



# MANAGED SERVICE PROVIDER "MSP" MARKET UPDATE Q1 2026

NEW YORK | LONDON | LOS ANGELES | PARIS | MUNICH

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# INDEPENDENT LEADER IN TECH INVESTMENT BANKING

DELIVERING SUCCESSFUL OUTCOMES FOR OUR CLIENTS

## TOP GLOBAL BOUTIQUE

### GLOBAL MID-MARKET TRANSACTIONS

Top global boutique investment bank  
focused on mid-market Tech

100%

### TECH-FOCUSED INVESTMENT BANK

One of the largest tech-focused teams

8 CORE VERTICALS

### INDUSTRY EXPERTISE BASED ON STORY

With senior advisor team of ex-corporate  
CEOs

OVER 500

### TRANSACTIONS

With mid-cap growth focus

OVER 60

### AWARDS

- 10x Investment bank of the year
- 45+ Deal of the year
- 6x Leadership awards

EXPERIENCED TEAM

### PROFESSIONALS

16 Partner level bankers  
8 offices in 5 countries

# STRONG TRANSACTION TRACK RECORD ACROSS THE GLOBAL TECH LANDSCAPE

OVER 500+ TRANSACTIONS COMPLETED



# DRAKE STAR'S LEADERSHIP POSITION IN MSP M&A

## ESTABLISHED CAPABILITIES IN MSP DEALS

Logos include: brainsell, Atlantic, FOCUS TECHNOLOGY, CONVERGED TECHNOLOGY GROUP, TNS, omega systems, PFINGSTEN, coretelligent, VSS, MAJORITY SALE TO, N.E.P., THRIVE, M, SQUARE, Synoptek, SVERICA, QUAD-C, nexustek, abrypartners, abacus group, HAS SOLD A MINORITY STAKE TO, Med Tech Solutions, SUNSTONE, coretelligent, VSS, BOUNDSHORE TECHNOLOGY GROUP, CLOUDNEXA, ACTIVATE, I-N-I GLOBAL, coretelligent, VSS, UTG, coretelligent, VSS, Sound IT SOLUTIONS, iccs, nexustek, abrypartners, CLEARPointe, AccountabilIT, and WestView CAPITAL PARTNERS.

## ACCREDITATION



## SHARING MSP EXPERTISE AT TALKS AND EVENTS

Channel Partners CONFERENCE & EXPO MSP Summit  
March 24-27, 2025 at The Venetian Las Vegas

LET'S MEET AND TALK ABOUT

- AI in managed services
- The evolving role of MSPs
- Cybersecurity & cloud investments
- M&A in the space

Sam Levy  
Partner at Drake Star

I AM PARTICIPATING AT IT NATION Grow  
December 10-11 | Tampa, FL | Next Event Q1 2026! theitnation.com/grow

2-DAY DEAL SIMULATION

Get expert guidance on business transition

ITN GROW SESSIONS COVER:

- Financial
- Security
- Legal
- Operations
- Emotional preparedness
- More!

