



# MANAGED SERVICE PROVIDER “MSP” MARKET UPDATE H1 2024

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# DRAKE STAR 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

Only boutique in  
global top 10



### 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  
39x deal of the year,  
8x leadership awards



## OVER 500 TRANSACTIONS COMPLETED



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

Managed Service Provider

SALE TO

Deal 1<sup>(1)</sup>

MSP

**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**

Norwest Equity Partners

MSP

**THRIVE**

a portfolio company of

**M C POINT LEE**

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

**SOUND SHORE 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




**RALF PHILIPP HOFMANN**

Managing Partner  
Munich

+49 173 3930070  
ralf.hofmann@drakestar.com







**CHRISTOPHE MORVAN**

Managing Partner  
Paris

+33 687 990 537  
christophe.morvan@drakestar.com







**SAM LEVY**

Partner  
New York

+1 646 245 3550  
sam.levy@drakestar.com






**GABY SILVESTRI**

Partner  
London

+44 777 305 2247  
gaby.silvestris@drakestar.com



(1) Current Drake Star mandate prepping for market

# OUR KEY TAKEAWAYS ON THE MSP MARKET



In the first half of 2024, MSP M&A activity was almost 4x larger than the 2<sup>nd</sup> half of 2023. Q2 2024 activity reached its highest level in over two years with more than 120 transactions.



Strategic consolidators are aggressively pursuing consolidation, with each of the top 10 players making at least two investments in Managed Service Providers.



The global MSP market value was \$283 billion at year-end 2023. It's expected to reach \$552 billion by 2032 as IT complexities and cost efficiency drive demand for MSPs.

