



MANAGED SERVICE PROVIDER “MSP” MARKET UPDATE Q3 2024

NEW YORK | LONDON | LOS ANGELES | PARIS | MUNICH

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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

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,
+40x deal of the year,
6x leadership awards

STRONG TRANSACTION TRACK RECORD

OVER 500 TRANSACTIONS COMPLETED



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

<p>Managed Service Provider</p> <p>SALE TO</p> <p>Deal 1⁽¹⁾</p> <p>MSP</p>	<p>iccs</p> <p>TRANSACTS WITH</p> <p>nexustek nt.</p> <p>a portfolio company of</p> <p>abry partners</p> <p>IT Services</p>	<p>THE TNS GROUP</p> <p>SALE TO</p> <p>omega systems</p> <p>a portfolio company of</p> <p>PFINGSTEN</p> <p>MSP</p>	<p>coretelligent</p> <p>a portfolio company of</p> <p>VSS</p> <p>MAJORITY SALE TO</p> <p>N E P</p> <p>Norwest Equity Partners</p> <p>MSP</p>	<p>THRIVE</p> <p>a portfolio company of</p> <p>M C POINTERS</p> <p>SALE TO</p> <p>COURT SQUARE</p> <p>MSP</p>
<p>Synoptek</p> <p>a portfolio company of</p> <p>SVERICA</p> <p>HAS RECEIVED MAJORITY INVESTMENT FROM</p> <p>QUAD-C</p> <p>MSP</p>	<p>nexustek nt.</p> <p>RECAPITALIZATION WITH</p> <p>abry partners</p> <p>MSP</p>	<p>abacus group llc</p> <p>HAS SOLD A MINORITY STAKE TO</p> <p>WESTVIEW CAPITAL PARTNERS</p> <p>MSP</p>	<p>Med Tech Solutions</p> <p>HAS BEEN ACQUIRED BY</p> <p>SUNSTONE PARTNERS</p> <p>MSP</p>	<p>coretelligent</p> <p>a portfolio company of</p> <p>VSS</p> <p>HAS ACQUIRED</p> <p>SOUND SHORE TECHNOLOGY GROUP</p> <p>MSP</p>
<p>CLOUDNEXA</p> <p>a portfolio company of</p> <p>ACTIVATE</p> <p>SALE TO</p> <p>GLOBAL</p> <p>MSP</p>	<p>coretelligent</p> <p>a portfolio company of</p> <p>VSS</p> <p>HAS ACQUIRED</p> <p>UTG</p> <p>MSP</p>	<p>coretelligent</p> <p>a portfolio company of</p> <p>VSS</p> <p>HAS ACQUIRED</p> <p>SoundView IT SOLUTIONS</p> <p>MSP</p>	<p>coretelligent</p> <p>PRIVATE PLACEMENT</p> <p>VSS</p> <p>MSP</p>	<p>CLEARPointe</p> <p>SALE TO</p> <p>Accountabil IT</p> <p>a portfolio company of</p> <p>WESTVIEW CAPITAL PARTNERS</p> <p>MSP</p>



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(1) Current Drake Star mandate prepping for market

OUR KEY TAKEAWAYS ON THE MSP MARKET



The third quarter of 2024 saw a resurgence of private placement activity in the MSP space with a return of platform deals. At the same time, M&A activity decreased compared to last quarter, but remained strong with 77 deals in Q3 2024 vs. 24 deals in Q3 2023.



Both Strategic and financial consolidators focused on expanding their capabilities through acquisition of IT consulting service providers that represented 72% of total deal activity in Q3.



Strategic buyers are pursuing consolidation, with 6 of the top 10 players investing in at least three Managed Service Providers and the others in at least two between 2023 and 2024. Meanwhile, financial investors continue to primarily make singular investments.



The global MSP market value is projected to reach \$313 billion by the end of 2024 and is expected to grow to \$552 billion by 2032, driven by increasing IT complexities and demand for cost efficiency.

