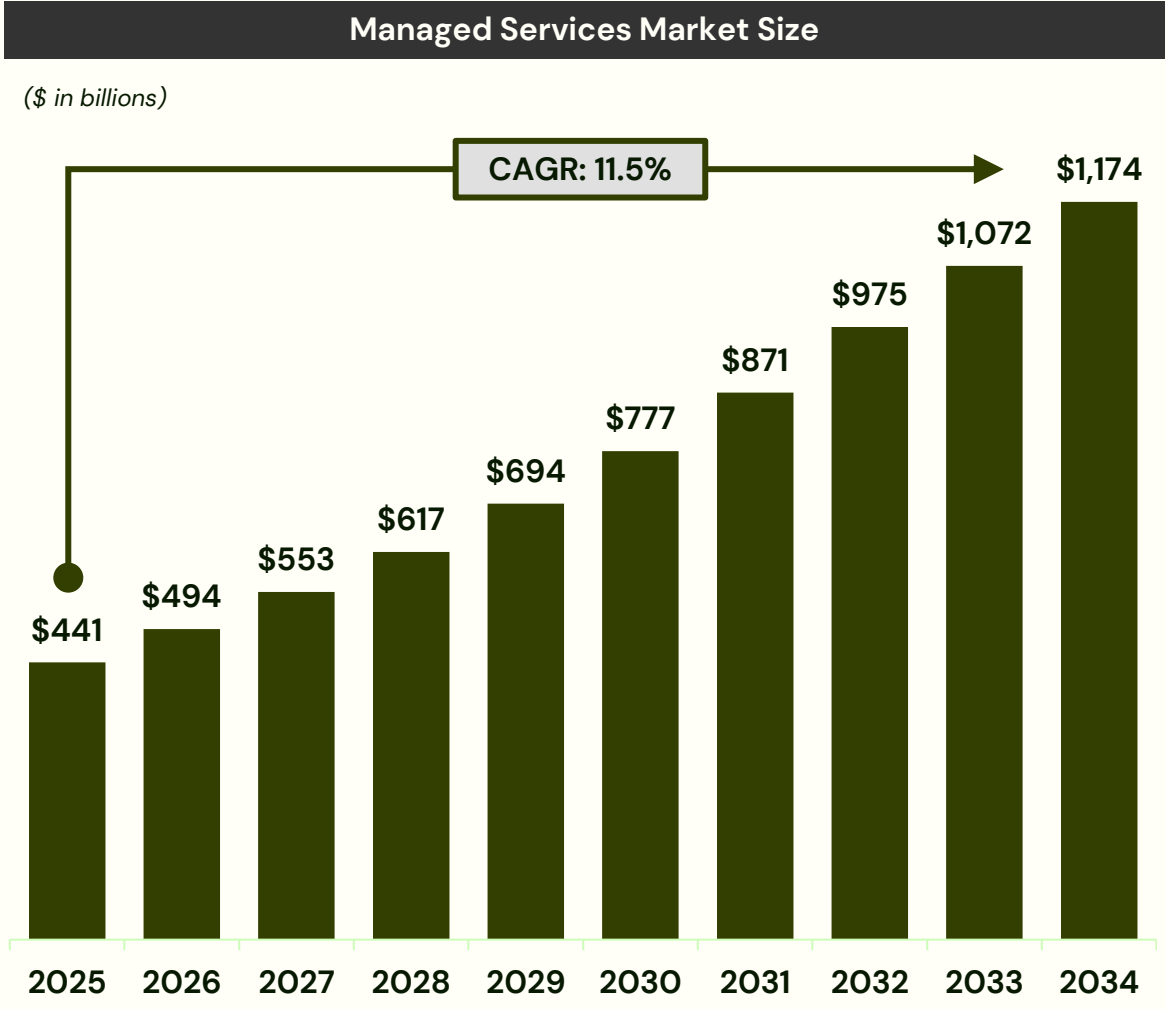


EQUITEQ

MSP Market Update

November 2025

IT complexities and cost efficiency driving the global managed services market to reach over \$1,100 billion by 2034



Key Drivers



Increasing IT Complexity: Rapid technological advancement, complex software environments, and multi-platform integration are increasing demand for managed services



Cost Efficiency: Managed services enhance cost efficiency by optimizing resource utilization and reducing operating expenses, enabling greater profitability. Organizations are increasingly outsourcing to MSPs for access to infrastructure and tools at a predictable monthly fee, avoiding large capital investments in hardware and software



