SALT CREEK
ADVISORY

THE 2026

MSP M&A and Valuation Guide for Owners

What buyers value, what weakens valuation, and how to prepare before a sale.

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FOR MSP OWNERS

Confidential readiness and M&A guidance for founder-led managed service providers.

Your MSP may be attractive to buyers.

The outcome depends on the quality beneath the revenue.

01

Recurring revenue is not equal

Buyers test whether it is profitable, documented, transferable, and likely to remain after ownership changes.

02

Growth needs a clean bridge

New logos, price, expansion, churn, and acquired revenue should reconcile to the reported growth rate.

03

Capability must show economics

Security, compliance, cloud, and AI only help the story when they produce recurring revenue and margin.

04

Transferability affects proceeds

Founder-controlled sales, escalations, and key relationships can narrow buyer interest or shift value into structure.

Sources: [3] Aventis Advisors; [4] Auxo Capital Advisors; [5]-[6] Salt Creek analysis and owner guidance.

WHAT IS HAPPENING

The market is active. Buyer selectivity is the real story.

121

MSP transactions in Q1 2026

102 were M&A transactions; 19 were private placements.

$350B

global managed services market in 2025

Drake Star projects approximately $850B by 2034.

71%

of surveyed MSPs reported growth in cybersecurity revenue

Security remains a proven revenue engine for many MSPs.

13%

identify AI and automation as a meaningful revenue source

Demand is ahead of proven monetization.

Owner implication

Category demand opens the door. Revenue quality, retention, and transferability decide how far a buyer walks through it.

Sources: [1] Drake Star, Q1 2026 MSP Market Update; [2] Kaseya, 2026 State of the MSP.

WHAT BUYERS VALUE

Premiums are earned below the topline.

A buyer rebuilds the earnings story from contracts, cohorts, service-line margins, and management ownership. The growth rate is the starting point, not the answer.

01

Recurring mix

Separate managed-services monthly recurring revenue (MRR) from resale, projects, and pass-through revenue.

02

Organic growth

Reconcile new logos, expansion, price, churn, and acquired revenue.

03

Cohort retention

Show gross revenue retention (GRR), net revenue retention (NRR), renewal behavior, and customer movement by cohort.

04

Low concentration

Explain material accounts, contract durability, tenure, and relationship ownership.

05

Management depth

Sales, service, and finance should function without the founder as the system.

06

Monetized capability

Security, compliance, cloud, or AI must show recurring revenue and margin.

Sources: [3]-[6]. Salt Creek Advisory framework based on cited valuation and buyer-diligence guidance.

WHAT WEAKENS VALUATION

Six issues can reduce price or shift proceeds into structure.

20%+

single-customer concentration

is a practical point where many buyers begin treating the account as a material risk. The effect can show up in valuation, escrow, earnout, or retention conditions.

A guideline, not a universal cutoff. Contract quality, tenure, and relationship ownership still matter.

01 **Customer concentration**

02 **Founder-controlled sales and relationships**

03 **Resale mixed with managed-services revenue**

04 **Weak cohort and retention reporting**

05 **Cyber or AI claims without proven economics**

06 **Inconsistent financial reporting**

Sources: [4]-[6], accessed Aug. 4, 2026. Concentration effects vary by buyer, contract, financing, and deal structure.

WHAT BUYERS WILL ASK FOR

Could your MSP survive buyer diligence?

Revenue quality and earnings

- ☑ Monthly recurring revenue (MRR) by customer and service line
- ☑ Gross revenue retention (GRR) and net revenue retention (NRR) by cohort
- ☑ Customer concentration and contract renewal dates
- ☑ Gross margin by managed service, resale, and project revenue
- ☑ Adjusted earnings before interest, taxes, depreciation and amortization (EBITDA) bridge with support for each add-back

Operations, people, and risk

- ☑ Employee and technician retention
- ☑ Founder responsibilities and relationship ownership
- ☑ Sales pipeline and organic-growth reconciliation
- ☑ Cybersecurity, compliance, insurance, and incident records
- ☑ Professional services automation (PSA) and remote monitoring and management (RMM) stack, vendor dependence, and documented processes

The test is not whether the data exists somewhere. It is whether the story reconciles quickly enough for a buyer to trust it.

