



# MANAGED SERVICE PROVIDER “MSP” MARKET UPDATE Q1 2025

NEW YORK | LONDON | LOS ANGELES | PARIS | MUNICH

SAN FRANCISCO | BERLIN | DUBAI



# OUR VALUE PROPOSITION

## WHY OUR CLIENTS CHOOSE US



### 100% TECH-FOCUSED

Deep sector expertise in  
8 core tech verticals



### LEADER IN MID-MARKET TECH INVESTMENT BANKING

Top Global Boutique  
Investment Bank



### INDEPENDENT AND PARTNER-LED

Partner-owned investment  
bank with an  
entrepreneurial team



### EXTENSIVE M&A AND CORPORATE FINANCE EXECUTION SKILLS

Executing wide range of  
transactions including  
Strategic M&A, PE Buyouts,  
Private Placements, Buy  
Side, and Carve Outs deals



### GLOBAL REACH COMBINED WITH LOCAL PRESENCE

One of the largest tech  
teams with senior  
professionals in the US,  
Europe and Middle East



### STRONG TRANSACTION TRACK RECORD

Over 500 transactions  
completed incl. numerous  
tech landmark deals



### RECOGNISED BY THE INDUSTRY

9x investment bank of the  
year,  
+40x deal of the year,  
6x leadership awards

OVER 500 TRANSACTIONS COMPLETED



# PROVEN TRACK RECORD IN MSP M&A AND GROWTH FINANCING ADVISORY

**brain**sell****  
SALE TO  
**Atlantic**  
IT Services

**iccs**  
TRANSACTS WITH  
**nexustek nt.**  
a portfolio company of  
**abry partners**  
IT Services

**THE TNS GROUP**  
SALE TO  
**omega systems**  
a portfolio company of  
**PFINGSTEN**  
MSP

**coretelligent**  
a portfolio company of  
**VSS**  
MAJORITY SALE TO  
**N E P**  
Nervosa Equity Partners  
MSP

**THRIVE**  
a portfolio company of  
**M C POINTERS**  
SALE TO  
**COURT SQUARE**  
MSP

**Synoptek**  
a portfolio company of  
**SVERICA**  
HAS RECEIVED MAJORITY INVESTMENT FROM  
**QUAD-C**  
MSP

**nexustek nt.**  
RECAPITALIZATION WITH  
**abry partners**  
MSP

**abacus group llc**  
HAS SOLD A MINORITY STAKE TO  
**WESTVIEW CAPITAL PARTNERS**  
MSP

**Med Tech Solutions**  
HAS BEEN ACQUIRED BY  
**SUNSTONE PARTNERS**  
MSP

**coretelligent**  
a portfolio company of  
**VSS**  
HAS ACQUIRED  
**BOUNDSHORE TECHNOLOGY GROUP**  
MSP

**CLOUDNEXA**  
a portfolio company of  
**ACTIVATE**  
SALE TO  
**GLOBAL**  
MSP

**coretelligent**  
a portfolio company of  
**VSS**  
HAS ACQUIRED  
**UTG**  
MSP

**coretelligent**  
a portfolio company of  
**VSS**  
HAS ACQUIRED  
**SoundView IT SOLUTIONS**  
MSP

**coretelligent**  
PRIVATE PLACEMENT  
**VSS**  
MSP

**CLEARPointe**  
SALE TO  
**Accountabil IT**  
a portfolio company of  
**WESTVIEW CAPITAL PARTNERS**  
MSP



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# STRONG MOMENTUM IN MSP MARKET



**M&A activity in the MSP space gained strong momentum in Q1 2025, driven by an increase in deal volume, along with a rise in disclosed transaction value which surpassed \$1 billion\*—up from \$927 vs. the same period last year.**



**Both strategic and financial consolidators remained focused on enhancing their capabilities by acquiring IT consulting service providers, which accounted for 90% of total M&A activity in Q1 2025.**