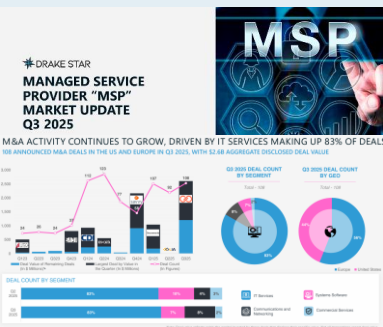
Sam Levy  
Partner  
Drake Star

IT NATION Grow  
February 4th Houston, TX

Inside the MSP Deal Process:  
From Growth to Exit

Sam Levy  
Partner, Drake Star

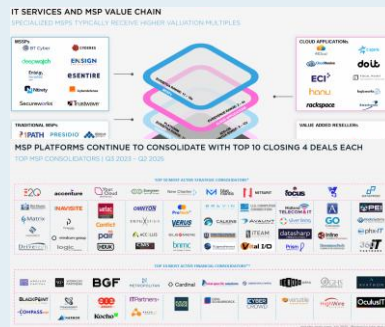
## UNPARALLELED INSIGHTS AND RESEARCH



PRIVATE PLACEMENT INVESTMENTS IN MSPS Q3 2025

U.S. CONTINUES TO BE THE LARGEST M&A MARKET TOP M&A DEALS IN THE MSP SINCE Q1 2023

COUNTRY	DEALS	EMPLOYEES	REVENUE (\$ MIL)	REAL VALUE (\$ MIL)	MARKET CAP (\$ MIL)
USA	10	1,000	100	1,000	100
UK	2	200	20	200	20
FRANCE	1	100	10	100	10
GERMANY	1	100	10	100	10
NETHERLANDS	1	100	10	100	10
SPAIN	1	100	10	100	10
ITALY	1	100	10	100	10
INDIA	1	100	10	100	10
CHINA	1	100	10	100	10
AUSTRALIA	1	100	10	100	10
BRAZIL	1	100	10	100	10
MEXICO	1	100	10	100	10
ARGENTINA	1	100	10	100	10
CHILE	1	100	10	100	10
PERU	1	100	10	100	10
COLOMBIA	1	100	10	100	10
VENEZUELA	1	100	10	100	10
ECUADOR	1	100	10	100	10
PANAMA	1	100	10	100	10
DOMINICAN REPUBLIC	1	100	10	100	10
TRINIDAD AND TOBAGO	1	100	10	100	10
BARBADOS	1	100	10	100	10
JAMAICA	1	100	10	100	10
HAITI	1	100	10	100	10
CUBA	1	100	10	100	10
NETOTAL	20	2,000	200	2,000	200



## SAM LEVY IN THE MEDIA

IOEY PINZ #546 SAM LEVY  
IT NATION Grow

Heimdal  
THE MSP SECURITY PLAYBOOK  
WHAT TO FIX BEFORE YOUR MSP EXIT  
WITH SAM LEVY  
Available on [Apple, Spotify, Amazon, YouTube]

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

 <p>SALE TO</p>  <p>IT Services</p> 	 <p>a portfolio company of</p>  <p>ACQUISITION OF</p>  <p>IT Services</p> 	 <p>SALE TO</p>  <p>a portfolio company of</p>  <p>MSP</p>	 <p>a portfolio company of</p>  <p>MAJORITY SALE TO</p>  <p>Network Equity Partners</p> <p>MSP</p>	 <p>a portfolio company of</p>  <p>SALE TO</p>  <p>MSP</p>
 <p>a portfolio company of</p>  <p>HAS RECEIVED MAJORITY INVESTMENT FROM</p>  <p>Digital MSP Allin</p>	 <p>RECAPITALIZATION WITH</p>  <p>MSP</p>	 <p>HAS SOLD A MINORITY STAKE TO</p>  <p>MSP</p>	 <p>HAS BEEN ACQUIRED BY</p>  <p>MSP</p>	 <p>a portfolio company of</p>  <p>HAS ACQUIRED</p>  <p>MSP</p>
 <p>a portfolio company of</p>  <p>SALE TO</p>  <p>MSP</p>	 <p>a portfolio company of</p>  <p>HAS ACQUIRED</p>  <p>MSP</p>	 <p>a portfolio company of</p>  <p>HAS ACQUIRED</p>  <p>MSP</p>	 <p>TRANSACTS WITH</p>  <p>a portfolio company of</p>  <p>IT Services</p>	 <p>SALE TO</p>  <p>a portfolio company of</p>  <p>MSP</p>



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# MSP M&A DEAL ACTIVITY MOMENTUM CONTINUES IN Q1 2026

## 100+ M&A TRANSACTIONS WITH 60% DEALS DONE IN EUROPE



Investments in MSPs retained momentum in Q1 2026, with 121 transactions (up from 120 in Q1 2025). M&A transactions totaled 102 deals, accounting for 84% of total transactions



Q1 2026 witnessed strategic as well as financial investors remaining active in acquiring IT service providers to expand and strengthen their service offerings, with such transactions continuing to represent more than 88% of the total deal volume in Q1 2026.



Strategic buyers continued active consolidation, with all the top 10 players acquiring at least five MSPs over the past two years. In contrast, most financial investors have typically limited their activity to two MSP investments.