Cybersecurity Challenges: The increasing frequency of cybersecurity threats is driving demand for MSPs, which offer specialized services such as 24/7 monitoring and threat detection. These capabilities are essential for protecting sensitive data and maintaining regulatory compliance



Emerging Technologies: The surge in adoption of cloud computing, AI, and IoT across industries is significantly increasing demand for MSPs with specialized technical expertise. Organizations rely on MSPs to manage, integrate, and optimize these advanced technologies effectively



Scalable Solutions: Enterprises and SMBs are turning to MSPs for scalable technology solutions. This includes seamless support for hybrid and multi-cloud environments and help delivering on digital transformation objectives. MSPs enable businesses to stay competitive and flexible in fast-evolving markets

Industry tailwinds point to sustained growth in security services, fueled by the need for greater cyber resilience, protection against AI-powered threats, and expanding cloud backup adoption



Cyber Resilience

Market Trends

- Regulatory pressure, rising compliance complexity, and more sophisticated cyberattacks are making advanced managed security services a core offering for MSPs

Managed Security Services Growth Outlook¹

90.0%

of MSPs expect Managed Security Services revenue growth over the next 3 Years

Highlights & Trends

- 1 Demand for compliance-as-a-service and risk management is surging
- 2 Advanced detection & response services expanding across all MSP sizes
- 3 Cybersecurity now treated as an organizational priority, not just a technical function



AI-Driven Threats

Market Trends

- Generative AI is transforming the threat landscape. Attackers are using AI to scale and personalize cyberattacks, while MSPs are adopting AI to automate defenses and improve response times

AI Driving Global Cybersecurity Spend²

12.2%

Worldwide increase in security spending in 2025 due to AI related cyberthreats

Highlights & Trends

- 1 MSPs are applying AI in backup, patching, ticketing, and incident response
- 2 Growing investment in tools to secure accounts, monitor cloud apps, and detect threats
- 3 AI-enhanced SOCs are improving detection accuracy and reducing false positives



Cloud Backup Surge

Market Trends

- Cloud adoption, hybrid IT environments, and the rapid growth of SaaS applications are giving attackers more ways to target organizations, driving demand for multi-layered managed defenses

Rising Demand for Cloud Backup¹

53.0%

of MSPs plan to add SaaS backup for Microsoft 365, Google Workspace, or Salesforce in future

Highlights & Trends

- 1 Growth in cloud tools is creating larger, more complex data environments that require protection
- 2 Many security and regulatory frameworks now require cloud data backups as part of standard risk management
- 3 MSPs are prioritizing backup for cloud apps like Microsoft 365 and Google Workspace over traditional on-premises solutions to match client IT strategies

**AI & Automation with PSA a Top Priority**

- MSPs are prioritizing AI and automation within PSA platforms to streamline service delivery, reduce manual overhead, and improve margin performance

**Organic Net-New Logos are a Challenge**

- MSPs are struggling to drive new logo growth through traditional channels, prompting an evaluation of and investment in outbound strategies, partnerships, and vertical specialization

**Many are Searching for a CRO or Sales Leader**

- The demand for sales leadership reflects a broader need for structured go-to-market execution, especially as MSPs aim to scale beyond founder-led selling

**Differentiation a Key Priority**

- As core services become commoditized, MSPs are investing in critical offerings such as cybersecurity to stand out and build trust with increasingly risk-aware clients

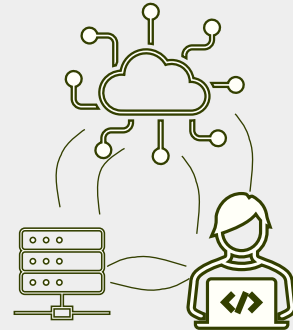
**Many are Leveraging M&A and Evaluating Strategic Options**

- M&A activity is accelerating as MSPs pursue scale and operational leverage, often with a clear timeline to maximize valuation ahead of a planned exit

We are entering the MSP 3.0 era, where the best MSPs will transform themselves from outsourced IT support and hardware sales to AI-led IT, cybersecurity, and application management.