**Strategic buyers continue to consolidate actively, with all of the top 10 players acquiring at least four MSPs. In contrast, financial investors continue to focus on single investments.**



**The global MSP market value reached \$305 billion in 2024 and is expected to grow to \$571 billion by 2033, driven by increasing IT complexities and demand for cost efficiency.**

# STRONG MARKET TRACTION DESPITE ECONOMIC UNCERTAINTY

106

MSP transactions  
in Q1 2025

\$305bn

Global managed service  
market value in 2024

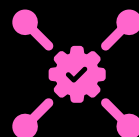
~7.2%

Expected market growth  
CAGR until 2033

## Top 3 Most Important Outcomes Achieved From Managed Services



Outsourcing IT services to  
MSPs enables operating cost  
efficiencies



Assist in navigating the  
complexities of advanced IT  
environments



Rapid deployment of  
new technology

# 3 WAYS AI IS TRANSFORMING MANAGED SERVICE PROVIDERS

The Managed Service Provider (MSP) landscape is undergoing a seismic shift — and AI is at the center of it. Once built on reactive support and labor-intensive operations, today's top-performing MSPs are becoming proactive, data-driven, and highly automated. The results? Not just theoretical — they're measurable and market-proven.

## Ramping Operational Efficiency (up to 50% Cost Reduction)

AI-powered automation is radically improving how MSPs operate. According to Zofiq, MSPs that adopt AI-based systems see 30–50% reductions in operational costs, primarily by streamlining smart ticket routing, enabling self-healing infrastructure, and automating repetitive tasks through robotic process automation. Platforms like PIA.AI report that AI can reduce ticket workloads by 50% and speed up resolutions by up to 8x through intelligent triage systems.

## Redefining the Client Experience (20%+ CSAT Improvement)

AI isn't just changing how MSPs work — it's transforming how they serve clients. Tools like AI-powered chatbots and real-time sentiment analysis are driving faster resolutions and hyper-personalized interactions. NeoAgent found that organizations using these technologies experienced a 20% boost in CSAT scores — a critical metric for retention and expansion.

## Unlocking New Revenue Streams (11-15% Uplift)

AI isn't just about cutting costs — it's also fueling growth. Zofiq's financial models show that AI-enhanced service offerings can increase top-line revenue by up to 11%. Meanwhile, ITBD reports that personalized, AI-driven client solutions are delivering a 15% boost in revenue across key service areas.

“The shift doesn't come without challenges. Talent shortages in AI engineering and data science remain a hurdle, especially for smaller MSPs. Integrating AI across diverse platforms and ensuring explainability also adds complexity. But according to ITPro, the firms that push through these barriers are not just improving margins — they're building long-term competitive moats.

