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MANAGED IT SERVICES
M&A UPDATE | July 2025 Review

STABLE MSP / IT SERVICES M&A VOLUME IN 2025 Q1

Managed Service Provide (MSP) & IT Services mergers & acquisitions (M&A) volume in 2025 Q1 was in-line with the previous quarter with 93 MSP / IT Services Buyout / LBOs transactions with private equity groups and 94 rollups / bolt-ons transactions with strategic acquirors. Rollup / bolt-on volume increased from 87 transactions in Q4 to 94 transactions in Q1 as strategics further capitalized on inorganic growth opportunities in the first three months of 2025.

MSP and IT Services M&A activity remained resilient through Q1 2025, despite headwinds from heightened geopolitical tensions and evolving tariff policies. Strategic and financial buyers continue to view the sector favorably and deal volume reflects sustained interest in scaling platform investments and driving inorganic growth through targeted add-ons.

The MSP / IT Services sector is undergoing rapid evolution, with providers shifting from reactive support to strategic advisory roles amid rising client expectations and increasing complexity in areas like cybersecurity and compliance. To remain competitive and scale efficiently, MSPs are embracing automation, talent upskilling, and deeper ecosystem integration. Following a slower 2024, M&A activity is rebounding in 2025 as MSPs pursue acquisitions to accelerate growth and expand capabilities. Please reach-out to Practice Head, Chris Weingartner if you're interested in learning more about how you can achieve a successful sale of your MSP / IT Services business or the trends we are seeing in the industry.

SILICON Y'ALL – TECHNOLOGY SUMMIT 2025

Founders' Technology practice looks forward to what is ahead in the back-half of 2025 and is excited to hold our 11th annual Silicon Y'all from October 6-8, 2025. We have a few spots left for strong IT Services companies, if interested, please reach out to Rachael Jenkins. For more information about the summit, please visit www.siliconyall.com.

SY
SILICONY'ALL

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SILICON Y'ALL – 2025 TECHNOLOGY SUMMIT

Founders is preparing to host its eleventh annual Technology Summit, Silicon Y'all and encourages you to join the waitlist at www.siliconyall.com and save the date: October 6-8, 2025 at the Renaissance Ross Bridge Resort and Spa in Birmingham, AL.

Silicon Y'all is an invitation-only event of technology CEOs and leading private equity companies. Over three days, participants engage in meaningful discussions about growth, value, and current industry trends while enjoying delicious food, scenic views, and true Southern charm and hospitality Birmingham has to offer.

Learn from top entrepreneurs in the tech world who have created substantial wealth for themselves and their shareholders.

Network with other executives and entrepreneurs amidst the scenic beauty, rich heritage, and friendly Southern Hospitality that Birmingham has to offer.

Enjoy the finest southern cuisine and tradition during the Technology Summit while you socialize with industry peers.

Hear from keynote speakers as they provide first-hand accounts of their experiences, both missteps and successes.

Engage with private equity groups and strategic acquirers that are focused on SaaS and Internet businesses.

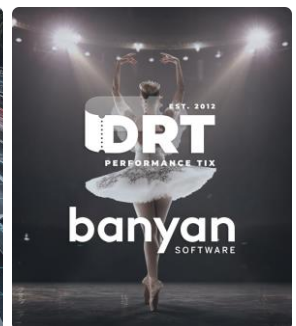## Founders Recent Deals Spotlight

NetSuite Consulting Solutions

Cloud-based Practice Management System

Shipment Management & Logistics Platform

Software-Enabled Recovery Solutions

Performing Arts Ticketing Software Platform

MARKET TRENDS IN THE MSP / IT SERVICES SECTOR

*By: **Chris Weingartner**, Managing Director, Technology Practice Head*

The Managed Services and IT Services landscape is undergoing rapid transformation, driven by rising customer expectations, evolving delivery models, and increasing demand for value-added solutions. These shifts are fueling a wave of consolidation across the industry.

1. MSPS POSITIONED AS STRATEGIC PARTNERS
MSPs have evolved from reactive IT support providers to embedded strategic partners. Clients now rely on MSPs to lead modernization efforts, accelerate digital adoption, and shape long-term technology roadmaps. The relationship is increasingly consultative, with MSPs enabling competitive differentiation through IT-driven innovation. MSPs who act as strategic partners, rather than vendors, drive sticky client retention and stronger valuations.

2. AUTOMATION OF MSP SERVICE DELIVERY
To scale efficiently and protect margins, MSPs are investing heavily in automation. Tasks like provisioning, ticketing, billing, and patch management are being streamlined through integrated PSA and RMM platforms. Automation is now table stakes for differentiation, driving consistency and enabling smaller MSPs to compete more effectively. Doing so successfully is a strong strategy to growing gross margins and enabling your team shift focus to higher value services.

3. CYBERSECURITY FRONT AND CENTER
Security has become the most critical service category. Leading MSPs are embedding cybersecurity into every engagement, offering advanced services like MDR, XDR, SASE, and Zero Trust frameworks. 24/7 SOC support and layered security bundles are now baseline expectations as clients prioritize cyber resilience and regulatory compliance. Bad actors continue to increase and get more creative, keeping clients secure and connected is the first-order priority.

4. RISING COMPLIANCE COMPLEXITY
Regulatory scrutiny continues to intensify, especially in healthcare, finance, and government. MSPs that provide turnkey compliance frameworks, governance support, and audit readiness are in high demand. Vertical specialization and repeatable toolkits are emerging as key differentiators. Industry specialization isn't a must, but certain ones require specific subject matter expertise.

5. TALENT SHORTAGE
Labor constraints remain acute. MSPs are expanding delivery via global teams and investing in upskilling programs focused on cybersecurity, cloud, and AI. AI is also being leveraged to augment less experienced staff, driving efficiency while maintaining service quality. Investors view employee retention as a core proxy for company culture, and minimizing turnover of key employees remains a core theme.