The global MSP market value reached \$350 billion in 2025 and is expected to grow to \$850 billion by 2034, driven by increasing IT complexities and demand for cost efficiency.

# STRONG MARKET TRACTION DESPITE ECONOMIC UNCERTAINTY

121

MSP transactions  
in Q1 2026

\$350bn

Global managed service market  
value in 2025

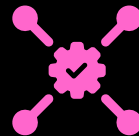
~10.4%

Expected market growth CAGR  
until 2034

## 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

# AI IS ACCELERATING SERVICES, NOT DISINTERMEDIATING THEM

AI is reshaping technology markets, but its impact diverges sharply between software and services. In software, AI has created a clear valuation bifurcation: AI leaders command 10–20x+ revenue, while much of the broader SaaS market has reset to ~4–8x, reflecting slower growth and increased investor selectivity.

In contrast, services, and particularly MSPs, are not being disintermediated. As enterprise environments become more complex across cloud, cybersecurity, data, and AI, demand for outsourced expertise continues to grow, positioning services firms as critical enablers of AI adoption rather than victims of it.

AI is, however, fundamentally changing service delivery economics by automating lower-tier tasks, accelerating implementation cycles, and creating tangible opportunities for margin expansion and operating leverage across scaled platforms.

The most immediate impact is visible in M&A activity, where buyers are scaling platforms to fund AI investment, acquiring capabilities in data, cybersecurity, and AI integration, and repositioning MSPs as AI-enabled strategic partners. Recent activity, including Thrive's continued consolidation, NWN Carousel's expansion, and Integris's recapitalization by OMERS Private Equity, underscores sustained investor conviction in scaled MSP platforms.

AI is driving valuation dispersion in software, but consolidation in services. For MSPs, AI is not a threat, it is a catalyst for scale, margin expansion, and increased M&A activity.

"We are already seeing increased activity across the MSP landscape, with a strong pipeline of new processes expected to launch in the coming months as AI continues to drive both strategic urgency and investor interest."