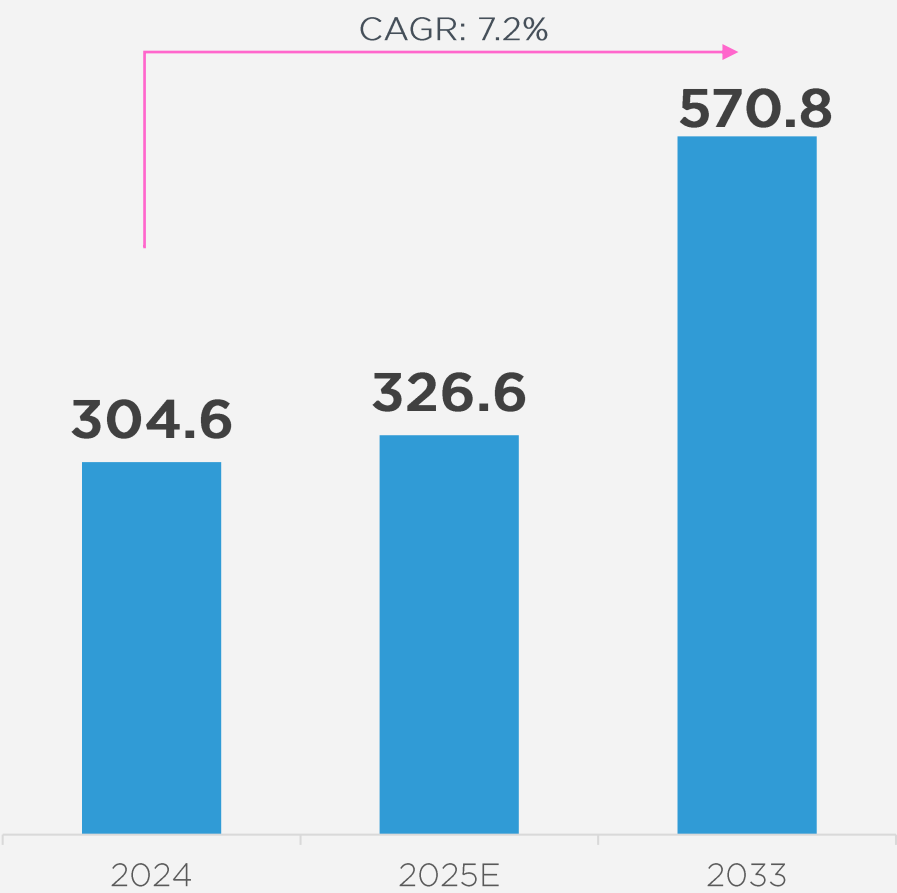
**AI isn't an add-on. It's the engine powering the next generation of MSPs.** Those who embrace it early will lead the market in performance, profitability, and client loyalty.”



**Sam Levy**  
Partner, Drake Star

# IT COMPLEXITIES AND COST EFFICIENCY DRIVING MANAGED SERVICES TO REACH \$570B

MANAGED SERVICES MARKET SIZE (in \$Bn)



## KEY DRIVERS



**Increasing Complexity:** The swift advancement of technology, varied software environments, and the integration of numerous platforms are driving the need for managed services.



**Cost Efficiency:** Managed services improve cost efficiency by optimizing resource utilization and reducing operating expenses, thereby enhancing overall profitability. Businesses are increasingly choosing to outsource to MSPs for infrastructure and tools at a predictable monthly fee, rather than investing in costly hardware and software.



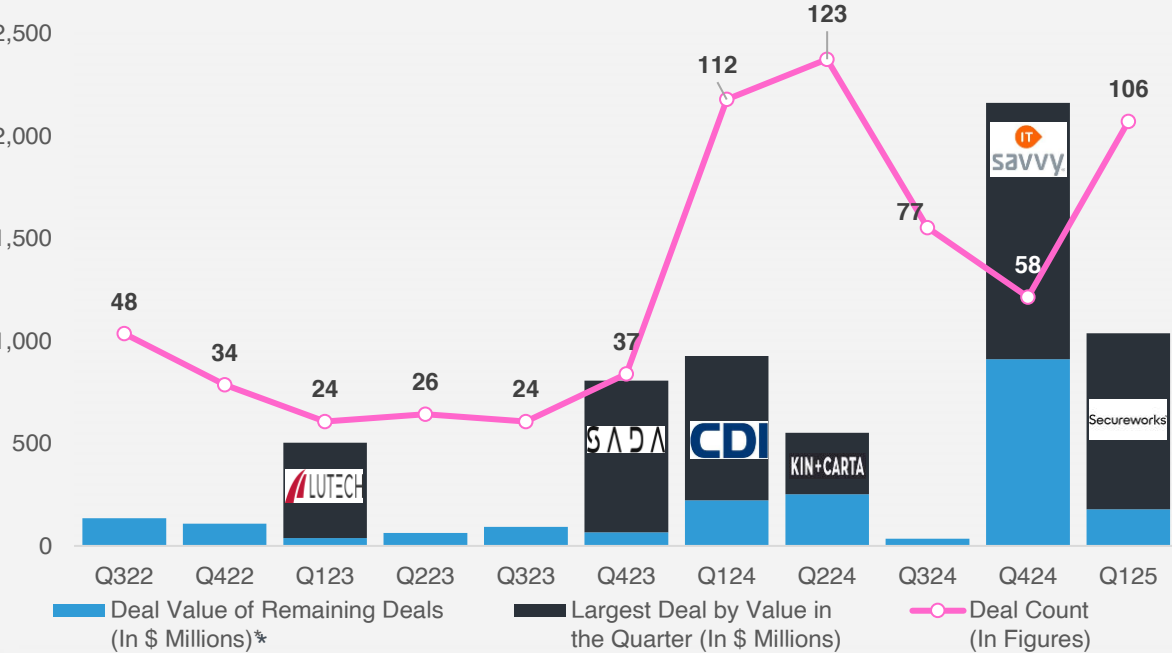
**Cybersecurity Challenges:** The rising incidence of cybersecurity threats is fueling the need for MSPs, who provide specialized solutions such as 24/7 monitoring and threat detection. These services are vital for safeguarding sensitive data and ensuring compliance with regulations.