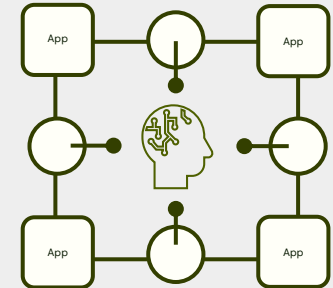
Today's Managed Service Provider

- IT Management Focus
- Reactive Support
- Some Security
- 9-5 Help Desk
- Many Complex Platforms
- Labor intensive
- Limited automation / sub-scale
- Talent-poor
- Geo-constrained



AI-Led Managed Intelligence Provider

- Business efficiency and growth focused
- Predictive & Proactive Support
- AI-Assisted Cybersecurity
- 24x7x365
- Streamlined Operations
- Self & AI-served
- Extreme automation
- Talent-rich
- Borderless market opportunities



Select Completed Transactions

Strategic
CombinationsTECHMD⁺Managed IT and Security Services
Provider Sold to

Integris.

June 2025

InterVision

IT Solutions Provider Sold to

nwn
Innovation Delivered
(American Securities)

June 2025

COMPASS MSP

East- and Midwest-Focused MSP
Merged withBLACKPOINT
IT Services
(Agellus Capital)

February 2025

AGIO

BFSI-Focused MSP
Sold tonetrio
(L Squared)

May 2025

nuspire

Managed Security Services Provider
Sold toPDI
TECHNOLOGIES
(TA Associates)

June 2024

ThePurpleGuys
Business Process IT SupportMidwest- and Southeast-focused
MSP Sold toNtiva
(PSP Capital)

April 2024

Recapitalized
Platforms

CENTARIS

Midwest MSP Sold to

LONGSHORE
CAPITAL

June 2025

DAShealth

Healthcare-Focused IT MSP Received
Investment fromCOALESCE
CAPITAL

May 2025

THRIVE

Nationally Focused MSP
Recapitalized byBerkshire
Partners

January 2025

Integris.

Nationally Focused MSP
Sold to

OMERS

December 2024

blue
mantisSecurity-First IT Solutions Provider
Received Investment from

RECOGNIZE

September 2024

MIT MEDICUS IT

Healthcare-Focused MSP
Received Investment fromFFL
PARTNERS

July 2024

New Platforms

focus solutions

EHR-Focused MSP
Received Investment from

EIR PARTNERS

April 2025

OculusIT

Higher-Education-Focused MSP
Recapitalized by

avathon

April 2025

Dynamic Campus

Higher-Education-Focused MSP and
solutions provider Received
Investment fromAtlantic
Street
Capital