Source: Drake Star

# MSP MARKET UPDATE

STRONG MARKET TRACTION DESPITE ECONOMIC UNCERTAINTY

235

MSP transactions  
in H1 2024

\$283bn

Global managed service  
market value in 2023

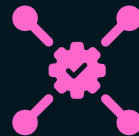
~7.7%

Expected market growth  
CAGR until 2032

## 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

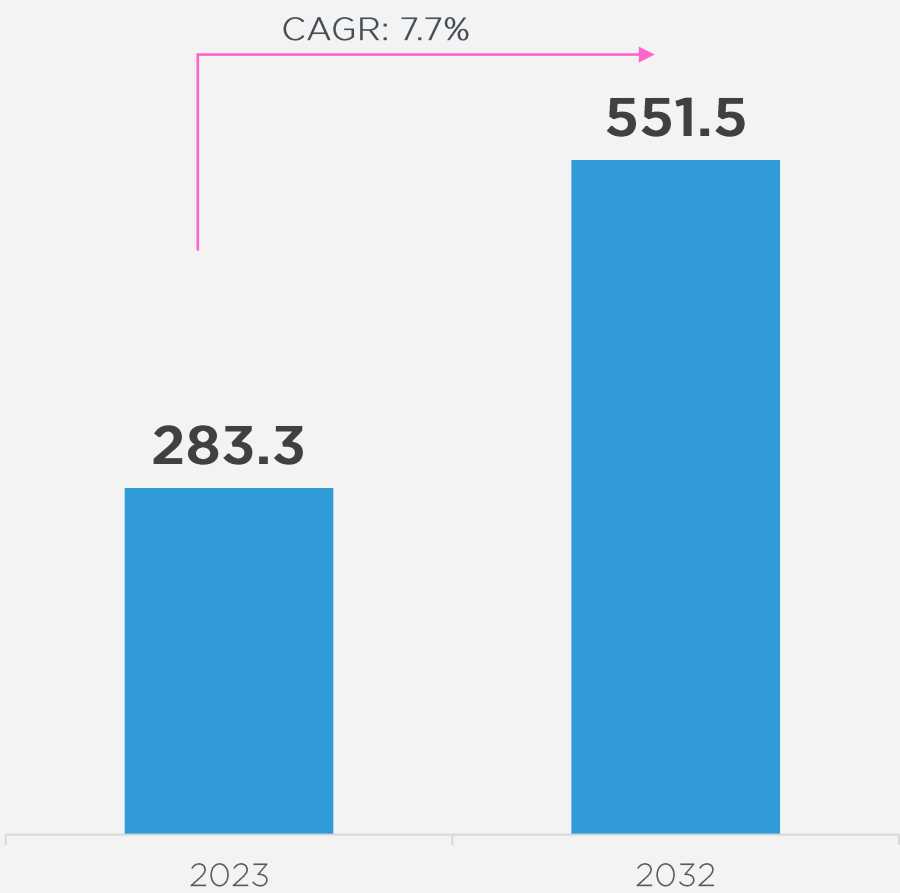


Rapid deployment of  
new technology

Sources: Pitchbook, IMARC Group

# IT COMPLEXITIES AND COST EFFICIENCY DRIVING MANAGED SERVICES TO REACH \$552B

MANAGED SERVICES MARKET SIZE (in \$Bn)



Sources: IMARC Group, Precedence Research

## 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.

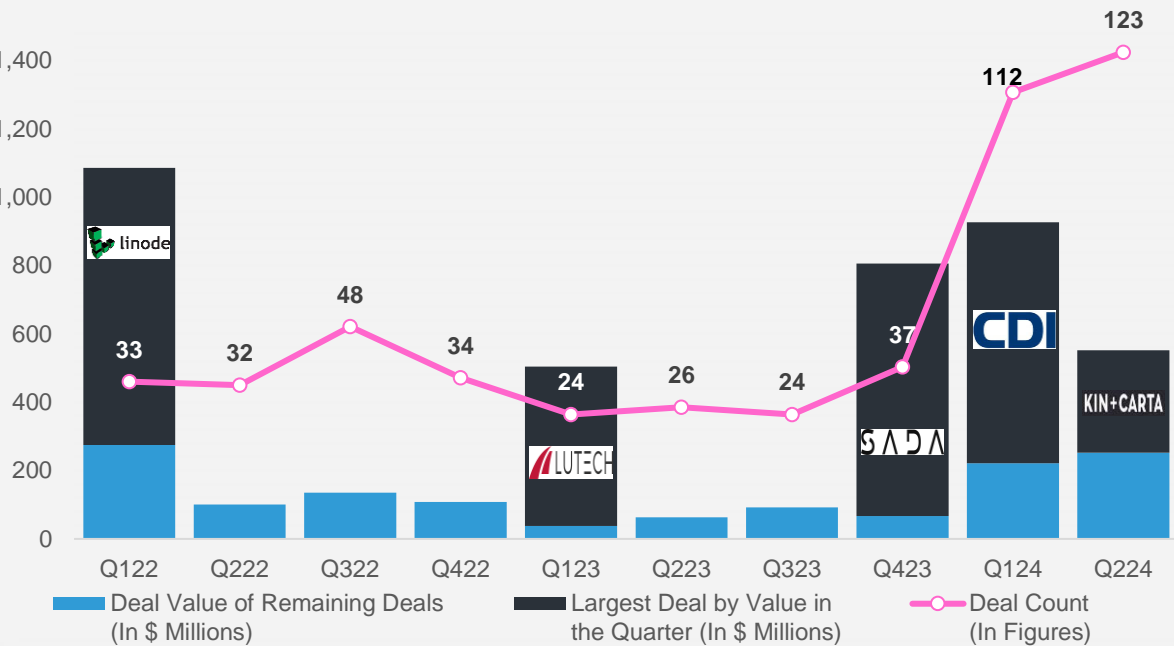


**Enhanced Business Agility:** Managed services offer the flexibility to promptly adapt IT resources to changes in the market, customer requirements, and emerging opportunities. This capability allows for swift responses without being constrained by fixed infrastructure.