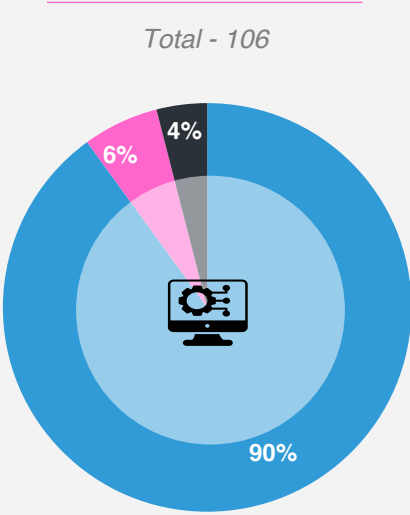
**Enhanced Business Agility:** Managed services offer the flexibility to promptly adapt IT resources to changes in the market, customer requirements, and emerging opportunities. This capability allows for swift responses without being constrained by fixed infrastructure.

# Q1 25 M&A DEAL VOLUME SURGES

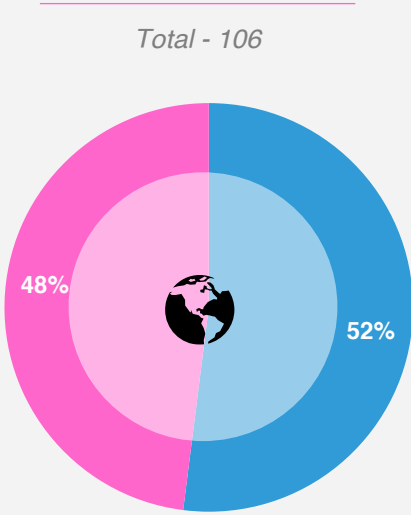
IN Q1 2025, 106 ANNOUNCED M&A DEALS IN THE UNITED STATES AND EUROPE



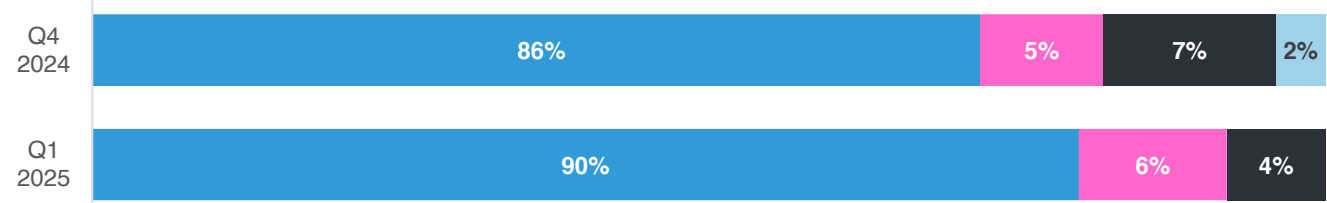
Q1 2025 DEAL COUNT BY SEGMENT



Q1 2025 DEAL COUNT BY GEO



## DEAL COUNT BY SEGMENT



IT Consulting and Outsourcing

Security Services

Internet Service Providers

System Software

Note: Deal value reflects solely the capital invested by those deals that disclose their specific value. Not all transactions report deal value.