MSP MARKET UPDATE

STRONG MARKET TRACTION DESPITE ECONOMIC UNCERTAINTY

82

MSP transactions
in Q3 2024

\$313bn

Global managed service
market value in 2024E

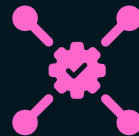
~7.7%

Expected market growth
CAGR until 2032

Top 3 Most Important Outcomes Achieved From Managed Services



Outsourcing IT services to
MSPs enables operating cost
efficiencies



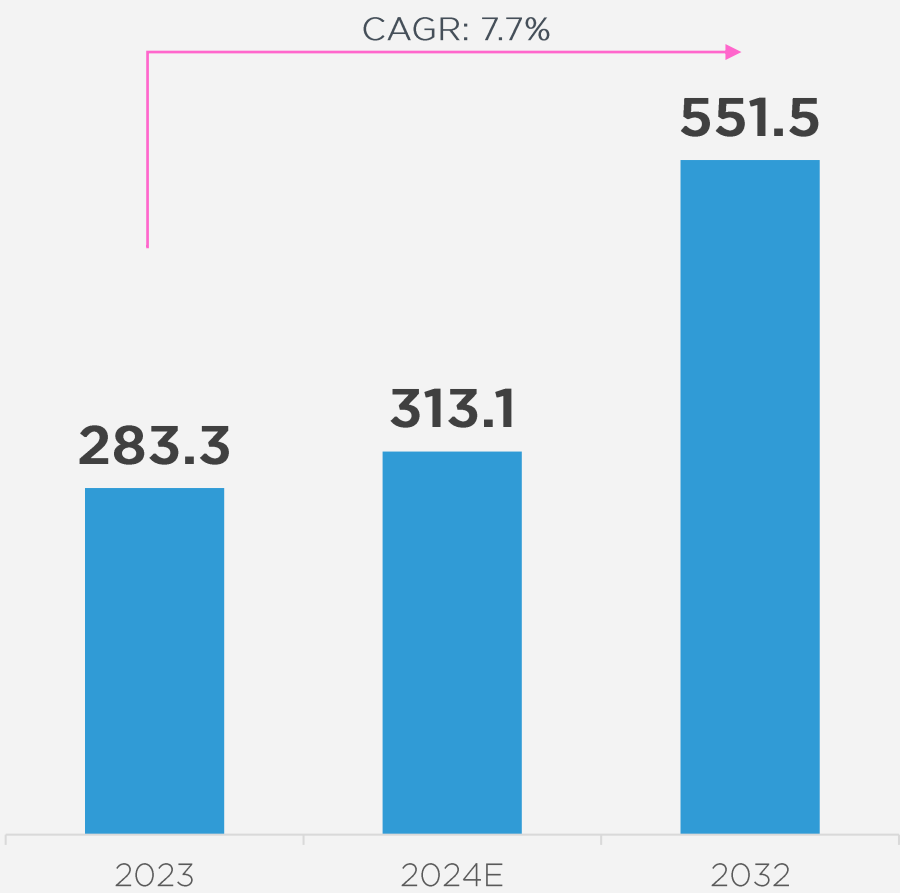
Assist in navigating the
complexities of advanced IT
environments



Rapid deployment of
new technology

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

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.