6. ECOSYSTEM INTEGRATION & MARKETPLACES
SaaS and hyperscaler marketplaces (e.g., AWS, Microsoft, Google) are becoming central to solution delivery. These platforms streamline procurement and enable bundling of third-party tools. Channel automation and distributor integration are also reshaping the MSP go-to-market model.

CONCLUSION
Following a quieter M&A environment in 2024, transaction activity is rebounding in 2025. MSPs are increasingly pursuing M&A as a faster, more scalable path to new capabilities. If you're considering strategic alternatives for your MSP or IT Services business, please contact me or another member of Founders' Technology team.

MSP / IT SERVICES INSIGHTS

Insights

How We Maximize Value in the Sale of MSP & IT Services Companies

At Founders Advisors, we specialize in guiding your MSP / IT Services business through a sale. What are the ways Founders Advisors maximizes value in the sales process?

Platform or Add-On – Which is My MSP?

Buyers consider a handful of factors when viewing an MSP as either an add-on or platform investment. What criteria make your company qualified to be an appealing standalone platform?

What to Look for When Choosing an MSP M&A Advisor

Certain factors should be considered when selecting an M&A advisor for your MSP business. What criteria should you consider when hiring an advisor to represent your MSP in a sales process?

The Pros and Cons of Selling Your MSP to a Peer Group Member

Peer groups members can often be of great value to one another. If considering a merger or acquisition with a fellow peer group member, what are the benefits and drawbacks to consider as an owner?

Navigating the Challenges of the CrowdStrike Update: Lessons and Strategies for MSPs

MSPs faced operational, reputational, and financial challenges following a faulty CrowdStrike update in July 2024. How can MSPs better prepare for similar incidents with other software vendors?

The Entrepreneur's Dilemma – Selling When Things are Going Well

The best time to sell your business is when it is healthy and growing, but many owners aren't interested in pursuing an exit when things are going well. As an owner, how should you think about this paradox?

Direct Versus Channel Selling – Pros and Cons for MSPs

Direct selling gives MSPs more control over customer relationships and higher margins, while channel selling allows for greater market reach and scalability but at the cost of reduced control and profitability. Which model best aligns with an MSP's goals?

The Customer Isn't Always Right – When to Fire a Challenging Client

What are the situations where it might be better to fire or not sign up a client? Doing so can sometimes be necessary to protect your company's profitability and culture.

Navigating the Broadcom-VMware Acquisition: Challenges and Opportunities for MSPs

The Broadcom-VMware acquisition is creating several challenges & opportunities for IT Services companies. How does this acquisition affect your MSP and how should you navigate the effects of the transaction.

What Is and Why Does Working Capital Matter in MSP Transactions?

Working capital becomes an essential consideration in MSP transactions. What are the reasons for its importance when selling your business?
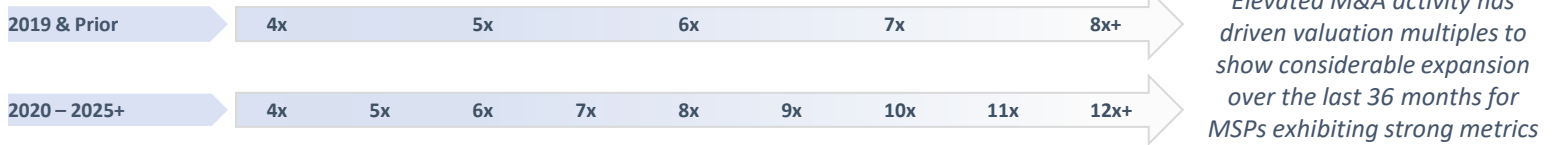
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VALUATION DRIVERS IN MANAGED IT SERVICES