# PLATFORM MSPS CONTINUE CONSOLIDATING THE MARKET TO STRENGTHEN AND EXPAND THEIR SERVICE OFFERINGS

## TOP 10 MOST ACTIVE STRATEGIC CONSOLIDATORS\*






































## TOP 10 MOST ACTIVE FINANCIAL CONSOLIDATORS\*\*

\*\*Most financial investors have made only a single investment in MSP companies. Therefore, apart from the first three investors, rest listed under them do not adhere to any ranking. Includes deals since April 2023. \*Ranked by total deal count.

# STRATEGIC BUYERS FROM MULTIPLE SECTORS EXPRESS INTEREST IN MSPS



Q1 2025

COMPANY	COUNTRY	EMPLOYEES	REVENUE (\$ Mn)	DEAL SIZE (\$ Mn)	EV/EBITDA	ACQUIRER	ACQUIRER COUNTRY	DATE
		2,500	--	--	--			Feb-25
Secureworks®		1,700	339.7	859.0	--			Feb-25
		900	--	157.3	--			Jan 25
		350	--	--	--			Mar 25
		300	--	--	--			Feb-25
		150	40.0	2.0	--			Feb 25
		75	--	3.5	--			Jan 25
		60	7.2	7.5	--			Mar 25
		--	--	6.3	--			Mar 25
		20	3.3	1.5	4.2			Jan 25

Note: Drake Star did not act as financial advisor on transactions listed on this page



# M&A DEALS IN THE MSP SPACE

Q1 2025




**\$859M**

ACQUISITION BY



- Secureworks was acquired by Sophos, via its financial sponsor Thoma Bravo, through an estimated \$859 million LBO public-to-private transaction on February 21, 2025.
- This acquisition strengthens Sophos' cybersecurity capabilities in threat detection and response, while expanding its global reach.

Feb-2025



**\$157M**

ACQUISITION BY



- claranet was acquired by NOS (LIS: NOS) for €152 million (\$157 Mn) on January 27, 2025.
- The acquisition will enable NOS to strengthen its position as a relevant technological partner and reinforce its value proposal in business areas such as cloud, cybersecurity, and data and AI, among others.

Jan-2025



**\$7.5M**

ACQUISITION BY



- Opti9 Technologies LLC agreed to acquire assets related to the Ace Server Management division from Infinite Group, Inc. for \$7.5 million on March 12, 2025.

Mar-2025



**\$6.3M**

ACQUISITION BY



- kitepipe was acquired by Atturra, an Australia-based IT consultancy company for \$6.33 million on March 10, 2025.
- This acquisition will enable Atturra expand its geographical reach in the US.

Mar-2025



**\$3.5M**

ACQUISITION BY





- RTC SPA was acquired by FOS (MIL: FOS) for an estimated €3.375 million (\$3.5 million) on January 30, 2025.
- This acquisition helps FOS expand its offerings in managed services, IT management, and CRM applications, while also extending its territorial presence across Northeastern Italy.