March 2025

PERFORMIVE

MSP for Mid-Market Enterprises
Received Investment FromRENOVUS
CAPITAL

November 2024

hi-tekdata

Tri-state focused MSP
Sold toSEAPINE
EQUITY PARTNERS

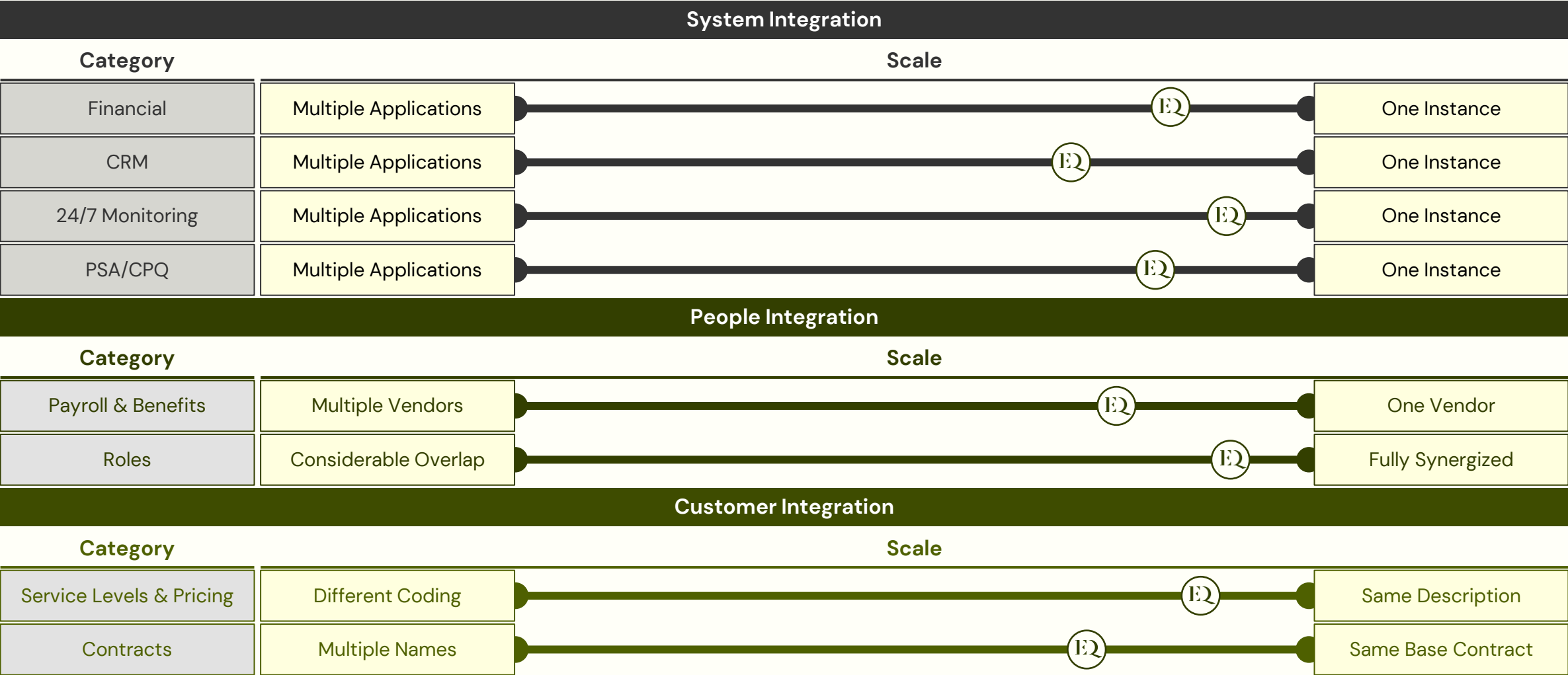
October 2024

ATOMIC
data.Midwest-Focused MSP Recapitalized
byDC
DUBIN CLARK

September 2024

KPI	Metric	Commentary
Recurring Revenue (%)	60%	<ul style="list-style-type: none"> Biggest driver of buyer interest and value next to revenue growth
Revenue Growth (%)	10%	<ul style="list-style-type: none"> Organic growth greater than 10% is hard to find and commands a premium
Gross Margin (%)	40%	<ul style="list-style-type: none"> Heavily impacted by the revenue / service mix
EBITDA Margin (%)	15%	<ul style="list-style-type: none"> Margins are linked to revenue growth. If revenue growth is <10%, then EBITDA margins should be >15%
Scale (EBITDA – \$M)	\$5.0	<ul style="list-style-type: none"> Platform ready for add-on acquisitions. Represents a threshold at which infrastructure has already been built
Net Dollar Retention	90%	<ul style="list-style-type: none"> Illustrates strength of services lines and ability to cross sell
Gross Dollar Retention	80%	<ul style="list-style-type: none"> Reflects the ability to retain customers and the revenue they provide
Logo Retention	85%	<ul style="list-style-type: none"> SMBs can have higher churn than enterprise accounts and periodically go into the 70% CAC can become an issue if there is too much churn
Average MRR / Client	\$5,000	<ul style="list-style-type: none"> Average MRR / client >\$5,000 indicates the size of target customers Margins / pricing should have upward flexibility in “upper” SMB
Client Concentration	20% / 50%	<ul style="list-style-type: none"> >20% to a single client or >50% to top ten clients can affect value negatively
Regrettable Attrition	10%	<ul style="list-style-type: none"> >10% annual employee attrition will affect value negatively
Vertical Focus	Yes	<ul style="list-style-type: none"> Differentiated services focused on an attractive vertical market are valued at a premium
Client Profile	Upper SMB	<ul style="list-style-type: none"> Customer profile of “upper” SMB or mid-market will positively impact value
Level of Integration	8	<ul style="list-style-type: none"> Buyers prefer as much integration as possible (e.g. one financial system, one PSA)

It is important to illustrate to prospective buyers that the company operates as one entity



Target / Buyer	For further information, please contact a member of the Equiteq team														
Enterprise Value (\$M)															
Revenue (\$M)															
EBITDA (\$M)															
EV / Revenue															
EV/EBITDA															
Recurring Revenue (%)															
Organic Growth (%)															
Gross Margin (%)															
EBITDA Margin (%)															



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Growing equity, realizing value