Founders Managed IT Services Valuation Scorecard

Founders' MSP Valuation Scorecard isolates the most critical quantitative and qualitative factors driving valuation multiples
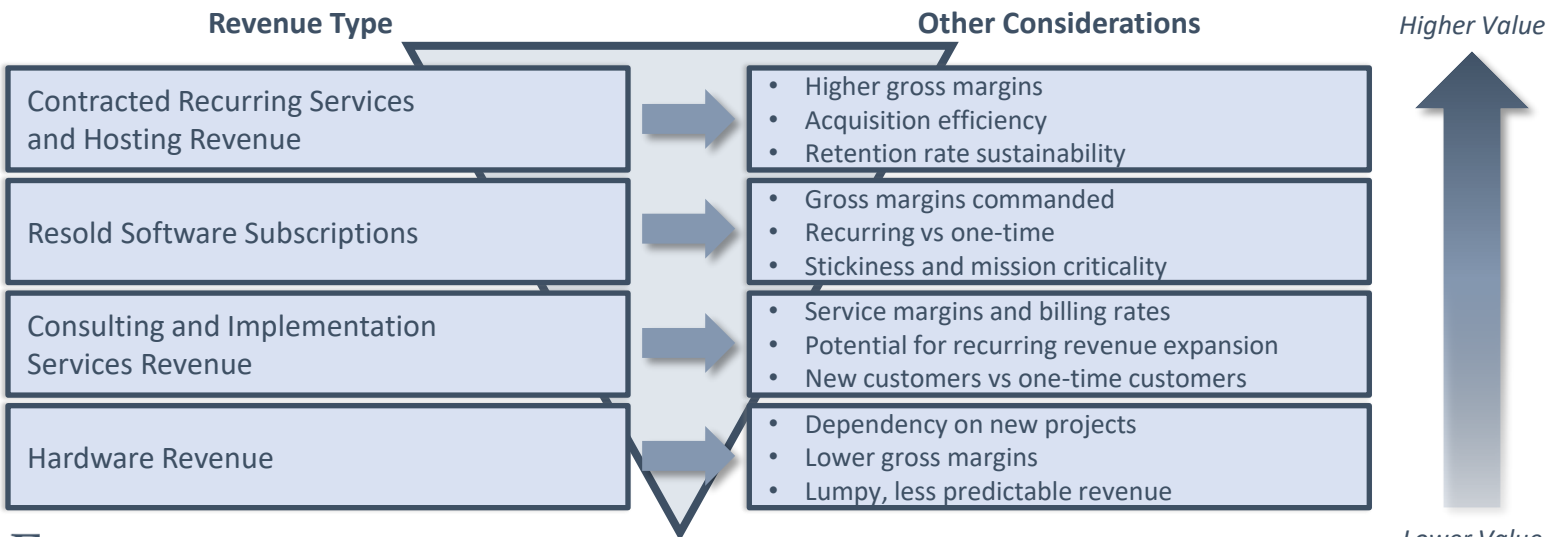
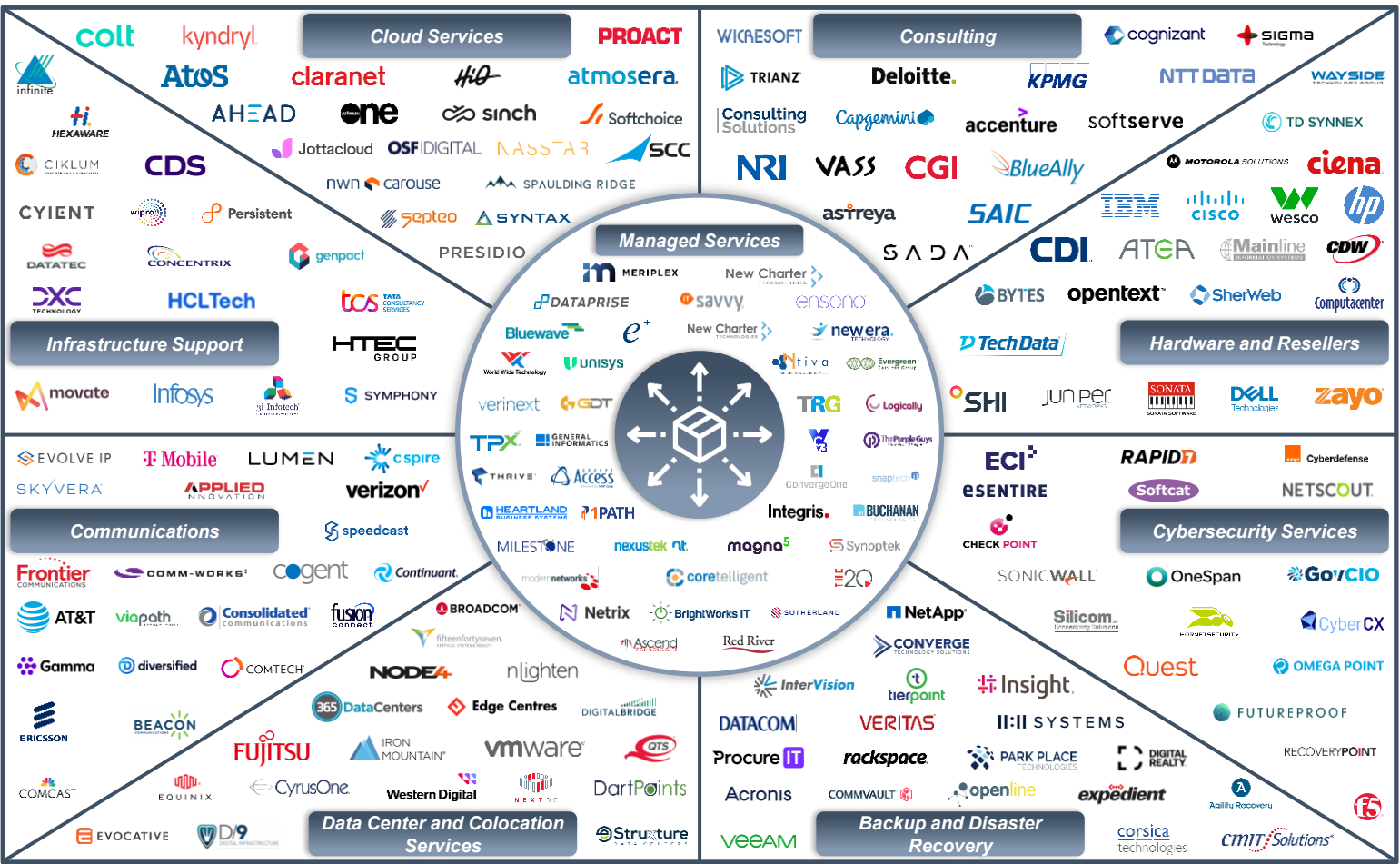### Enterprise Value / EBITDA Ranges Observed

2019 & Prior	4x	5x	6x	7x	8x+

2020 – 2025+	4x	5x	6x	7x	8x	9x	10x	11x	12x+

Elevated M&A activity has driven valuation multiples to show considerable expansion over the last 36 months for MSPs exhibiting strong metrics

Quantitative Factors			
Financial Preparedness	Consistent reporting; ability to analyze at the customer level; GAAP; proof of cash → quality of earnings + full audit is likely with investors		
Growth	< 10%	> 30%	It is important to monitor recurring growth separately from total revenue growth
Size (Total Revenue)	< $15M	> $15M	>$15M is rare, and that scale would be highly differentiated in the fragmented sector
EBITDA Margin	< 10%	> 20%	If <10%, should exhibit extraordinary marketing-driven investment and growth
Recurring Revenue	< 50%	> 80%	80%+ of revenue should come from managed customers rather than project / one-time
Retention	< 85%	> 95%	85%+ Customer Retention & 90%+ Net Retention are key benchmarks to track to
Gross Margins	<35%	>50%	Fully burdened gross margins for employee costs; measure margin by revenue stream
Agreements	< 12 Months	> 24 Months	What is the average length of managed services terms and do clients auto-renew?
Customer Concentration	> 20% for Top Customer	< 50% for Top 5 Customers	Mitigate the risk of one customer leaving and materially impacting business
Qualitative Factors			
Process Efficiencies	Does the company have efficient customer onboarding and strategy for managing their SLAs? Make onboarding and managing customers extremely efficient		
Data Integrity	Quality and quantity of non-financial data tracked, including pipeline, backlog, sales & marketing efficiency, delivery and operational metrics		
True Managed Solution	Extending services beyond a base-level reseller of solutions. Investors place premium on expertise such as an internally managed SOC or NOC, industry knowledge that enables customer success within a sector, and other sticky managed service capabilities		
Geography Considerations	Room to run in primary and secondary geographies served; ability to remotely serve customers		
Other Considerations	Quality of team, seller trustworthiness, pricing, operations metrics, predictability of MRR, ability to do M&A, end markets served, EBITDA to free cash flow conversion; quality of internal records and financial statements		