Jan-2025



**\$2.0M**

ACQUISITION BY

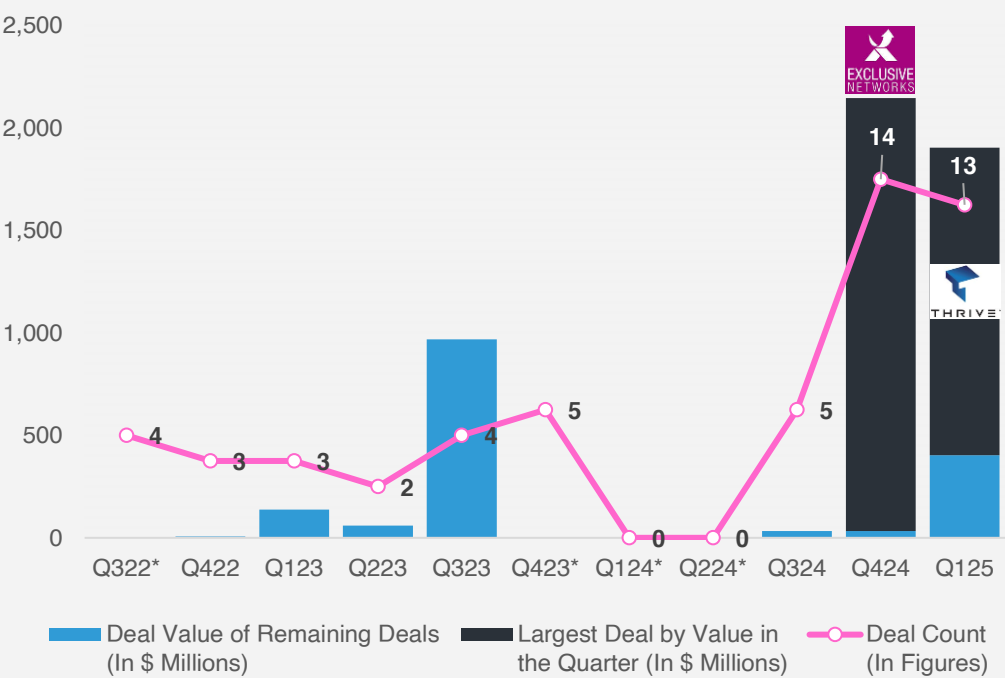


- Com.Tel acquired a 60% stake in Novanext for €1.9 million (\$2 million) on February 21, 2025.
- This transaction enables Com.Tel expand its technological capabilities.

Feb-25

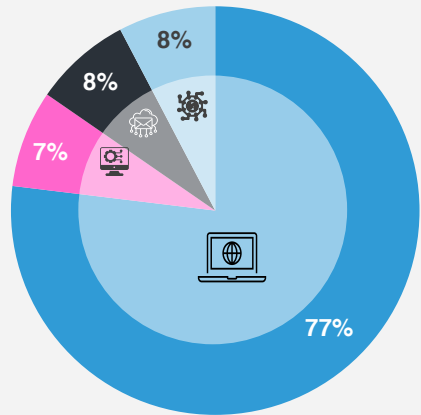
Note: This slide presents deals that have disclosed their sizes and are ranked accordingly.

# MSP PRIVATE PLACEMENT INVESTMENT VOLUME IN Q1 2025 MAINTAINED ITS STRONG LEVEL FROM Q4 2024



Q1 2025 DEAL COUNT BY SEGMENT

Total - 13



IT Consulting and Outsourcing



Security Services



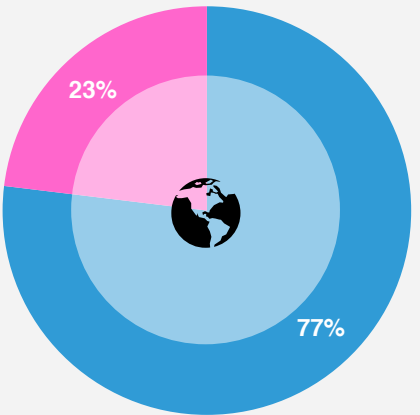
Internet Service Providers



System Software

Q1 2025 DEAL COUNT BY GEO

Total - 13































United States Europe

Note: Deal value reflects solely the capital invested by those deals that disclose their specific value. Not all transactions report deal value. Information on deal count and value by stage is available. Drake Star did not act as financial advisor on transactions listed on this page. \*No deal values disclosed for Q3 2022, Q4 2023, Q1 2024, and Q2 2024. No transactions took place in H1 2024.