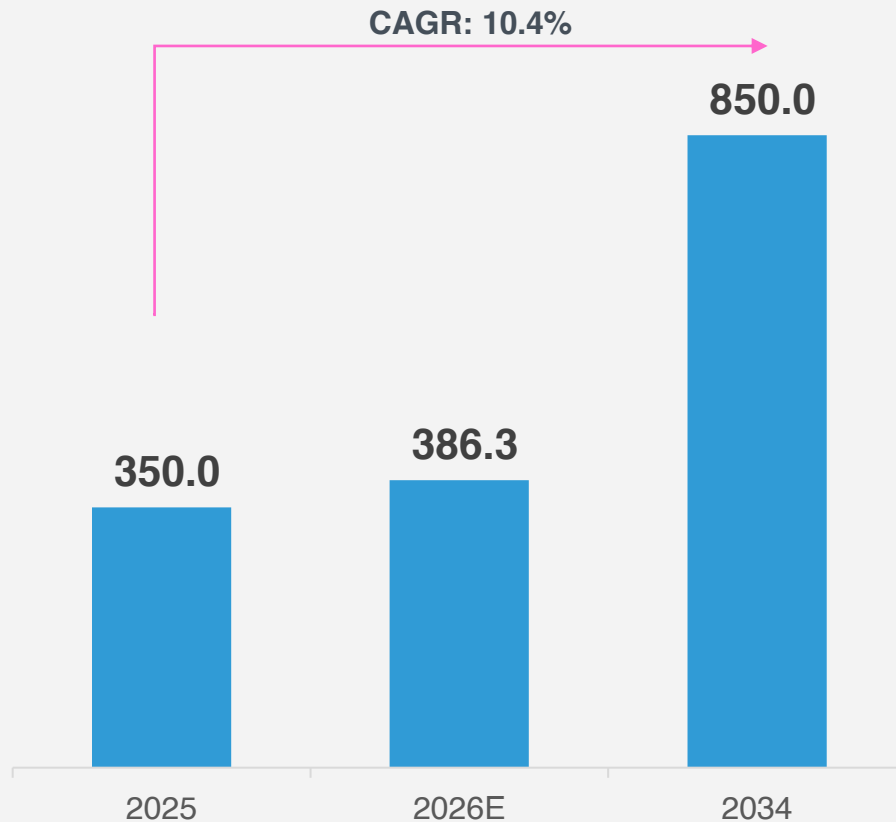


Sam Levy  
Partner, Drake Star

# IT COMPLEXITIES AND COST EFFICIENCY DRIVING MANAGED SERVICES TO REACH \$850B

MANAGED SERVICES MARKET ESTIMATED TO GROW 10% Y-O-Y IN 2026 TO ~\$390 BILLION, UP FROM \$350 BILLION IN 2025

## GLOBAL MANAGED SERVICES MARKET SIZE (\$ 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.



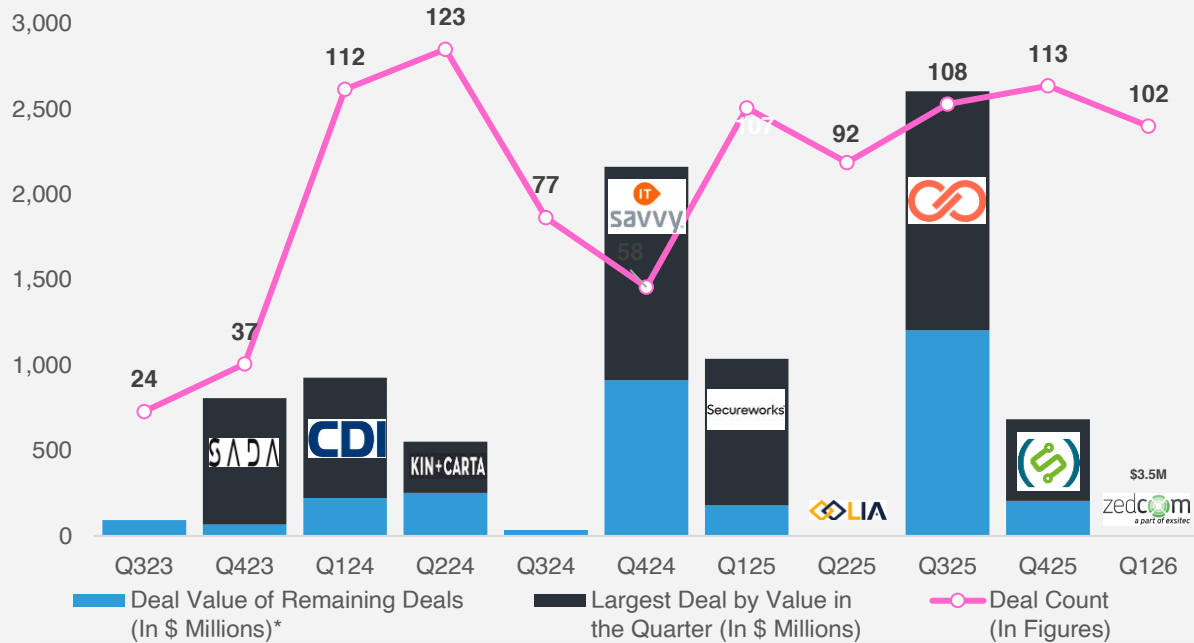
**Cybersecurity Challenges:** The rising incidence of cybersecurity threats is fueling the need for MSPs, who provide specialized solutions such as 24/7 monitoring and threat detection. These services are vital for safeguarding sensitive data and ensuring compliance with regulations.



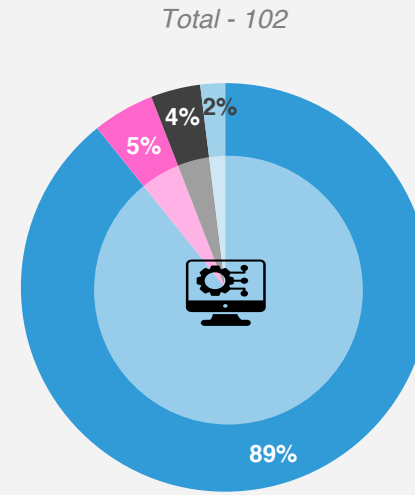
**Enhanced Business Agility:** Managed services offer the flexibility to promptly adapt IT resources to changes in the market, customer requirements, and emerging opportunities. This capability allows for swift responses without being constrained by fixed infrastructure.