Revenue Stream Impact on Valuation for Managed IT Services

Revenue composition remains a critical driver of valuation for managed IT service providers; the below visual displays how the investor community views varying streams of revenue in terms of value and considerations influencing ultimate viewpoints

Revenue Type   **Other Considerations**   *Higher Value*

Revenue Type	Other Considerations
Contracted Recurring Services and Hosting Revenue	• Higher gross margins • Acquisition efficiency • Retention rate sustainability
Resold Software Subscriptions	• Gross margins commanded • Recurring vs one-time • Stickiness and mission criticality
Consulting and Implementation Services Revenue	• Service margins and billing rates • Potential for recurring revenue expansion • New customers vs one-time customers
Hardware Revenue	• Dependency on new projects • Lower gross margins • Lumpy, less predictable revenue

Lower Value

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IT SERVICES BUYER LANDSCAPE

Cloud Services

Consulting

Managed Services

Infrastructure Support

Hardware and Resellers

Communications

Cybersecurity Services

Data Center and Colocation Services

Backup and Disaster Recovery

Active Private Equity Investors in IT Services Ecosystem

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KEY BUYER ACTIVITY

Steady MSP & IT Services M&A Volume in Q1

MSP & IT Services LTM M&A Activity (United States)

	Q2	Q3	Q4	Q1
Strategic	93	107	87	94
PE (Financial)	71	89	101	93

■ PE (Financial) ■ Strategic
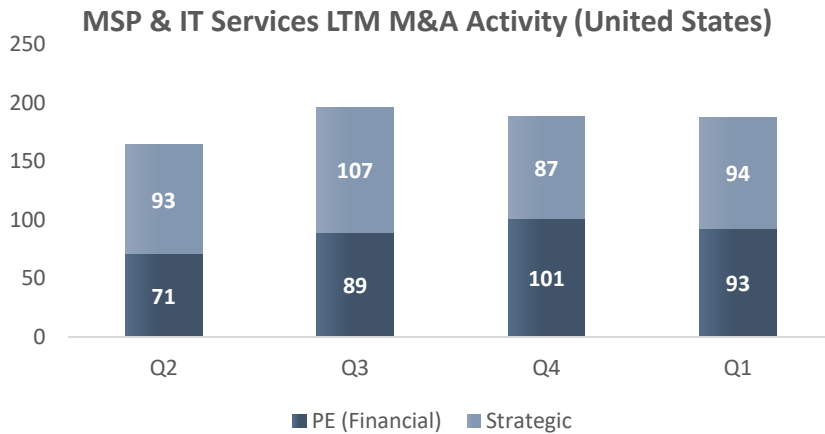
Rollup Strategy Proliferation

- Private equity has zeroed in on the MSP landscape, with a proliferation of "rollup" strategies
- Rollup strategies entail acquiring a "platform" investment to plant their flag, followed by a series of acquisitions billed "add-ons"
- Through acquiring additional entities, MSPs can expand the breadth of services provided to customers while leveraging operational efficiencies and best practices from their new partners

Select MSP & IT Services Rollups Driving Add-On Activity in the Last 24 Months

Platform (PE *Sponsor*)	Recent Add-ons		
marco (Norwest Equity Partners)	LANG	INNOVEX	HUNTER BUSINESS SYSTEMS
argano (Trinity Hunt)	ANAVATE PARTNERS	Real Dynamics / ATTENTIS An Argano Company	net LogistiK
centroid (VSS Capital Partners)	Qbit	intelletive	EPMI
BLACKPOINT IT Services (Agellus Capital)	the DIGITRUST group	COMPASS MSP	
UST (Blumberg Capital)	ISG / Endeavor	STRATIVITY / leonardo consulting	VoerEir
TYTO Athene (Arlington Capital Partners)	MindPoint GROUP	ksi / stackArmor	MICROTEL
ANATOMYIT (Atlantic Street Capital)	Manta HealthTech	MARSDEN SERVICES	IRIS SOLUTIONS

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2025 Q1 PUBLIC METRICS OVERVIEW