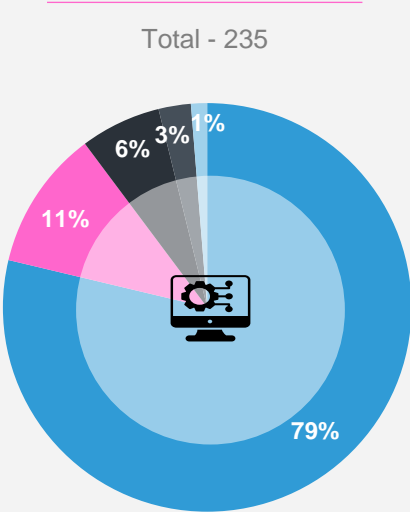


# Q2 24 M&A ACTIVITY REACHED ITS HIGHEST LEVEL IN OVER TWO YEARS

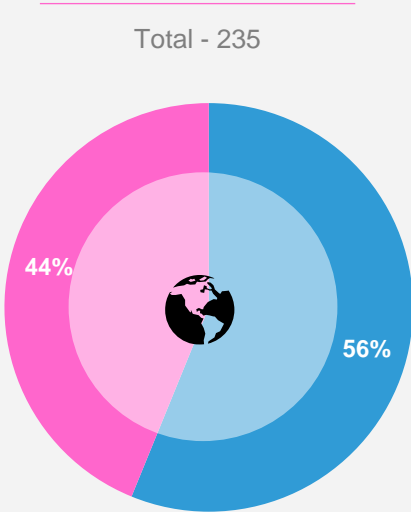
IN H1 2024, 235 ANNOUNCED M&A DEAL DEALS IN THE UNITED STATES AND EUROPE



H1 2024 DEAL COUNT BY SEGMENT

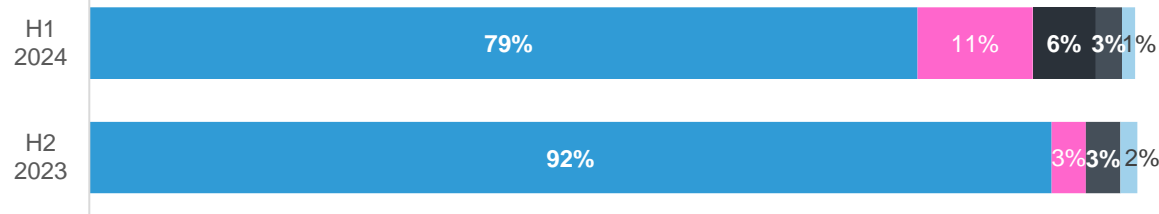


H1 2024 DEAL COUNT BY GEO



■ Europe ■ United States

## DEAL COUNT BY SEGMENT



IT Services



Software



Communications and Networking



Commercial Services



Others

Sources: Pitchbook, Drake Star Analysis

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



# PLATFORM MSPS ARE CONSOLIDATING THE MARKET TO STRENGTHEN AND EXPAND THEIR SERVICE OFFERING

## TOP 10 MOST ACTIVE STRATEGIC CONSOLIDATORS\*

|   |   |   |  |   |   |   |   |   |   |
|---|---|---|--|---|---|---|---|---|---|
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |   |  |  |  |  |  |  |
|  |  |  |   |  |  | Integrated Security & Communications  |  |  |  |
|  |  |  |  |  |   |   |   |   |   |

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

































|   |   |   |  |   |   |   |   |   |  |
|---|---|---|--|---|---|---|---|---|--|
|    |    |    |    |    |    |    |    |    |  |
|  |  |  |  |  |  |  |  |  |  |