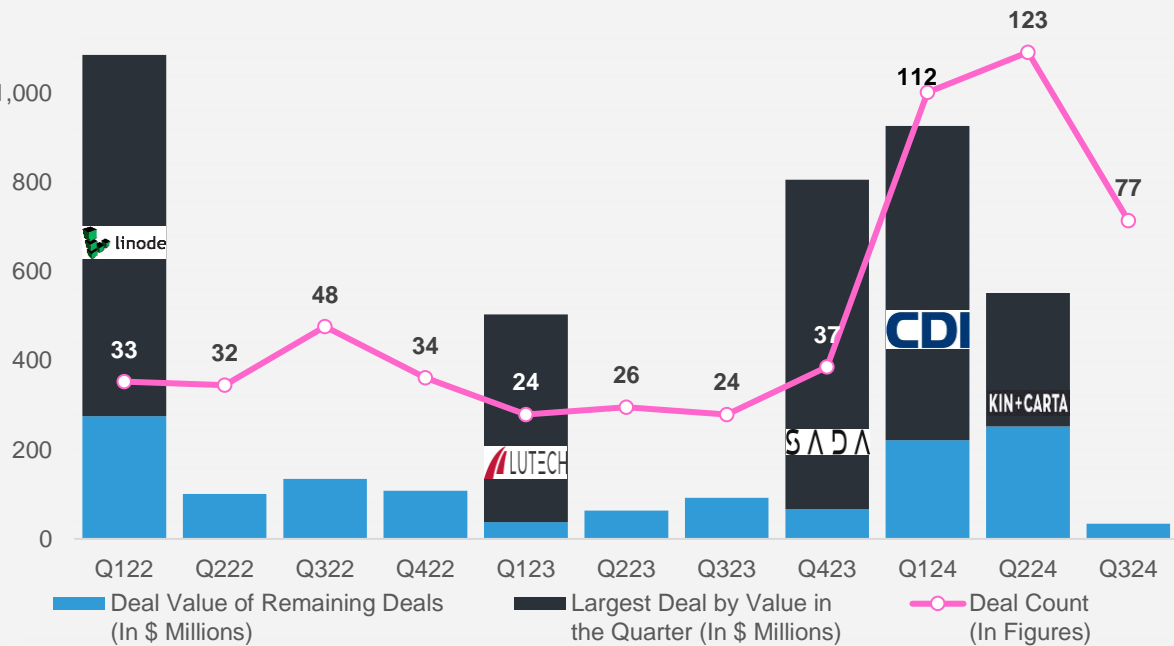
Cybersecurity Challenges: The rising incidence of cybersecurity threats is fueling the need for MSPs, who provide specialized solutions such as 24/7 monitoring and threat detection. These services are vital for safeguarding sensitive data and ensuring compliance with regulations.



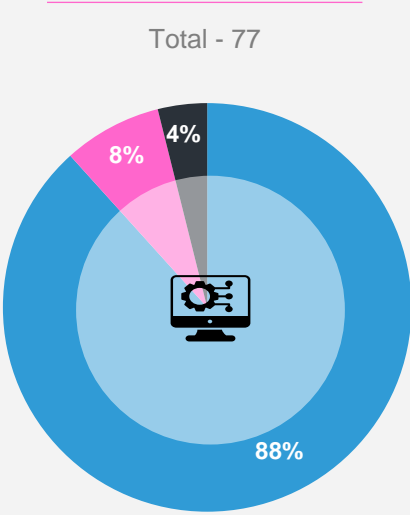
Enhanced Business Agility: Managed services offer the flexibility to promptly adapt IT resources to changes in the market, customer requirements, and emerging opportunities. This capability allows for swift responses without being constrained by fixed infrastructure.

