

YEAR IN REVIEW

The Managed Service Provider (MSP) sector is large, highly profitable and growing rapidly. Frost & Sullivan forecasts the MSP market will grow at a 16.4% annual rate through 2023, or nearly four times as fast as the overall IT market. Yet many MSPs struggle with revenue growth and with their marketing and sales efforts. As a result, implementing an M&A growth strategy – either directly or through private equity (PE) firms – is an efficient way for MSPs to expand their menu of services, increase and diversify their revenue streams, and grow their market share.

No investment bank has been more active or aggressive in serving the MSP market than FOCUS Investment Banking. FOCUS served as M&A advisor to five of the 10 MSP platforms that were established in 2020 and announced by ChannelE2E (see [2020 MSP & Technology M&A List](#)), including three on the buy-side and two on the sell-side. FOCUS also served as a sell-side advisor on three bolt-on acquisitions by private equity firms. Altogether, FOCUS closed MSP transactions involving 22 different parties in North America.

Quick summary of the MSP deals FOCUS put together in 2020:



FOCUS advised General Informatics (GI), a Baton Rouge, LA-based full-service MSP, in its recapitalization by Rosewood Private Investments (RPI), a Dallas-based private equity firm. As a result of the transaction, RPI owns a majority stake in GI, which it plans to use as a platform for future organic and acquisitive growth, with plans to expand outside Louisiana into a 10-state area. The capital investment from RPI enables GI to do much larger transactions.



Similarly, FOCUS represented ICS in receiving an investment from ClearLight Partners, a California-based private equity group. The investment enables ICS, which works with clients to develop customized solutions in business communication, cybersecurity, compliance and cloud migration, to be a formidable platform in the MSP space.



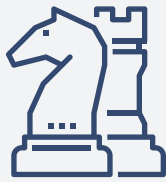
FOCUS acted as financial advisor to ParkSouth Ventures and Kian Capital Partners in connection with their investment in My IT, which merged with Enterprise Computing Services. The combined MSP, which operates under the ECS + MyIT name, plans to pursue additional acquisitions backed by funding from the two PE firms.



FOCUS advised AKUITY Technologies, based in Auburn, Massachusetts, in its sale to ICS (backed by private equity firm ClearLight Partners). The acquisition of AKUITY and its roughly 50 employees allows ICS to further expand its managed IT services across New England. According to ICS's CEO, "It was clear that the AKUITY Technologies culture and core values fit right in with ours."



FOCUS advised Chicago-based PE firm Frontenac in backing the merger of Domain Computer Services and Tier One Technology Partners to create a national MSP (rebranded as Domain Technology Partners) serving professional services firms. With the backing of Frontenac, the newly merged company is positioning itself as a premium national provider of managed IT services and as an attractive partner for best-in-class MSPs.



Strike while the iron is hot

The biggest trend we saw in the MSP M&A market in 2020 can be summed up in two words: “Don’t wait.” Companies that acted quickly – often in less than a day – got their deals done, while those who hesitated saw their opportunities fade away.

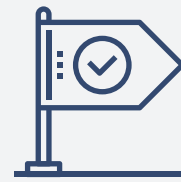
Four examples*:

Example 1: Within two hours of hiring FOCUS, ICS was introduced to ClearLight Partners and had a signed letter of intent (LOI) 32 days later.

Example 2: On a recent sell-side engagement, within 24 hours of being hired, FOCUS introduced four buyers and presented three offers to our sell-side client.

Example 3: FOCUS was hired by a sell-side client with the goal of improving a very competitive acquisition offer they had received. Within 24 hours of being engaged, FOCUS introduced another buyer who had a higher offer and was also a better cultural fit. An LOI was signed seven days later.

Example 4: And in one more quick turnaround (24 hours!), FOCUS presented a sell-side client with an offer 20% above their asking price, with an LOI signed 11 days later.



How did we accomplish results like that?

- FOCUS’s MSP Team knows the field cold — 100% of this team’s time is focused on the MSP sector.
- FOCUS’s MSP Team built a library of 200+ target profiles based on our buy-side discussions with MSPs.
- FOCUS’s MSP Team is in frequent communication with more than 1,800 MSPs, culled from an annual spend of \$250,000 on proprietary research.
- FOCUS’s MSP Team regularly communicates with 51 of the top MSP platforms around the world, and continually brings bolt-on opportunities to 43 PE-backed platforms in North America.
- FOCUS’s MSP Team has now helped nine founders become PE-backed platforms.

What’s next in 2021?

FOCUS is working to be the catalyst for five more PE-backed platforms and lead five regionally focused (10-state maximum) buy-side assignments in the U.S. and one in Canada.

How can you participate in this booming M&A market?

FOCUS’s team of investment bankers and research analysts can help you make your firm more attractive to PE firms or other MSPs looking to consolidate their operations. Alternatively, FOCUS can help make your firm more appealing as a possible acquirer.

Let’s talk. Feel free to drop me a line at abe.garver@focusbankers.com.

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