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

Sources: Pitchbook, Drake Star Analysis

# STRATEGIC BUYERS FROM MULTIPLE SECTORS EXPRESS INTEREST IN MSPS

H1 2024

| COMPANY   | COUNTRY   | EMPLOYEES | REVENUE (\$ Mn) | DEAL SIZE (\$ Mn) | EV/REV. | EV/EBITDA | ACQUIRER   | ACQUIRER COUNTRY  | DATE   |
|---|---|-----------|-----------------|-------------------|---------|-----------|--|---|--------|
| <b>CDI</b>  |    | --        | --              | 705.0             | --      | --        | <b>AHEAD</b>     |   | Feb-24 |
| <b>KIN+ CARTA</b>   |    | 1,900     | --              | 299.1             | --      | --        |   <b>Valtech</b> *  |    | Apr-24 |
| <b>flood</b>  |    | --        | 38.9            | 194.4             | 4.9     | 88.4      |   |    | Jan-24 |
| <b>visiativ</b>   |    | --        | 300.3           | 185.1             | 0.6     | 1.9       |   |    | Jun-24 |
| nSense Denmark  |    | 70        | --              | 19.5              | --      | --        |   |    | Jun-24 |
|  <b>Chilli</b><br><small>Part of the celerity Group</small>  |    | 17        | --              | 18.7              | --      | --        |    |   | May-24 |
|  <b>HighWire Networks</b><br>(Technology Services Division) |  | --        | --              | 11.2              | --      | --        |    |    | Jun-24 |
| <b>TELENOVA</b><br><small>Wir sind Teil der tecelle group.</small>  |  | --        | --              | 10.4              | --      | --        |   |    | Jan-24 |

Sources: Pitchbook, Drake Star Analysis

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

# STRATEGIC FIT IS KEY FOR MSP M&A DEALS

235 DEALS AND \$1.7BN IN DISCLOSED DEAL ACTIVITY IN H1 2024



**\$705.0M**  
ACQUISITION BY

- AHEAD, backed by its financial sponsors Berkshire Partners and Centerbridge Partners, acquired CDI to strengthen its presence in the Northeastern US.
- The acquisition was completed through a \$705 million LBO on February 1, 2024.

nSense Denmark

Feb-2024



**\$299.1M**  
ACQUISITION BY

- Kin and Carta was acquired by Valtech, via its financial sponsor through \$299 million public-to-private LBO on April 29, 2024.
- This investment solidifies Valtech's leadership in business transformation and enhances its support for Fortune 500 brands in adapting to evolving consumer demands.

Apr-2024



**\$194.4M**  
ACQUISITION BY

- Floodid was acquired by by Glory (TKS: 6457) for approximately \$194 million on January 12, 2024.
- The investment in Floodid aligns with Glory's Long-Term Vision, supporting diversification and growth.

Jan-2024



**\$185.1M**  
ACQUISITION BY

- Visiatiiv was acquired by Groupe SNEF, a subsidiary of Societe Financiere Du Steir, for \$185.1 million on June 11, 2024.
- This acquisition would allow Groupe SNEF to strengthen its position in the digital transformation market and to benefit from the company's expertise and customer base.


Jun-2024



**\$19.5M**  
ACQUISITION BY

- nSense Denmark reached a definitive agreement to be acquired by F-Secure (HEL: FSECURE)
- The acquisition will strengthens F-Secure's position as a prominent security vendor in Europe and lays a foundation for the company's growth as a cybersecurity leader in the region.

Jun-2024



**\$18.7M**  
ACQUISITION BY

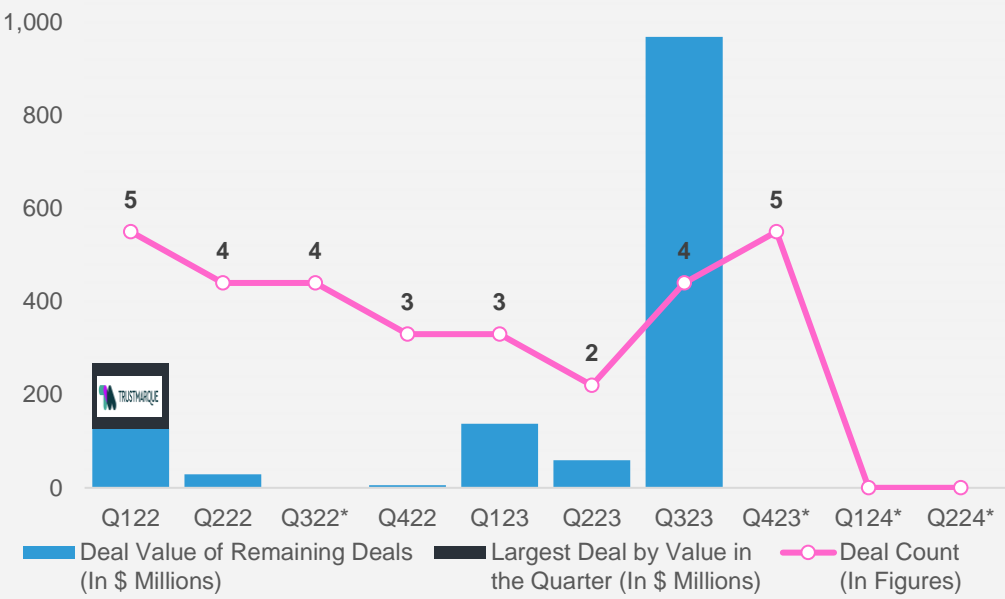
- Chilli IT was acquired by Celerity, via its financial sponsor BGF, through an LBO.
- This transaction will help Celerity expand its service offerings.