# PE INVESTMENTS IN MSPS

Q1 2025

COMPANY	SUBSECTOR	COUNTRY	REVENUE (\$ Mn)	DEAL SIZE (\$ Mn)	EMPLOYEES	SELECT INVESTOR	DATE
 THRIVE™	IT Consulting and Outsourcing		--	--	1,700	 	Jan-25
 DATABANK	Internet Service Providers		217.9	250.0	750		Jan-25
 QUISITIVE	IT Consulting and Outsourcing		118.7	121.0	800		Mar-25
 SEIDOR	IT Consulting and Outsourcing		--	--	550		Feb-25
 Dynamic Campus	IT Consulting and Outsourcing		8.3	--	225		Mar-25
 COMPASS MSP	IT Consulting and Outsourcing		--	--	225		Feb-25
 omega systems	IT Consulting and Outsourcing		--	--	150		Jan-25
 devensys cybersecurity	Security Services		--	--	100	 	Jan-25
 MITIGA	Systems Software		--	30.0	60	  	Jan-25
 e2e - assure -	IT Consulting and Outsourcing		8.9	--	60		Feb-25

# PRIVATE PLACEMENT INVESTMENTS IN MSPS

Q1 2025



**1,700**  
EMPLOYEES



- Thrive received a strategic investment of \$1.5 billion from Berkshire Partners along with an existing investor Court Square Capital Partners on January 14, 2025.
- The investment will support Thrive's ongoing efforts to scale its operations and accelerate growth.

Jan-25



**\$250M**  
ACQUISITION BY



- DataBank Holdings, Ltd. announced that it has received a \$250 million equity investment from new investor, TJC LP on January 30, 2025.
- The funds will be utilized for financing the development of new data center campuses, and purchase of equity from existing investors.

Jan-25



**\$121M**  
ACQUISITION BY



- H.I.G. Capital completed its acquisition of Quisitive Technology Solutions Inc., a Microsoft Cloud and AI solutions provider, for C\$169.1 million (\$121 million) on March 11, 2025.
- This acquisition is part of Quisitive's strategic growth agenda.

Mar-25



**\$30M**  
ACQUISITION BY



- Mitiga Security, Inc. announced that it has received \$30 million in a round of funding led by SYN Ventures, along with some returning investors, on January 21, 2025.
- The funds will support the Mitiga's growth plans through geographic expansion, development of new channels, and enhanced product capabilities.

Jan-25



**550**  
EMPLOYEES



- The American fund of The Carlyle Group Inc. completed the acquisition of a 60% stake in Seidor S.A. from the Benito family on February 27, 2025.
- The proceeds from this transaction will be used to invest in product innovation and geographic expansion.

Feb-25



**225**  
EMPLOYEES



- Dynamic Campus Solutions announced that it has received a round of funding from a new investor Atlantic Street Capital Management, LLC on March 28, 2025.
- The funds will be utilized for expansion of the company's business capabilities.

Mar-25

# GLOBAL REACH COMBINED WITH LOCAL PRESENCE

ONE OF THE LARGEST TECH TEAMS ACROSS NORTH AMERICA, EUROPE AND ASIA



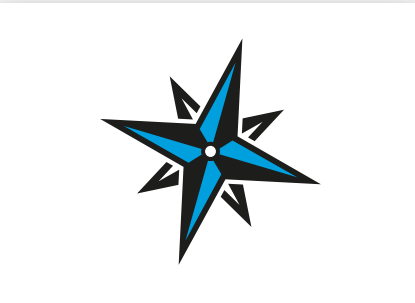
5  
countries



8  
offices



500+  
transactions



+40  
Deal of the Year  
Awards



+70%  
cross-border  
transactions



+30  
Partners &  
Senior Advisors





# MSP

## Q1 2025 MARKET UPDATE

WWW.DRAKESTAR.COM

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CHANGE THE WORLD