Q3 24 M&A ACTIVITY HIT ITS LOWEST LEVEL OF THE YEAR

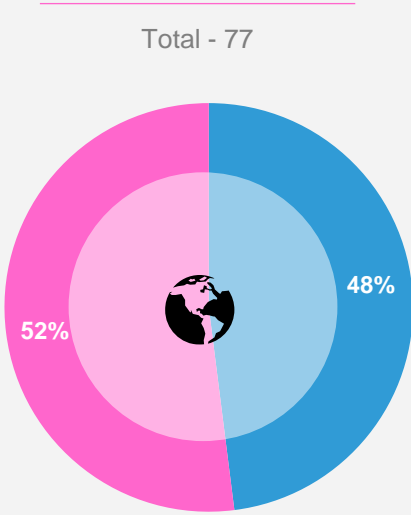
IN Q3 2024, 77 ANNOUNCED M&A DEAL DEALS IN THE UNITED STATES AND EUROPE



Q3 2024 DEAL COUNT BY SEGMENT

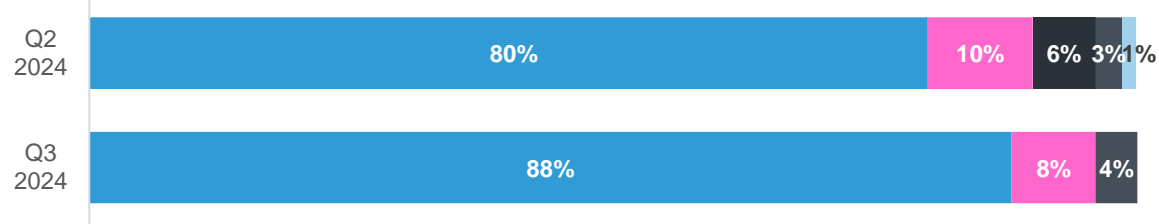


Q3 2024 DEAL COUNT BY GEO



■ Europe ■ United States

DEAL COUNT BY SEGMENT



IT Services



Software



Communications and Networking



Commercial Services



Others

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*

 Evergreen Services Group	 accenture	 V3	 connectus collaboration through innovation	 THE 2Q	 New Charter TECHNOLOGIES	 INTELLIGENT TECHNICAL SOLUTIONS	 AirIT	 NETSURIT	 Ntiva Your Success. Secured.
 OMNYON	 NAVISITE	 GO Concepts A VO3 COMPANY	 IT for growth	 Matrix Moulding Systems	 bnmc Your Strategic IT Partner	 digitalseattle MANAGING IT FOR YOU	 Soconnect part of the AirIT group	 iTEAM Consulting	 ThePurpleGuys Stress-Free IT Support
 DIGITAL X ORIGIN	 Parsionate Your Advantage	 Inline Computer & Communications	 PCSC IT Consulting	 BLUE CACTUS CONSULTING	 CTSI	 OneClick SOLUTIONS GROUP	 SS TECHNOLOGY SOLUTIONS	 AVAUNT TECHNOLOGIES INC.	 Middleground TECHNOLOGIES
 ACCELLIS	 mindcurv group	 DominionTech COMPUTER SERVICES	 PRS IT	 Drivetechnology	 COMPLETE TECHNOLOGY SOLUTIONS I.T. SURVEILLANCE VOICE ACCESS CONTROL	 A leap ahead information technology	 vital	 Vital I/O	
 CMS	 logic Part of Accenture								




TOP 10 MOST ACTIVE FINANCIAL CONSOLIDATORS**

Includes deals since 2023. *Ranked by total deal count. Strategic investors like Abacus Group, OneCom, Bechtle, Buchanan Technologies, Cloudscale365 also completed two deals since Jan 2023.
 **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.

STRATEGIC BUYERS FROM MULTIPLE SECTORS EXPRESS INTEREST IN MSPS

Q3 2024

COMPANY	COUNTRY	EMPLOYEES	ACQUIRER	ACQUIRER COUNTRY	DATE
 logic <small>Part of Accenture</small>		800			Aug-24
		500			Jul-24
 INNOVERY <small>by NEVERHACK</small>		400	 CARLYLE	 	Sep-24
		375			Aug-24
		280			Jul-24
		200			Sep-24
		155	 		Aug-24
		150	  	  	Jul-24
		100	 		Aug-24
		30	 		Jul-24

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

STRATEGIC FIT IS KEY FOR MSP M&A DEALS

77 DEALS AND \$34MMN IN DISCLOSED DEAL ACTIVITY IN Q3 2024


Part of Accenture

800
EMPLOYEES




- Logic Information Systems was acquired by Accenture (NYS: ACN) for an undisclosed amount on August 13, 2024.
- Through the acquisition, Accenture will enhance its ability to drive technology transformations for retail clients globally.

Aug-2024




500
EMPLOYEES




- enVista was acquired by MHI Robotics Group for an undisclosed amount on July 18, 2024.

