

Managed IT Services

Market Update

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Managed IT Services | 2025 Market Outlook

Healthcare IT Market Outlook

Opportunities originating from focused disruption and transformation...

The Managed Service Provider (MSP) industry is experiencing a significant transformation in 2025 driven by rapid technological advancements and evolving market dynamics characterized by significant developments in AI, expanded product and service offering demands, changing investor sentiment, and the availability of dry powder for increasingly larger deals. In this extremely competitive and dynamic environment, MSPs are evolving from simple facilitators into innovation leaders.

In the early months of 2025, M&A activity in the managed IT services space was primarily focused on the acquisition of AI capabilities, acquiring automation workflows across industries, demand for improved cybersecurity offerings, along with strategic geographic and product expansion.

Going forward, AI and Automation are expected to significantly improve profitability for MSPs, which has been a chronic industry problem due to high labor costs and inefficient processes such as manual ticketing that make the industry reactive, rather than proactive to customers.

Recent notable transactions in the managed services space such as Turn/River Capital's take private of Solarwinds, IBM's acquisition of Oracle Cloud, Xerox's acquisition of ITsavvy, and NewTide's acquisition of Talentr highlight the increased importance of managed IT services and investors' heightened interest in the space. The recent interest is derived from increased financial buyer activity, innovative AI and automation solutions, and focus on improved cybersecurity delivered through efficient managed service models.

Trends Heading Into 2025



Acquisition of AI and Automation Technologies

Major players in managed IT services backed by institutional investors are increasingly acquiring smaller AI companies to boost their capabilities and incorporate cutting-edge automation. These acquisitions enable larger firms to drive technological innovation and maintain a competitive edge. For example, the acquisition of Talentr by NewTide enabled the launch of a scalable AI offering for the Fuels and Convenience Retail Industry.



Enhancement of Cybersecurity Capabilities:

In 2025, cybersecurity solutions will continue to be a high priority for MSPs. In a recent survey conducted by Topline Strategy, MSPs ranked security and cyber attacks as their number one concern. This focus stems from the fact that data breaches in 2023 increased by 72% when compared to 2021, which was the previously held record.



Expansion into new Geographies, Products, & Services

Customers increasingly want to work with MSPs offering comprehensive, integrated solutions across all areas of IT management, from security and cloud services to automation and data analytics. This demand, coupled with increased competition, is expected to drive more mergers and acquisitions within the industry in 2025.



Macro Uncertainties Persist

Despite stabilizing interest rates, the election in the rearview and low unemployment, challenges remain for 2025. While the new administration may look upon dealmaking more favorably, it is still unclear how cabinet choices, reshaping of governmental agencies and other geopolitical issues impact the overall M&A environment.

Recent M&A Market Snapshot

Managed IT Services Median Multiple Index^{1,2}



EV/EBITDA Multiples climbing Slowly, but Surely

- Throughout 2024, and continuing into 2025, median EV/EBITDA multiples for the Managed IT Services sectors have steadily increased – landing at 13x in Jan-25 compared to 10.6x in Feb-24
- The 22.6% expansion in median EV/EBITDA multiples between the Feb-24 and Jan-25 period shows an increasing demand for businesses within the vertical
- Median EV/Revenue multiples for the managed IT services industry have maintained a stable trajectory, with little to no movement during the period
- Despite the flat growth in EV/Revenue multiples, market participants should focus on the EV/EBITDA multiple, as most of the transactions within this service intensive space are valued as a multiple of EBITDA despite the presence of tech-enabled capabilities such as AI, Automation, and Cybersecurity

Recent MSP Transactions

Date	Subsector	Target	Acquirer	EV (\$M)
02/10/25	ITSM	solarwinds	TURN RIVER	\$4,400
02/07/25	ITSM / Cloud	CONVERGE TECHNOLOGY SOLUTIONS	H.I.G. CAPITAL	\$1,100
02/04/25	MSP	BRIGHTCOVE	BENDING SPOONS	\$233
01/29/25	Cybersecurity	VULCAN.	tenable	\$150
01/16/25	MSP	talentr.	NewTide	Undisclosed
01/16/25	Cloud	AST	IBM	Undisclosed
01/15/25	MSP	NetApp FinOps Unit	flexera	Undisclosed
01/14/25	ITSM	savvy	xerox	\$400
01/13/25	Cybersecurity	verus	VALEO NETWORKS	Undisclosed
01/05/25	MSP	omega systems	REVELSTOKE CAPITAL PARTNERS	Undisclosed



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