views of the authors regarding the subject securities and issuers, and do not necessarily coincide with those of Osprey Capital. Officers, directors, and partners of Osprey Capital may hold positions in the securities of the companies discussed, and the firm may from time to time provide financial or related services to them. As with all Osprey Capital employees, the authors' compensation is affected by overall firm profitability.

This presentation does not constitute advice, or a recommendation, offer, or solicitation with respect to the securities of any company discussed. It is not intended to provide a basis for any investment decision and should not be relied upon as such.

Toronto

3420-130 Adelaide Street West
Toronto, ON M5H 3P5
416-867-8300

Calgary

1800-330 5th Avenue SW
Calgary, AB T2P 2W1
403-827-1014

Winnipeg

901-225 Carlton Street
Winnipeg, MB R3C 0V3
204-292-2230

Halifax

418-400 Mic Mac Boulevard
Dartmouth, NS B3A 4L7
902-877-1401