Jul-2024


by NEVERHACK


400
EMPLOYEES


an IBM Business Partner







- Innovery was acquired by Neverhack, via its financial sponsor The Carlyle Group, through an LBO on September 27, 2024 for an undisclosed amount.
- Through this acquisition, Neverhack is strengthening its position as a market leader in the cybersecurity sector, expanding its presence in Southern Europe and America.

Sep-2024


Acquiring Technology for Growth


375
EMPLOYEES


Where Technology Means More®





- Bailiwick Services was acquired by ePlus (NAS: PLUS) for an undisclosed amount on August 19, 2024.

Aug-2024


a gruve company

280
EMPLOYEES

- SecurView was acquired by Gruve for an undisclosed amount on July 31, 2024.

Jul-2024


Infodata Group

200
EMPLOYEES


Digital Value Group

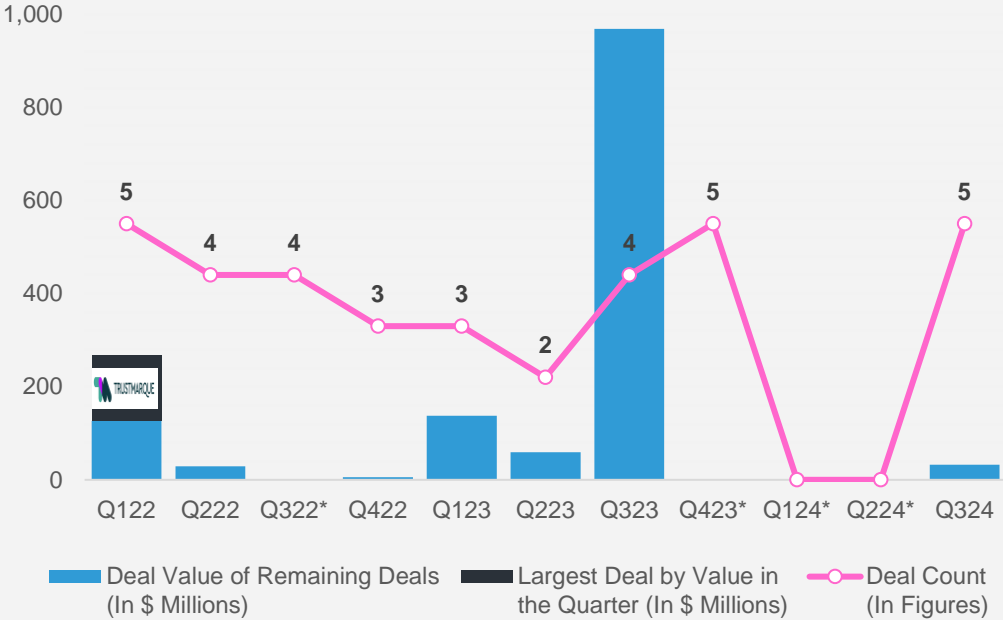


- Infodata Group was acquired by Digital Value (MIL: DGV) for \$24.4 million on September 26, 2024.
- This acquisition will enhance the growth and positioning of Digital Value Group, in the specialist services segment.