May-24

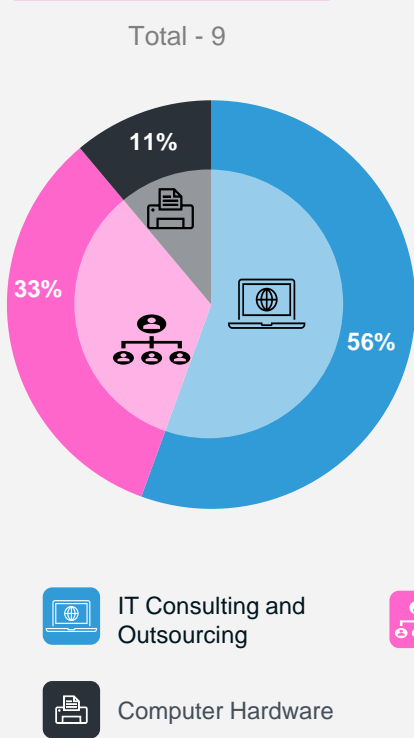
Sources: Pitchbook, Drake Star Analysis

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

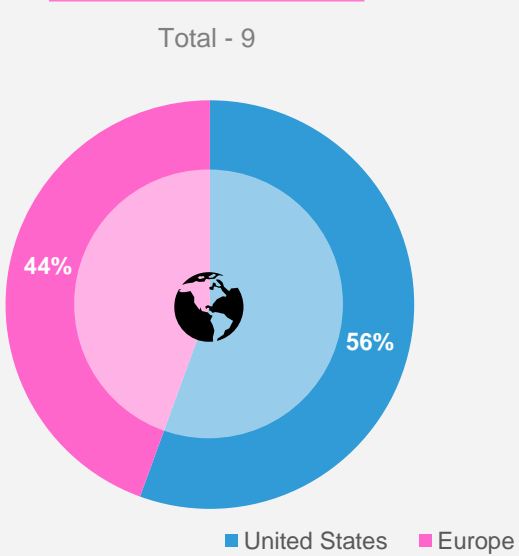
# H1 2024 SAW NO MSP PRIVATE PLACEMENT INVESTMENTS, A CONTRAST TO THE M&A DEAL ENVIRONMENT