Sources: [4], [6]. Checklist is Salt Creek Advisory's owner-preparation framework; buyer requests vary by deal.

VALUATION CONTEXT

Public deal medians are not company valuations.

Disclosed MSP transactions often involve larger and more sophisticated companies than a typical owner-operated MSP. Actual outcomes depend on earnings scale, recurring revenue quality, growth, retention, concentration, management depth, buyer competition, and deal structure.

SMALL OR SUBSCALE BUSINESSES

~3-4x

Approximately 3x-4x in cited market commentary for the smallest businesses.

STRONGER LOWER-MIDDLE-MARKET MSPS

~5-8x

Approximately 5x-8x in cited market commentary for stronger smaller companies.

Actual value requires company-specific analysis.

Business quality → **Buyer competition** → **Deal structure** → **Seller proceeds**

Source: [3] Aventis Advisors. Approximate ranges are market context, not a valuation opinion.

BUYER TYPES AND WHAT THEY MEAN

The highest offer is not always the best economic or personal outcome.

Buyer model	What it can mean for an owner	Illustrative example
Permanent-hold	Often emphasizes brand, team, and local operating continuity. Ask what will truly stay independent after close.	**Evergreen**
Integrated platform	May centralize systems, tooling, service delivery, or back office. Ask for a concrete 100-day integration plan.	**Thrive**
PE-backed partnership	May combine liquidity with continued ownership, rollover, or a growth role. Understand the equity and governance terms.	**New Charter**
Strategic capability buyer	May pay for cloud, AI, talent, geography, or customer access, then integrate more aggressively around that rationale.	**Cognizant / 3Cloud**

Archetypes overlap. A sponsor-backed platform may also be integrated; a strategic buyer may preserve autonomy. Ask what happens to your brand, team, systems, role, and rollover before comparing headline price.

Sources: [8]-[12]. Illustrative examples based on publicly stated models and transaction announcements.

BUILD BEFORE YOU MARKET

Twelve months can turn buyer questions into seller evidence.

MONTHS 0-3

Make the numbers credible

- Separate MRR, resale, project, and pass-through revenue
- Build the adjusted EBITDA schedule
- Reconcile billing, contracts, and the general ledger

MONTHS 3-6

Prove revenue quality

- Calculate gross and net retention
- Analyze customer cohorts and concentration
- Document renewal and cancellation behavior

MONTHS 6-9

Reduce founder dependence

- Transfer customer ownership
- Strengthen service and sales leadership
- Document pricing, delivery, and escalation processes

MONTHS 9-12

Prepare for a process

- Organize diligence materials
- Develop buyer positioning and forecasts
- Establish a preliminary valuation range

Source: Salt Creek Advisory preparation framework, informed by [4]-[7]. Timelines should be tailored to the business.

THE SALE PROCESS IN PLAIN ENGLISH

Preparation creates leverage before exclusivity takes it away.

01
Confidential assessment
Value, readiness, goals

02
Positioning and preparation
Evidence, materials, forecast

03
Buyer identification
Strategic and financial fit

04
Confidential outreach
Teaser, NDA, information

05
Meetings and offers
Compare price, terms, fit

06
Letter of intent (LOI)
Negotiate terms, then diligence

07
Documentation and close
Protect proceeds and certainty

Salt Creek represents the owner - not the buyer.

Source: [7] Salt Creek Advisory, Lower Middle Market M&A Process.

FROM MARKET REPORT TO OWNER REPRESENTATION

We turn buyer underwriting into a preparation and sale plan.

01

Understand the buyer view

We assess recurring mix, retention, concentration, adjusted EBITDA, management depth, and the likely buyer field.

Outcome: an honest preliminary read.

02

Prepare the evidence

We help organize the MRR bridge, cohort analysis, diligence files, positioning, forecast, and management narrative.

Outcome: fewer surprises under exclusivity.

03

Run the process

We identify buyers, control confidential outreach, compare offers, negotiate the LOI, and coordinate through closing.

Outcome: competition and informed choice.