Public EV/LTM EBITDA Multiples

Legend: - - - Three Year Average

Values by quarter:
- Q2 2021: 16.63x
- Q3 2021: 17.69x
- Q4 2021: 17.42x
- Q1 2022: 13.84x
- Q2 2022: 11.68x
- Q3 2022: 11.02x
- Q4 2022: 11.29x
- Q1 2023: 11.70x
- Q2 2023: 11.40x
- Q3 2023: 11.43x
- Q4 2023: 12.31x
- Q1 2024: 12.56x
- Q2 2024: 12.27x
- Q3 2024: 13.76x
- Q4 2024: 12.88x
- Q1 2025: 11.54x
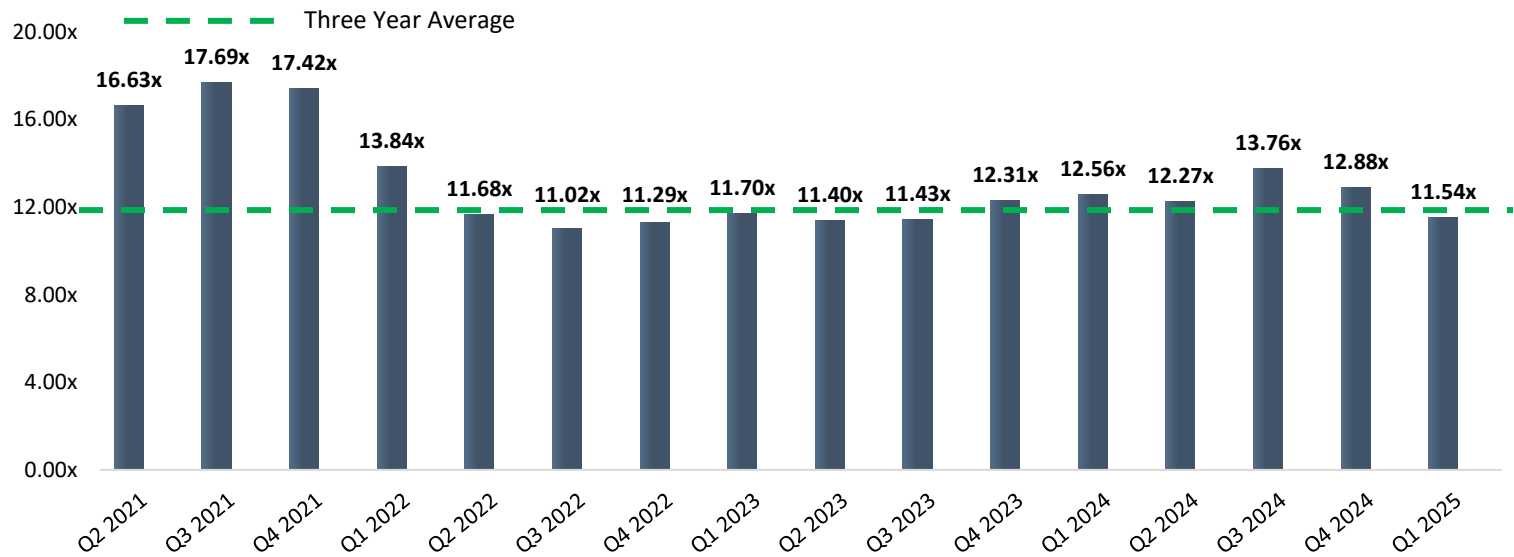
Revenue Growth

Revenue Growth Percentile vs. EV/LTM Revenue

- < 25: 9.01x
- 25 to 50: 9.87x
- 50 to 75: 14.06x
- > 75: 12.21x
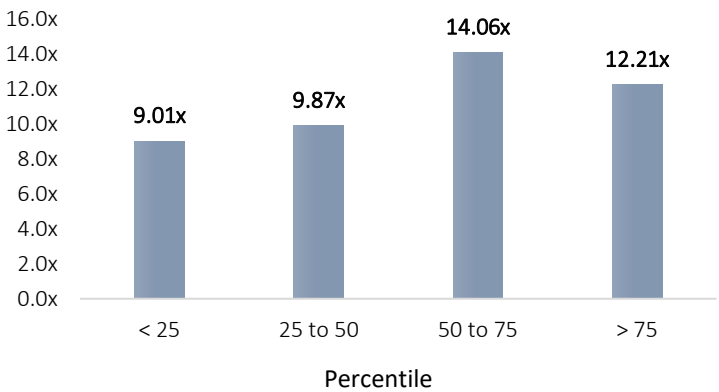
Percentile

Margins

Gross Margin Percentile vs. EV/LTM Revenue

- < 25: 10.93x
- 25 to 50: 8.03x
- 50 to 75: 12.57x
- > 75: 15.12x

Percentile

Operating Metrics

Gross Margin:
- Mean: 29.2%
- Median: 29.6%
- Min: 11.9%
- Max: 51.8%

EBITDA Margin:
- Mean: 14.4%
- Median: 15.4%
- Min: -15.4%
- Max: 28.4%

Revenue Growth:
- Mean: 1.6%
- Median: 2%
- Min: -8%
- Max: 11%

Legend: ■ Mean ■ Median ■ Min ■ Max

Source: PitchBook as of Mar. 31, 2025
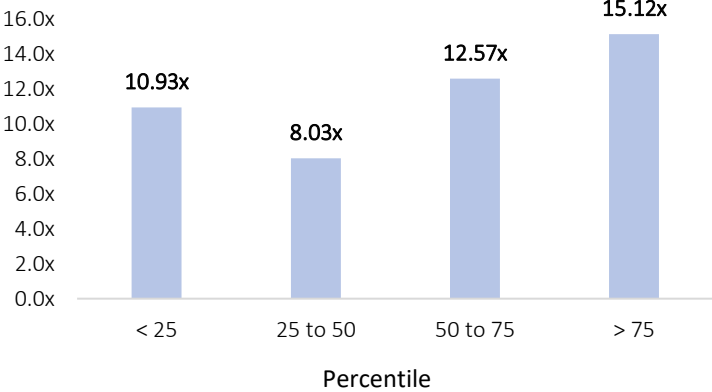
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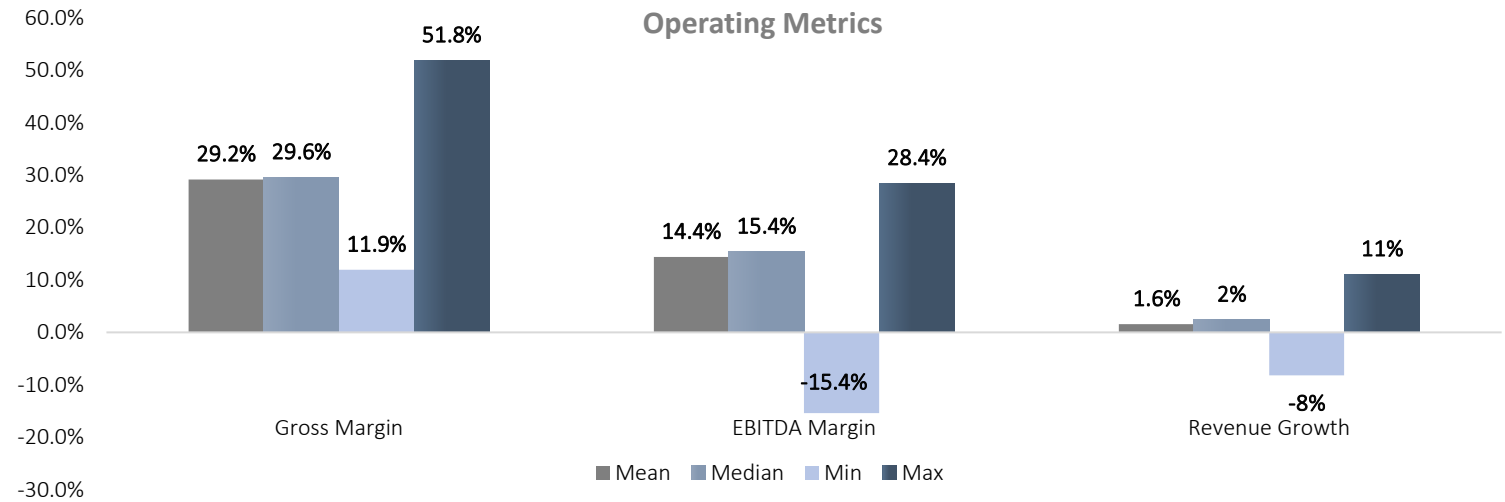
PUBLIC VALUATION & GROWTH METRICS