# M&A ACTIVITY CONTINUES TO GROW, DRIVEN BY IT SERVICES AT ~90% OF TOTAL DEALS

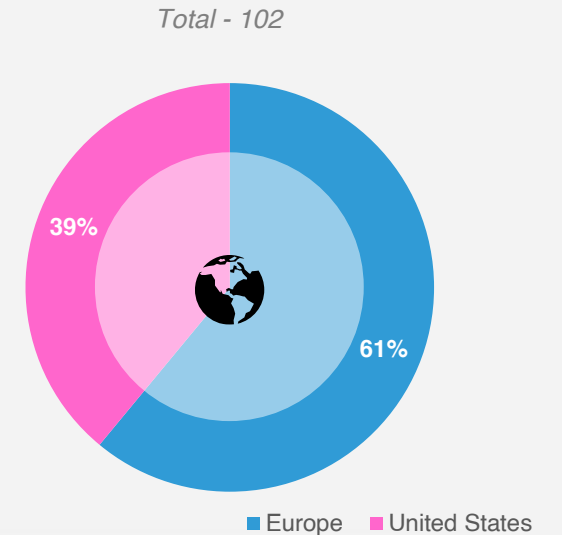
102 ANNOUNCED M&A DEALS IN THE US AND EUROPE IN Q1 2026, WITH \$6M AGGREGATE DISCLOSED DEAL VALUE



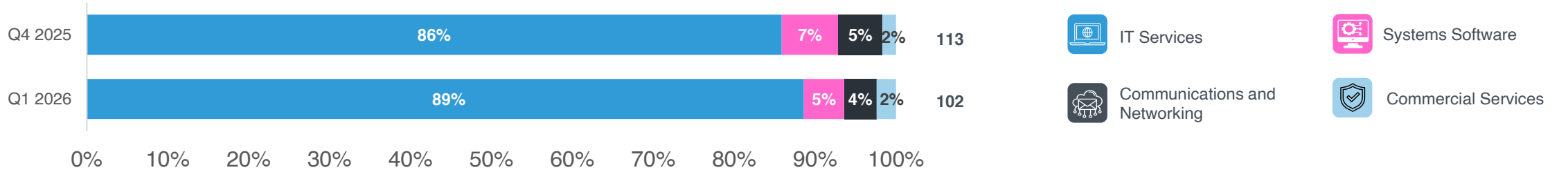
Q1 2026 DEAL COUNT BY SEGMENT



Q1 2026 DEAL COUNT BY GEO



## DEAL COUNT BY SEGMENT



\* Note: Deal value reflects solely the capital invested by those deals that disclose their specific value. Total Disclosed Deal Value in Q1'26 is \$5.6M. Not all transactions report deal value.

# MSP PLATFORMS CONTINUE TO CONSOLIDATE WITH TOP 10 CLOSING 4+ DEALS EACH

TOP MSP CONSOLIDATORS | Q2 2024 – Q1 2026

## TOP 10 MOST ACTIVE STRATEGIC CONSOLIDATORS\*



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







Includes deals since Jan 2024. \*Ranked by total deal count. CD&R has made two investments in Exclusive networks since Jan 2024

\*\*Most financial investors have made only two investments in MSP companies. Therefore, apart from the first six investors, rest listed under them do not adhere to any ranking.

