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.

Prepared by Jack Pitts and Connor Pitts · November 2026

FOR MSP OWNERS

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

INSIDE

What buyers value
What weakens valuation
How to prepare before a sale

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.

122

MSP-sector transactions in Q3 2026

110 M&A deals and 12 private placements, worldwide, not only small U.S. MSPs.

$350B

global managed services market in 2025

Drake Star cites approximately $850B by 2034.

71%

of 1,061 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

Named as a top-three 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, MSP Market Update Q3 2026 (Oct. 21, 2026); [2] Kaseya, 2026 State of the MSP (1,061 MSPs).

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.

MSPS UNDER $10M OF REVENUE

7.5x

Median EV/EBITDA across 25 reported deals. Middle half: 5.5x–10.3x.

MSPS WITH $20M+ OF REVENUE

11.2x

Median EV/EBITDA across 41 reported deals. Middle half: 7.3x–12.9x.

Read these carefully. These are EV/EBITDA medians from reported MSP deals, most from 2015–2019 and skewed toward larger companies. Many small owner-run MSPs are priced lower, and some on seller's discretionary earnings (SDE). Platforms (about 12–13x) and add-ons (about 9–10x) in Drake Star's Q3 2026 commentary are a separate segment. Indicative, not a valuation.

Actual value requires company-specific analysis.

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

Sources: [3] Aventis Advisors, MSP Valuation Multiples (Oct. 28, 2026): MSP deals 2015–2025 with a reported EV/EBITDA and known revenue (76 of 80); [1] Drake Star Q3 2026.

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.

OWNER MATH: RETENTION Start the year at $100K MRR. Lose $6K to churn and $2K to downgrades; add $8K from existing clients. GRR = 92%. NRR = 100%. (Illustrative.)

OWNER MATH: LICENSING Licensing and resale can carry different margins and risks. Report licensing, managed services, and projects separately so buyers see recurring gross profit.

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.

Evergreen's published factors: above 20% (top client) or 50% (top five) materially impacts buyer appetite. A benchmark, not a rule; contracts, tenure, and renewal terms matter too.

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: [19] MSP Valuations by Evergreen; [4]–[6]. 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, renewal dates, and contract assignment rights
- ✓ 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.

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 (bought Worksighted, a Michigan MSP, 2025)**
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 (large deal)**

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.

FROM AN OPERATOR

On The Making Of Hosted by Jack Pitts, Dave Moorman discussed merging DynaSis into Novatech (2019), then a second exit when Perpetual Capital bought Novatech (2024). If you roll equity, plan for your buyer selling too.

Sources: [8]–[12], [16]–[18], [20]. Illustrative examples, not statements of interest. Dave Moorman is not affiliated with Salt Creek.

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

OWNER MATH: ADJUSTED EBITDA BRIDGE Reported EBITDA $600K + owner pay above a market salary $120K + one-time legal fees $40K + personal expenses run through the business $15K = Adjusted EBITDA $775K. Buyers test every add-back and can reject ones without documents. (Illustrative.)

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.

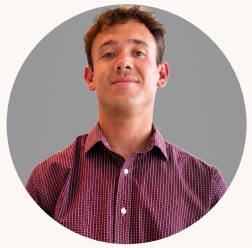
M&A EXPERIENCE WITHOUT THE LARGE-BANK TREATMENT

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.

Salt Creek Advisory is actively advising on an MSP sale process and maintains relationships with buyers and operators across the IT services industry.

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 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

No obligation. No pressure to sell.

Jack Pitts | 708.205.2788 | jack@saltcreekadvisory.com
Connor Pitts | 708.657.5419 | connor@saltcreekadvisory.com

REQUEST MY CONFIDENTIAL ASSESSMENT

saltcreekadvisory.com/msp-ma-advisor

Source: [15].

INDEPENDENT SOURCES

Independent market and transaction sources.

[1] **Drake Star – MSP Market Update Q3 2026 (Oct. 21, 2026)**
drakestar.com · Global MSP Report Q3 2026 (PDF)

[2] **Kaseya – 2026 State of the MSP (1,061 MSPs)**
kaseya.com · 2026 State of the MSP report (PDF)

[3] **Aventis Advisors – MSP Valuation Multiples (Oct. 28, 2026)**
aventis-advisors.com/msp-valuation-multiples

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

[19] **MSP Valuations by Evergreen – Valuation factors**
mspvaluations.com

[18] **Perpetual Capital – Acquires Novatech (September 2024)**
action-intell.com · Perpetual acquires Novatech

[9] **Evergreen Services Group – MSP consolidation**
evergreensg.com · non-integration model

[10] **Thrive – Berkshire Partners investment (January 2025)**
businesswire.com · Thrive strategic investment

[11] **New Charter Technologies – Equity partnerships**
newcharter.com/equity-partnerships

[12] **Cognizant – Acquires 3Cloud (January 2026)**
news.cognizant.com · 3Cloud acquisition

[20] **Thrive – Acquires Worksighted (November 2025)**
globenewswire.com · Thrive acquires Worksighted

[16] **Novatech – DynaSis merger (March 2019)**
newswire.com · Novatech and DynaSis

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. Owner-math examples are hypothetical.

All sources accessed Nov. 5, 2026. Links are clickable in the PDF.

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-...

[7] **Lower Middle Market M&A Process**
saltcreekadvisory.com/articles/lower-middle-market-ma-process-2026

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

[17] **The Making Of Hosted by Jack Pitts – Dave Moorman**
podcasts.apple.com · Episode of Aug. 20, 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

IMPORTANT

This guide is for general informational purposes only. It is not a formal valuation, appraisal, fairness opinion, offer, or legal, tax, accounting, or investment advice. Actual outcomes depend on company-specific facts, buyer interest, financing, diligence, and deal structure.

All sources accessed Nov. 5, 2026. Links are clickable in the PDF.