Name	% of 52 Week High	EV	LTM Financials					Enterprise Value Multiples	
			Revenue	EBITDA	Revenue Growth	Gross Margin	EBITDA Margin	LTM Revenue	LTM EBITDA (An. Norm.)
Accenture	78%	195,846	67,221	11,586	4%	32%	17%	2.9x	16.6x
ASGN	60%	3,671	4,100	401	-8%	29%	10%	0.9x	8.9x
Capgemini	64%	28,559	23,910	3,277	-2%	27%	14%	1.2x	7.4x
CGI Group	82%	23,633	10,835	2,067	3%	16%	19%	2.2x	11.0x
Cognizant Technology Solutions	84%	37,075	19,736	3,415	2%	34%	17%	1.9x	10.4x
DXC Technology	69%	6,127	13,088	1,409	-6%	24%	11%	0.5x	3.0x
EPAM Systems	61%	8,482	4,728	665	1%	31%	14%	1.8x	9.6x
ePlus	57%	1,521	2,125	174	-2%	26%	8%	0.7x	8.5x
Gamma Communication	64%	1,305	740	159	11%	52%	21%	1.8x	7.9x
Genpact	89%	9,624	4,767	816	6%	35%	17%	2.0x	11.0x
HCL Technologies	80%	47,707	13,780	3,297	7%	41%	24%	3.5x	15.4x
Infosys	77%	73,392	19,112	4,646	3%	30%	24%	3.8x	15.0x
Insight Enterprises	66%	5,589	8,702	489	-5%	20%	6%	0.6x	10.5x
Kyndryl Holdings	72%	9,868	15,107	1,405	-8%	20%	9%	0.7x	7.1x
Leidos	67%	21,697	16,662	2,142	8%	17%	13%	1.3x	10.0x
Nomura Research Institute	85%	19,214	4,998	1,172	5%	36%	23%	3.9x	16.2x
NTT Data Group	84%	46,604	30,133	4,635	8%	27%	15%	1.5x	9.9x
Rackspace Technology	50%	3,539	2,737	(421)	-7%	19%	-15%	1.3x	15.5x
Science Applications Int.	72%	7,696	7,479	694	0%	12%	9%	1.0x	11.0x
Softcat	86%	3,938	1,327	215	11%	42%	16%	3.0x	18.0x
Tata Consultancy Services	77%	147,089	30,126	8,567	6%	39%	28%	4.9x	18.2x
Wipro	81%	27,781	10,611	N/A	-2%	30%	N/A	2.6x	12.8x

Statistics

Min		1,305	740	(421)	-8%	12%	-15%	0.5x	3.0x
Median		14,541	10,723	1,405	2%	30%	15%	1.8x	10.7x
Mean		**33,180**	**14,183**	**2,419**	**2%**	**29%**	**14%**	**2.0x**	**11.5x**
Max		195,846	67,221	11,586	11%	52%	28%	4.9x	18.2x

Source: PitchBook as of Mar. 31, 2025

SELECT MSP & IT SERVICES Q1 TRANSACTIONS

Notable Transactions

kitepipe™ / atturra
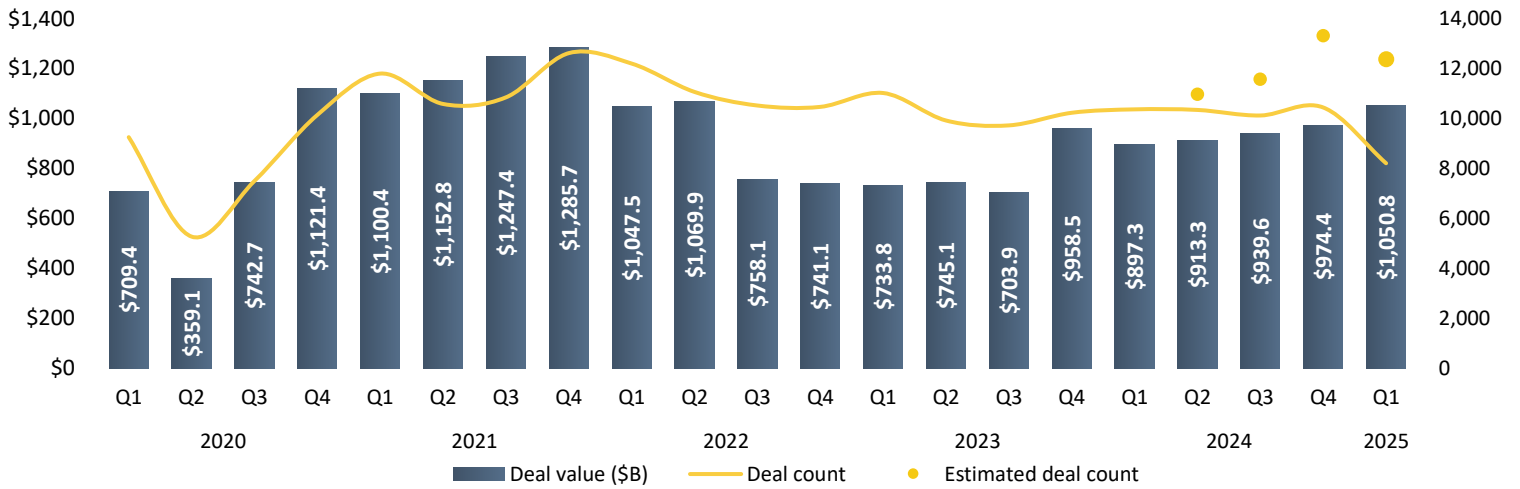
The company was acquired by Atturra (ASX: ATA) for $6.33 million on March 10, 2025. The company will receive a contingent payout of $3.18 million upon performance milestones for 2025 and 2026. The acquisition will cement Atturra's position for Boomi services with a strong team based in North America and a global offshore support team in the Philippines.