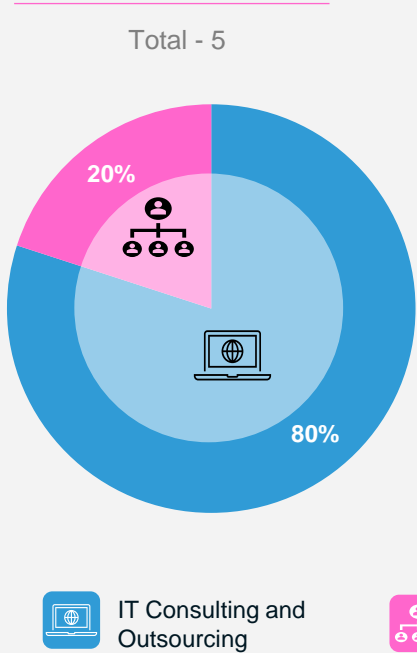
Sep-24

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

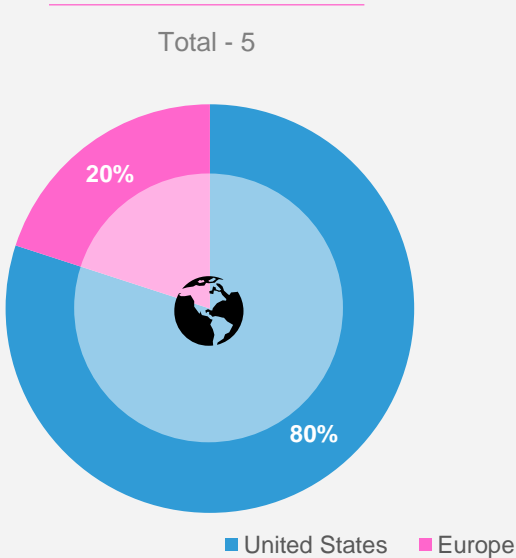
Q3 2024 SHOWED AN IMPROVEMENT IN MSP PRIVATE PLACEMENT INVESTMENTS COMPARED TO PREVIOUS QUARTERS OF 2024



Q3 2024 DEAL COUNT BY SEGMENT



Q3 2024 DEAL COUNT BY GEO



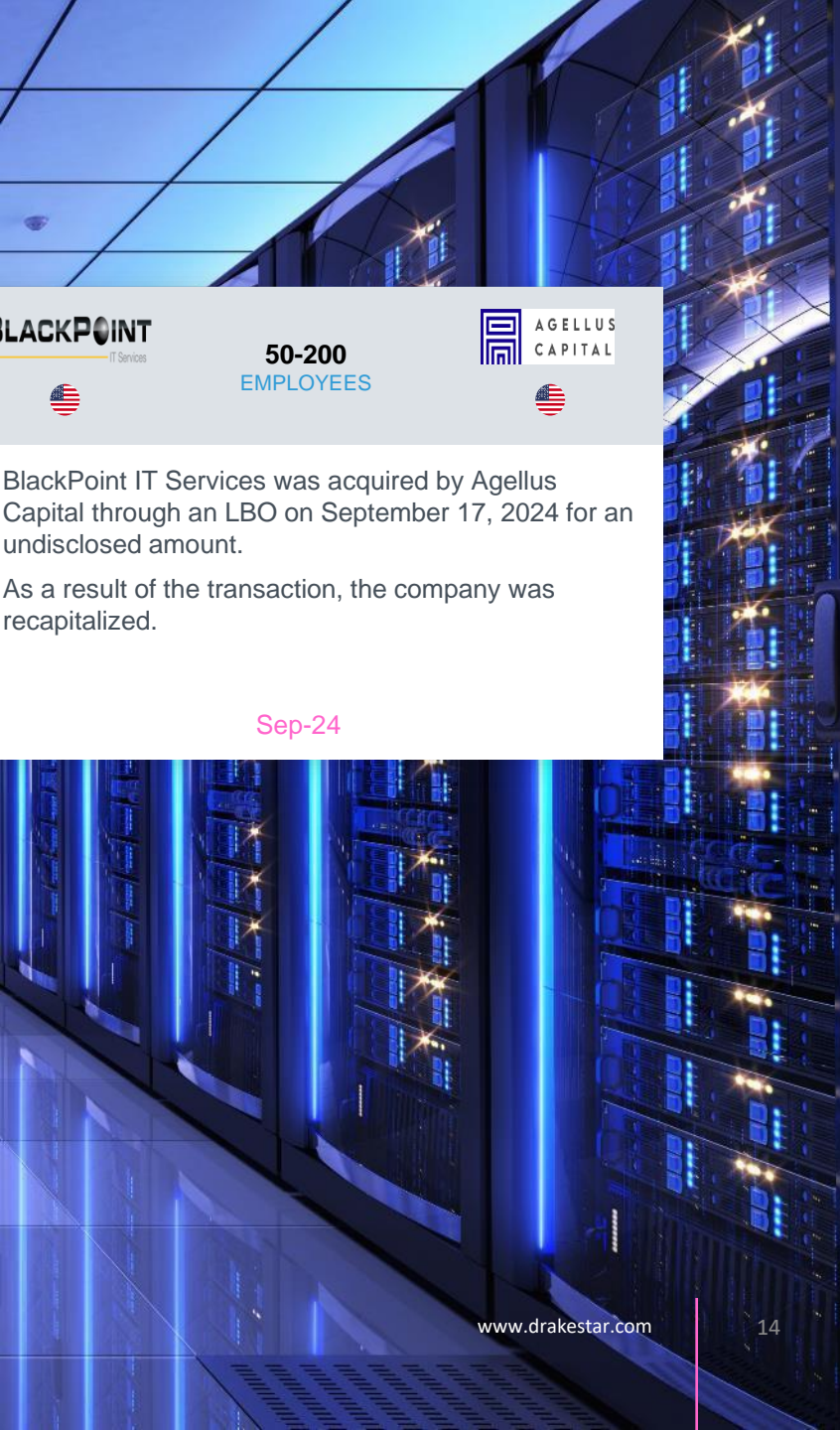
Note: Deal value reflects solely the capital invested by those deals that disclose their specific value. Not all transactions report deal value. Information on deal count and value by stage is available. Drake Star did not act as financial advisor on transactions listed on this page.
*No deal values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