LTM\* DEAL COUNT BY SEGMENT



LTM DEAL COUNT BY GEO



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 MSP

Q323-Q224

| COMPANY  | SUBSECTOR                          | COUNTRY   | REVENUE | DEAL SIZE | EMPLOYEES | SELECT INVESTOR   | DATE   |
|--|------------------------------------|---|---------|-----------|-----------|---|--------|
|  <b>Kocho</b>                 | Systems and Information Management |    | 48.2    | --        | 200-500   |  <b>BGF</b>                  | Dec-23 |
|  <b>FOCUS TECHNOLOGY</b>      | IT Consulting and Outsourcing      |    | --      | --        | 150       |  <b>SEACOAST CAPITAL</b>     | Nov-23 |
|  <b>TTNL</b>                  | Systems and Information Management |    | --      | --        | 50-200    |  <b>FIELDS GROUP</b>         | Oct-23 |
|  <b>Intelligently Managed</b> | Printing Services                  |    | --      | --        | 10-50     |  <b>CenterGate CAPITAL</b>   | Oct-23 |
|  <b>ANCHOR POINT</b>          | IT Consulting and Outsourcing      |    | --      | --        | 10-50     |  <b>DWO ASCENT</b>           | Oct-23 |
|  <b>HARRIS</b>                | IT Consulting and Outsourcing      |    | --      | 0.6       | 20-25     |  <b>ACCELERATED PARTNERS</b> | Sep-23 |
|  <b>elastisys</b>             | IT Consulting and Outsourcing      |    | --      | 2.5       | 42        |  <b>spintop ventures</b>     | Sep-23 |
|  <b>CYBERLINKASP</b>         | Systems and Information Management |   | --      | --        | 45        |  <b>SEAPORT CAPITAL</b>     | Aug-23 |
|  <b>SCALIAN</b>             | IT Consulting and Outsourcing      |  | 25.5    | 965.0     | 5,500     |  <b>WENDEL</b>             | Jul-23 |

Sources: Pitchbook, Drake Star Analysis

# PRIVATE EQUITY FIRMS INVESTMENTS IN MSPS AS OF LTM JUNE 2024

|   |   |  |
|---|---|--|
| <div><div><b>SCALIAN</b><br/></div><div><b>5,550</b><br/>EMPLOYEES</div><div><b>WENDEL</b><br/></div></div> <div><ul style="list-style-type: none"><li>Scalian was acquired by Wendel Group through a EUR 965 million LBO.</li></ul></div> <div>Jul-23</div>  | <div><div><b>Kocho</b><br/></div><div><b>200-500</b><br/>EMPLOYEES</div><div><b>BGF</b><br/></div></div> <div><ul style="list-style-type: none"><li>Kocho received development capital from BGF.</li></ul></div> <div>Dec-23</div>   | <div><div><b>FOCUS TECHNOLOGY</b><br/></div><div><b>150</b><br/>EMPLOYEES</div><div><b>SEACOAST CAPITAL</b><br/></div></div> <div><ul style="list-style-type: none"><li>Focus Technology Solutions was acquired by Seacoast Capital and its management through an LBO.</li><li>The transaction was supported by debt financing. As a result of the transaction, the company was recapitalized.</li></ul></div> <div>Nov-23</div> |
| <div><div><b>TTNL</b><br/></div><div><b>50-200</b><br/>EMPLOYEES</div><div><b>FIELDS GROUP</b><br/></div></div> <div><ul style="list-style-type: none"><li>TTNL was acquired by Fields Group through an LBO.</li><li>The aim of the acquisition is to build on the successful heritage of the company and to grow it into a leading provider in Europe.</li></ul></div> <div>Oct-23</div> | <div><div><b>Intelligently Managed</b><br/></div><div><b>10-50</b><br/>EMPLOYEES</div><div><b>CenterGate CAPITAL</b><br/></div></div> <div><ul style="list-style-type: none"><li>Cartridge Technologies was acquired by CenterGate Capital through an LBO.</li><li>The investment will provide Cartridge Technologies with the capital and strategic resources to continue its growth trajectory while increasing.</li></ul></div> <div>Oct-23</div> | <div><div><b>ANCHOR POINT</b><br/></div><div><b>10-50</b><br/>EMPLOYEES</div><div><b>DWO ASCENT</b><br/></div></div> <div><ul style="list-style-type: none"><li>Anchor Point raised venture funding from DWO Ascend.</li></ul></div> <div>Oct-23</div>   |

Sources: Pitchbook, Drake Star Analysis

# GLOBAL REACH COMBINED WITH LOCAL PRESENCE

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



5  
countries



8  
offices



500+  
transactions



+35  
Deal of the Year  
Awards



+70%  
cross-border  
transactions



+30  
Partners &  
Senior Advisors







# MSP

## H1 2024 MARKET UPDATE

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BELIEVE IN INNOVATION  
CHANGE THE WORLD