vitis technologies

The company was acquired by Vitis Technologies, a subsidiary of Prosource (Office Electronics), for an undisclosed amount on February 5, 2025. The acquisition enhances Vitis' capabilities in the Managed Services Provider (MSP) industry and enable it to deliver an even broader range of services and innovative solutions.

rythmos / Coforge

The company was acquired by Coforge (BOM: 532541) for approximately $48.7 million on March 5, 2025. The company will receive a contingent payout of $18.7 million based on revenue and EBITDA targets for 2025 and 2026. With this acquisition, Coforge sees as an opportunity to strengthen its data and cloud engineering services.

Newtek Technology Solutions / IPM

The company, a subsidiary of NewtekOne (NAS: NEWT), was acquired by Intelligent Protection Management (NAS: IPM) for an undisclosed amount on January 2, 2025. The acquisition will expand technology-focused service offerings in the cloud infrastructure and cybersecurity sectors.

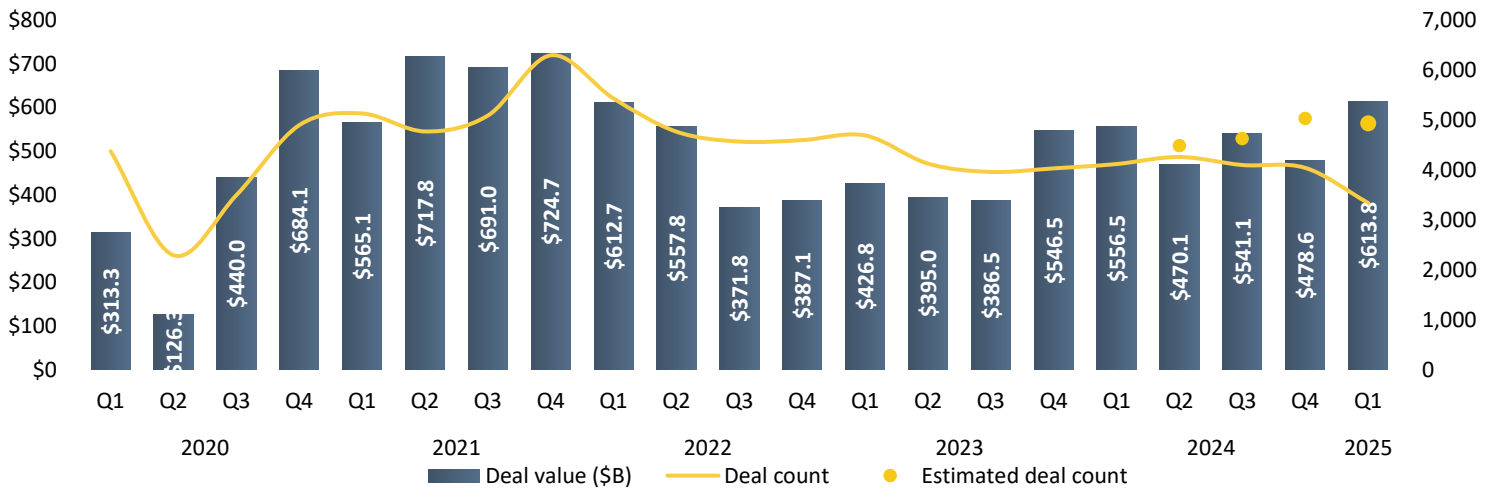| Date	Target	Buyer	EV	Revenue	EBITDA	EV / Revenue	EV / EBITDA
26-Mar-25	rokasecurity	NIGHTWING	N/A	N/A	N/A	N/A	N/A
24-Mar-25	ADVANCED DATA CENTER CONSULTING GROUP	SALUTE	N/A	N/A	N/A	N/A	N/A
18-Mar-25	ACCESSGLOBAL GROUP	ROCKBRIDGE GROWTH EQUITY	N/A	N/A	N/A	N/A	N/A
13-Mar-25	NOUS INFOSYSTEMS	TA	N/A	N/A	N/A	N/A	N/A
11-Mar-25	QUISITIVE	H.I.G. CAPITAL	$108.9	$118.7	$9.3	1.0x	12.7x
20-Feb-25	avail TECHNOLOGIES, INC.	Bluewave TECHNOLOGY GROUP	N/A	N/A	N/A	N/A	N/A
14-Feb-25	FLEXENTIAL	GI PARTNERS	N/A	N/A	N/A	N/A	N/A
14-Jan-25	Hummingbird.tech	Centre TECHNOLOGIES	N/A	N/A	N/A	N/A	N/A
05-Jan-25	omega systems	REVELSTOKE CAPITAL PARTNERS	N/A	N/A	N/A	N/A	N/A
04-Jan-25	intelliswift	L&T Technology Services	$110.0	$100.0	N/A	1.1x	N/A