# U.S. CONTINUES TO BE THE LARGEST M&A MARKET

## TOP M&A DEALS IN THE MSP SPACE | Q1 2026

COMPANY	COUNTRY	EMPLOYEES	REVENUE (\$ Mn)	DEAL SIZE (\$ Mn)	ACQUIRER	ACQUIRER COUNTRY	DATE
 3Cloud		1,200	252.1	-	 cognizant		Jan-26
 SEV1TECH		950	-	-	 ERT [All in]		Feb-26
 Ntirety <small>FORMERLY HOSTWAVE/HOSTIG</small>		900	-	-	 II:II SYSTEMS		Jan-26
 SERVICE EXPRESS <small>A Park Place Technologies Company</small>		600	70.4	-	 PARK PLACE TECHNOLOGIES		Jan-26
 verinext		400	-	-	 ARCTIQ		Feb-26
 ECOM		300	15.4	0.9	 INFOWAY SOFTWARE		Feb-26
 Advizex		300	45.2	-	 MYRIAD360		Feb-26
 CAMPUSWORKS		300	-	-	 Dynamic Campus		Feb-26
 zedcom <small>a part of exsitem</small>		50	4.5	3.5	 InfraCom COMMUNICATIONS		Feb-26
 Alphabit <small>MEMBER OF SOFTWARE GROUP OF COMPANIES</small>		20	5.4	1.2	 softweb		Feb-26

# SELECT M&A DEALS IN THE MSP SPACE

Q1 2026



**\$3.5M**  
ACQUISITION BY





- Zedcom was acquired by InfraCom Group, a subsidiary of Bk Of Sweden, for ~SEK 31.9 million (\$ 3.5 million) on February 6, 2026.
- The acquisition will strengthen InfraCom Group's position in IT infrastructure and managed services while expanding its customer base and regional presence in Sweden.

Feb-2026



**\$1.2M**  
ACQUISITION BY





- Alphabit Cybersecurity, a Greece-based cybersecurity services firm, was acquired by Softweb Adaptive IT Solutions for \$1.2 million on February 12, 2026.
- This acquisition will help Softweb enhance its services portfolio by strengthening its cybersecurity offerings, and integration of its specialized expertise into a broader and stronger ecosystem.

Feb-2026




**\$0.9M**  
ACQUISITION BY








- Elite Computer Consultants, a US-based managed IT services provider, was acquired by Infoway Software, a subsidiary of Sagarsoft, for \$854,000 on February 7, 2026.
- The acquisition will support Sagarsoft expand its business operations.

Feb-2026



**1,200**  
EMPLOYEES

- 3Cloud, a cloud consulting and data analytics services provider, was acquired by Cognizant Technology Solutions on January 1, 2026.
- The acquisition strengthens Cognizant's cloud and data capabilities, enhancing its ability to deliver advanced analytics, AI, and digital transformation solutions to enterprise clients.

Jan-2026



**950**  
EMPLOYEES








- Sev1Tech, a provider of managed IT engineering and defense mission support services, was acquired by Earth Resources Technology (ERT), through an LBO on February 24, 2026.
- The acquisition will strengthen ERT's capabilities in delivering advanced IT solutions, while expanding its presence across government and defense markets

Feb-2026



**900**  
EMPLOYEES

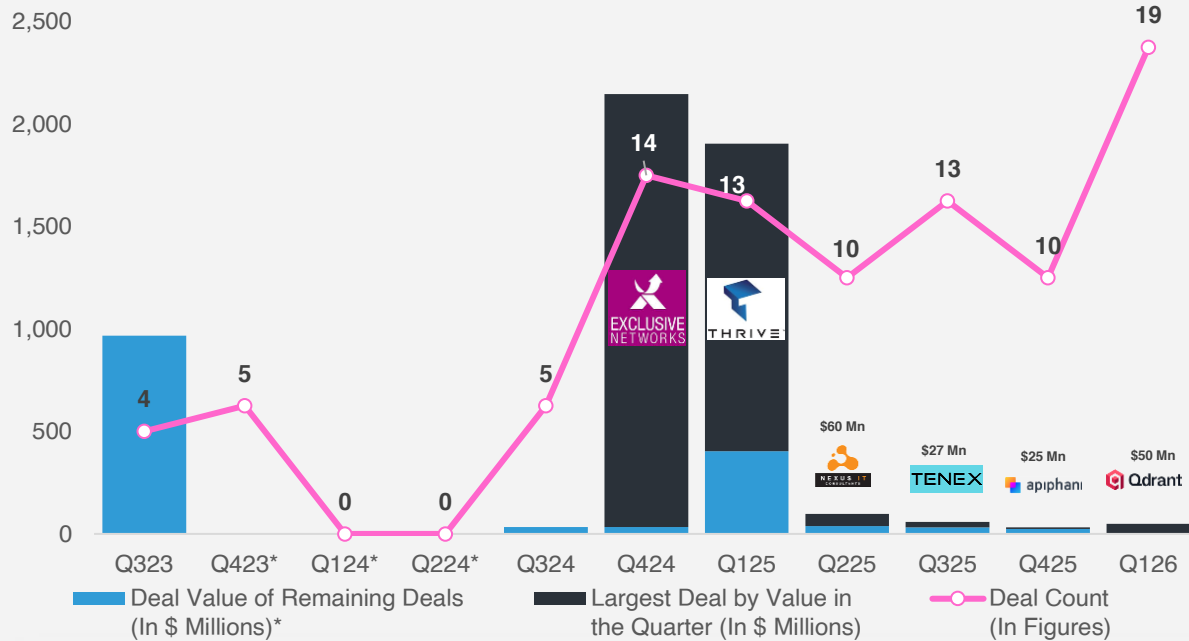
- Ntirety, a managed cloud and IT services provider, was acquired by 11:11 Systems, through an LBO on January 12, 2026.
- The acquisition strengthens 11:11 Systems' managed infrastructure and cloud capabilities, enhancing its ability to deliver secure, compliant, and scalable solutions to enterprise customers.