No obligation to sell. If the better answer is to wait and improve the business first, we will say so.

Sources: [7], [14]-[15]. Salt Creek service description and owner process.

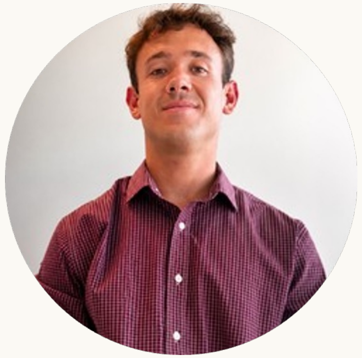
M&A EXPERIENCE WITHOUT THE LARGE-BANK TREATMENT

Two brothers. One firm. Direct work from the first conversation through close.

Jack Pitts

Co-Founder & Principal

Vanderbilt graduate. Experience across Blue Wolf Capital and Kingfish Capital, working alongside lower-middle-market investors and operators.



Connor Pitts

Co-Founder & Principal

Trained at Brown Gibbons Lang & Company, then spent three years at Cadence Education working through more than 40 transactions.

Our approach

- Buyer-minded preparation
- Direct senior attention
- Confidential, competitive sale processes
- Straight answers, including when the better decision is to wait

Sources: [13]-[15] Salt Creek Advisory official team, firm, and MSP advisory pages.

Curious how buyers may view your MSP?

Request a confidential preliminary valuation and readiness assessment.

We will discuss:

- Likely buyer interest
- Key valuation drivers
- Potential diligence concerns
- Steps that could strengthen the outcome

Request My Confidential Assessment

saltcreekadvisory.com/ msp-ma-advisor

Source: [15] Contact and URL

No obligation. No pressure to sell.

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INDEPENDENT SOURCES

Independent market and transaction sources

[1] **Drake Star - MSP Market Update Q1 2026**
drakestar.com/.../Drake Star Global MSP Report-Q1 2026.pdf

[2] **Kaseya - 2026 State of the MSP**
pages.thechannelco.com/.../Kaseya-2026-State-of-the-MSP-Report-2026.pdf

[3] **Aventis Advisors - MSP Valuation Multiples**
aventis-advisors.com/msp-valuation-multiples/

[4] **Auxo Capital Advisors - MSP Business Valuation**
auxocapitaladvisors.com/msp-business-valuation/

[9] **Evergreen - Decentralized MSP Model**
evergreensg.com/msp-consolidation/...

[10] **Thrive - Berkshire and Court Square Investment**
thrivenextgen.com/thrive-receives-strategic-investment-.../

[11] **New Charter - MSP Equity Partnership**
newchartertech.com/msp-equity-partnership/

[12] **Cognizant - Acquisition of 3Cloud**
news.cognizant.com/.../Cognizant-completes-acquisition-of-3Cloud

Methodology

Market statistics and reported ranges are attributed to named public sources. Buyer examples are illustrative. Salt Creek frameworks and articles are separated on the following page.

All sources accessed Aug. 4, 2026.

Independent buyer examples are illustrative, not endorsements or statements of future interest in any specific MSP.

SALT CREEK SOURCES

Salt Creek frameworks and further reading

ARTICLES AND OWNER FRAMEWORKS

[5] MSP Valuation Multiples 2026
saltcreekadvisory.com/articles/msp-valuation-multiples-2026

[6] What Buyers Look For
saltcreekadvisory.com/articles/what-buyers-look-for-in-an-acquisition-target-2026

[7] Lower Middle Market M&A Process
saltcreekadvisory.com/articles/lower-middle-market-ma-process

[8] Strategic Buyer vs. Private Equity Buyer
saltcreekadvisory.com/articles/strategic-buyer-vs-private-equity-buyer-2026

FIRM INFORMATION

[13] Salt Creek Advisory - Team
saltcreekadvisory.com/team

[14] Salt Creek Advisory - About
saltcreekadvisory.com/about

[15] Salt Creek Advisory - MSP M&A Advisor / Contact
saltcreekadvisory.com/msp-ma-advisor | /contact

All sources accessed Aug. 4, 2026.

Salt Creek articles are first-party frameworks and further reading, not independent validation of Salt Creek's conclusions.