$ in Millions

Source: PitchBook, Founders Market Research

GLOBAL & NORTH AMERICAN M&A ACTIVITY

Global M&A Activity By Quarter

Legend: Deal value ($B) — Deal count ● Estimated deal count

North American M&A Activity By Quarter

Legend: Deal value ($B) — Deal count ● Estimated deal count

Global M&A By Type

Legend: Sponsor backed — Corporate M&A

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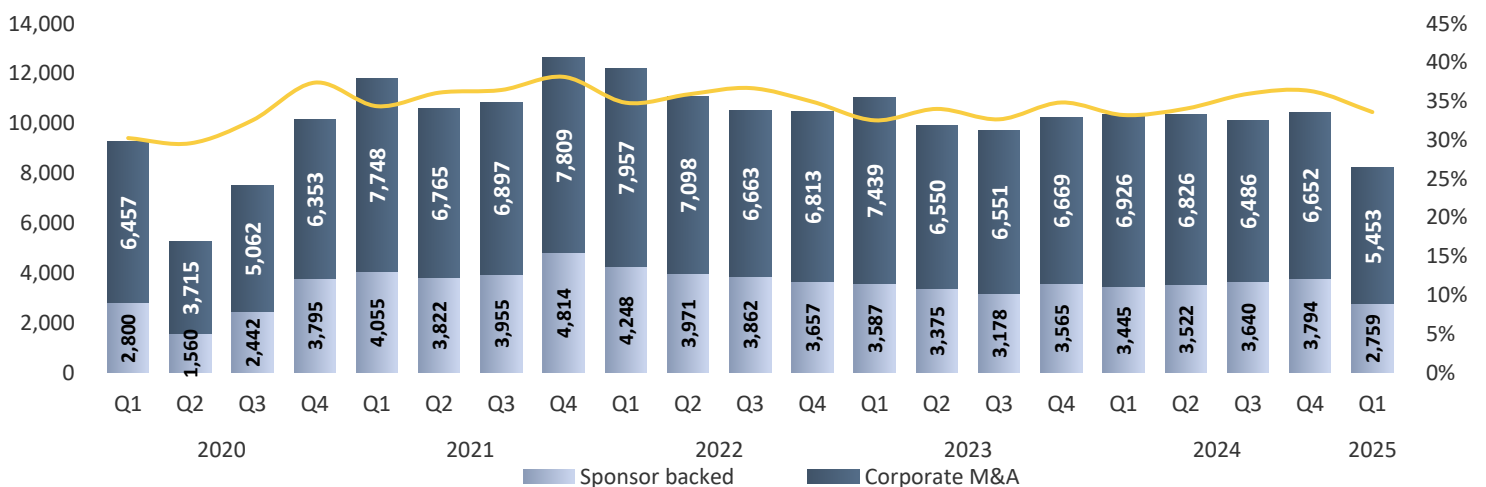
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Consulting

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Tech-Enabled Auto
Recovery Services

[Press Release](#)

Managed IT Security
Services Provider

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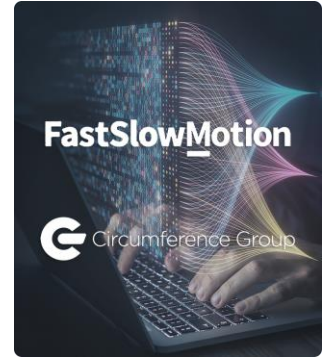
Salesforce and
HubSpot Consulting

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Advanced Workflow
Packaging Software &
Managed Services

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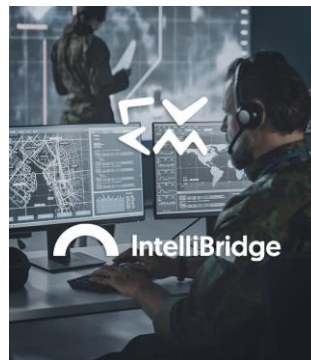
IT Consulting and
Software Development

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Microsoft Dynamics
System Integrator

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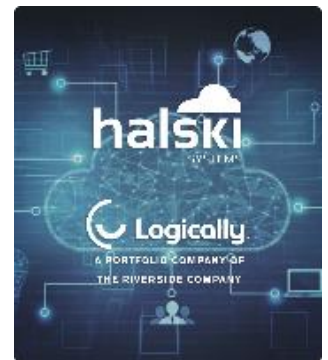
Managed Security and
IT Services

[Case Study](#)
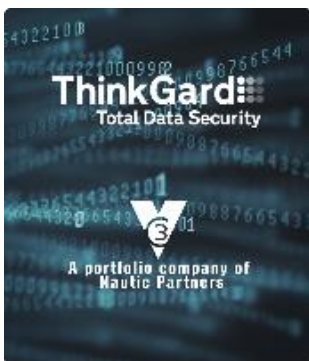
Cybersecurity and
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Management

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Managed IT Services
and Cloud Security

API Platform as a
Service

[Press Release](#)

Data and Software to
Law Enforcement
Agencies

[Press Release](#)

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FOUNDERS ADVISORS OVERVIEW

ORDER   SERVICE   GROWTH   EXCELLENCE   HEALTH   COMMUNITY

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FOUNDERS ADVISORS is a merger, acquisition & strategic advisory firm serving middle-market companies. Founders' focus is on IT Services, SaaS, software, internet, digital media, industrials, oil and gas, business services, consumer, and healthcare companies located nationwide. Founders' skilled professionals, proven expertise and process-based solutions help companies access growth capital, make acquisitions, and/or prepare for and execute liquidity events to achieve specific financial goals.

Services

- Sales & Recapitalizations
- Growth Capital
- Strategic Advisory
- Targeted Acquisitions
- Management Buyouts

Thought Leadership

- Weekly Blogs
- Founders' Forums
- Videos
- Quarterly Industry Updates

Technology Vertical Focus

- IT/ Managed Services
- EdTech
- Supply Chain
- GIS Mapping
- Internet & Digital Media
- Marketing Tech
- FinTech
- Non-Profit Software
- Property Tech
- Payments
- Big Data
- BPA
- HCIT
- GovTech
- eCommerce
- Fleet Management
- Internet of Things
- Software Integrators