Jan-2026

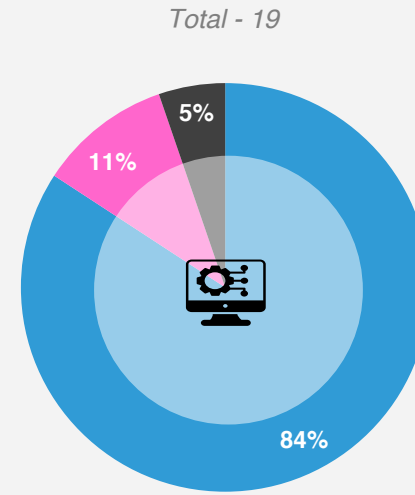
Note: This slide presents key deals completed in Q1 2026 and are ranked based on the disclosed deal value and size of the target company.

# PRIVATE PLACEMENTS UP 90% Q-O-Q IN Q1'26; IT OUTSOURCING SERVICES LEAD DEALS

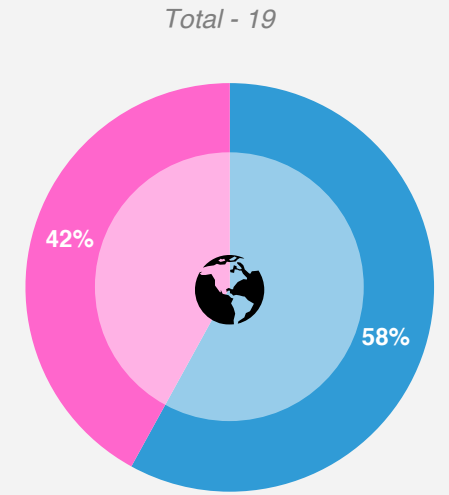
19 ANNOUNCED PRIVATE PLACEMENT DEALS IN THE US AND EUROPE IN Q1 2026, HIGHEST IN THE LAST 2 YEARS



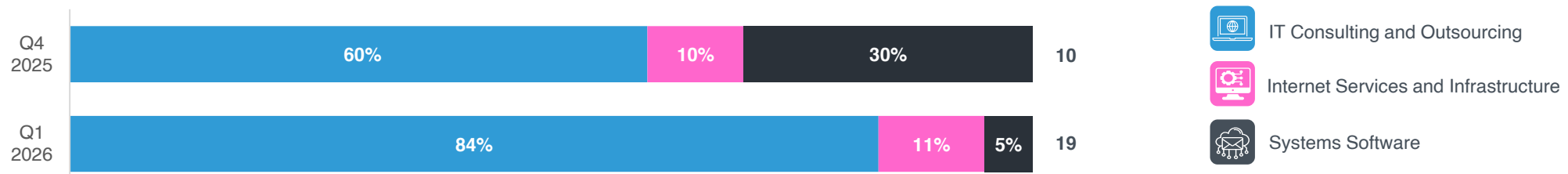
Q1 2026 DEAL COUNT BY INDUSTRY CODE



Q1 2026 DEAL COUNT BY GEO



## DEAL COUNT BY SEGMENT



\* Note: Deal value reflects solely the capital invested by those deals that disclose their specific value. Not all transactions report deal value. Drake Star did not act as financial advisor on transactions listed on this page.