PE INVESTMENTS IN MSP

Q423-Q324

COMPANY	SUBSECTOR	COUNTRY	REVENUE	DEAL SIZE	EMPLOYEES	SELECT INVESTOR	DATE
 IS Image Solutions	IT Consulting and Outsourcing		--	19.5	10-50	 KINGSWAY	Sep-24
 BLACKPOINT IT Services	IT Consulting and Outsourcing		--	--	50-200	 AGELLUS CAPITAL	Sep-24
 blue mantis	IT Consulting and Outsourcing		--	--	400	 RECOGNIZE	Sep-24
 BlueStream	Systems and Information Management		--	13.1	40	 IDEAL HOLDINGS	Jul-24
 MIT MEDICUS IT	IT Consulting and Outsourcing		--	--	300	 FEL PARTNERS	Jul-24
 Kocho	Systems and Information Management		48.2	--	200-500	 BGF	Dec-23
 FOCUS TECHNOLOGY	IT Consulting and Outsourcing		--	--	150	 SEACOAST CAPITAL	Nov-23
 TTNL	Systems and Information Management		--	--	50-200	 FIELDS GROUP	Oct-23
 Gti Intelligently Managed	Printing Services		--	--	10-50	 CenterGate CAPITAL	Oct-23
 ANCHOR POINT IT Solutions	IT Consulting and Outsourcing		--	--	10-50	 DWO ASCENT	Oct-23

PRIVATE PLACEMENT INVESTMENTS IN MSPS IN Q324





400
EMPLOYEES



- Blue Mantis (Portsmouth) was acquired by Recognize Partners through an LBO on September 9, 2024 for an undisclosed amount.
- The transaction was supported by debt financing.

Sep-24





300
EMPLOYEES





- Medicus IT was acquired by FFL Partners through an LBO on July 9, 2024 for an undisclosed amount.

Jul-24



50-200
EMPLOYEES



- BlackPoint IT Services was acquired by Agellus Capital through an LBO on September 17, 2024 for an undisclosed amount.
- As a result of the transaction, the company was recapitalized.

Sep-24





10-50
EMPLOYEES





- Image Solutions (IT Services) was acquired by Kingsway Financial Services (NYS: KFS) for \$19.5 million.
- The acquisition enables Kingsway Financial Services to gain insights and use a measured strategy, propelling the enterprise to new heights.

Sep-24



40
EMPLOYEES



- BlueStream Solutions was acquired by Ideal Group (Athens) (ATH: INTEK) for \$13.1 million on July 19, 2024.
- The acquisition will help Ideal Group strengthen its presence in the IT industry.

Jul-24

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

Q3 2024 MARKET UPDATE

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CHANGE THE WORLD