\* No deal values disclosed in Q4 2023. For Q1 2026, the total disclosed deal value is \$50 Mn, reported by only one company- Qdrant Solutions GmbH

# IT OUTSOURCING FIRMS ATTRACT MOST INVESTMENTS

## TOP PRIVATE PLACEMENT DEALS IN THE MSP SPACE | Q1 2026

COMPANY	Country	SUBSECTOR	EMPLOYEES	SELECT INVESTOR	ACQUIRER COUNTRY	DATE
 Trinamix		Communications and Networking	1,500			Mar-26
 wireless logic		Communications and Networking	1,000	 ALTERRA  GENERAL ATLANTIC	 	Mar-26
SecurityHQ		IT Consulting and Outsourcing	300			Jan-26
magna <sup>5</sup>		IT Consulting and Outsourcing	275			Feb-26
 CyberAdvisors		IT Consulting and Outsourcing	225			Mar-26
 Security101		IT Consulting and Outsourcing	200	Morgan Stanley		Feb-26
 Qdrant		Application Software	114	 AVP  CAP	 	Mar-26
NOBEX		IT Consulting and Outsourcing	200			Feb-26
 Brite		IT Consulting and Outsourcing	200			Jan-26
 ARG		IT Consulting and Outsourcing	60			Feb-26

# SELECT PRIVATE PLACEMENT INVESTMENTS IN MSPS

Q1 2026




**\$50M**  
INVESTMENT BY








- Qdrant Solutions GmbH, a Germany-based vector database company, raised \$50 million in funding led by Atlantic Vantage Point Capital on March 12, 2026.
- The funding will be used by Qdrant to expand its engineering and product teams, and support the development of its Composable Vector Search as Core Infrastructure for Production AI.

Mar-26




**1,500**  
EMPLOYEES






- Trinamix, Inc., a US-based provider of Oracle Cloud services, raised an undisclosed amount in funding on March 23, 2026, with participation from AEA Investors.
- The funding will support Trinamix accelerate the development of its AI-Driven Oracle Cloud Transformation Platform with AI-Native Delivery and End-to-End enterprise capabilities.

Mar-26



**1,000**  
EMPLOYEES





- Wireless Logic Group Ltd., a UK-based Internet of Things (IoT) connectivity platform provider, raised funds in a round led by ALTERRA on March 25, 2026.
- The investment will help Wireless Logic in developing digital infrastructure to scale climate-enabling IoT connectivity, and potentially optimize networks of connected devices.

Mar-26



**3,00**  
EMPLOYEES







- SecurityHQ Ltd., a UK-based cybersecurity services provider, raised an undisclosed amount in funding from Growth Capital Partners on January 6, 2026.
- The funding will help SecurityHQ enhance its go-to-market strategy, advance service offering, strengthen operational and financial systems, and support international expansion in the US

Jan-26




**275**  
EMPLOYEES








- Magna5, a US-based managed IT and cybersecurity services provider, was acquired by AEA Partners on February 3, 2026.
- This acquisition will support Magna5's growth strategy, enabling it to expand its service offerings across cybersecurity, compliance, and AI-driven solutions

Feb-26



**225**  
EMPLOYEES

- Cyber Advisors, a provider of cybersecurity and managed IT services, was acquired by Sterling Investment Partners on March 19, 2026.
- This acquisition will enable the company to enhance its scale, capabilities, and product offerings.

Mar-26

# GLOBAL REACH COMBINED WITH LOCAL PRESENCE

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



**5**  
Countries



**8**  
Offices



**500+**  
Transactions



**45+**  
Deal of the Year  
Awards



**70%+**  
Cross-Border  
Transactions



**30+**  
Partners &  
Senior Advisors





# MSP MARKET UPDATE

WWW.DRAKESTAR.COM

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\*Partner Office



 DRAKE STAR

BELIEVE IN INNOVATION  
CHANGE THE WORLD