



Service Leadership Update – How the Best-In-Class Do It

*Confidential – For
Portland Summit 2026
Attendees*



IT NATION™ CONNECT EUROPE

9–11 March 2026 | Hilton London Metropole

Transforming MSP
businesses through the
power of community

Exclusive offer for Portland Summit
attendees! Use code **PORTLAND25** to
SAVE an additional €29*

*EUR shown for reference only.
Registration is charged in GBP.

REGISTER TODAY!

ALL
ACCESS PASS

€230*

Ends 12 Feb

~~€461*~~

ALL ACCESS
ADDITIONAL

€172*

Ends 12 Feb

~~€346*~~





Peter Kujawa

EVP & GM, Service Leadership & IT Nation

IT Solutions/Services Executive

- Led MSP turnaround, including the acquisition by one of the largest privately held office technology dealers in North America.
- Licensed attorney
- 2023 Top 50 Channel Influencer – Channel Futures
- 2025 CRN® Channel Chief
- With ConnectWise/Service Leadership since 2021

Service Leadership Index Benchmarking

- **20 years** of quarterly financial data of TSPs worldwide.
- Objectively benchmarks management methods to tell our members how closely they follow the management methods used by the top performers in their specific PBM.
- Quarterly data includes income statement, balance sheet, ops, and FTEs.
- Online application rebuilt on the ConnectWise Platform in 2023
- Provides instant access to **80+ metrics**, allowing members to compare their performance with top performers in their PBM.

20
YEARS

Service Leadership Index®
Benchmarking

Service Leadership Index Dashboard



Home

Company Profile

User Management

Financial Survey

My Financial Reports

Company Dashboard

Group Dashboard

Operations Dashboard

Facilitator/Coach

My Financial Reports

Company Dashboard

Quarter / Year

Q3-2023

Refresh Last refresh 0 min ago

Predominant Business Model: Infrastructure-Managed Svcs

TR1.Total Product and Service Revenue

\$2.1M

-10.9% Qtr/Qtr

Rolling 4 Quarters

F14. Total Gross Margin%

28.3%

16.1% Qtr/Qtr

Rolling 4 Quarters

IS5a. Adjusted EBITDA %

-20.6%

207.1% Qtr/Qtr

Rolling 4 Quarters

EGM9. SG&A Expense% GM

127.9%

9.8% Qtr/Qtr

Rolling 4 Quarters

I26. Managed Services Revenue

\$478.6K

-4.6% Qtr/Qtr

Rolling 4 Quarters

G15. Gross Margin

\$583.2K

3.5% Qtr/Qtr

Rolling 4 Quarters

Multiple of Wages

SR10. Combined All Service Professionals



SR11. Sales Labor Expense Multiple to Gross Margin



Operational Maturity Level



Last 4 Survey Status

Q3 2023	3 Nov'23	Submitted
Q2 2023	1 Nov'23	Submitted
Q1 2023	1 Nov'23	Submitted
Q4 2022	1 Nov'23	Submitted

Additional Reports

Full Detail Report
Balance Sheet

Associate Headcount
Research & Development Investment

Eight Quarter Income Statement

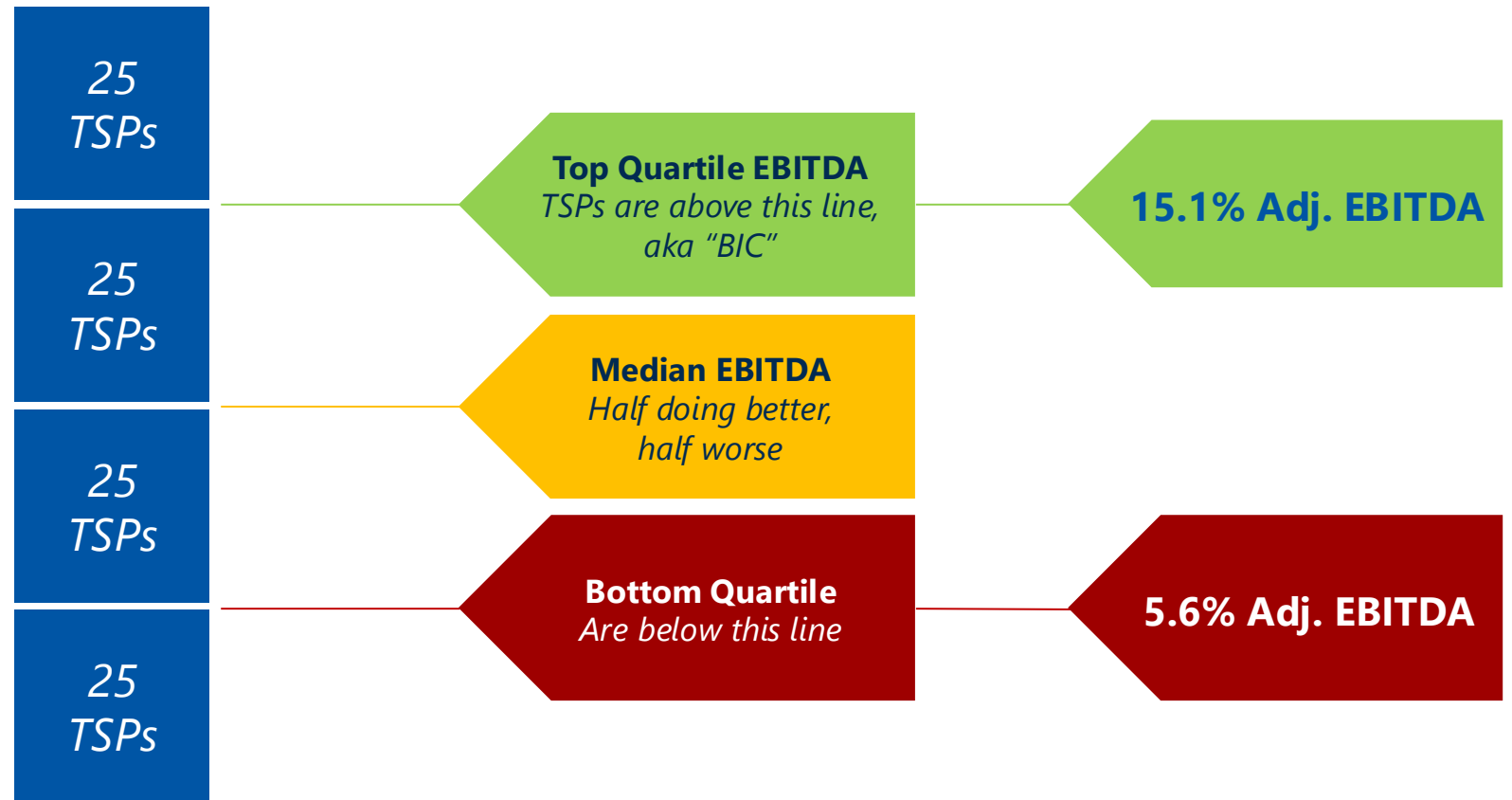
Over 80 KPIs Compare You to Best-In-Class



Gross Margin										
	Rolling 4 Qtrs Industry Avg	Rolling 4 Qtrs Best In Class	Rolling 4 Qtrs	Q4 2022	Q1 2023	Q2 2023	Q3 2023	LY Quarter (Q3 2022)	Last YTD (Q3 2022)	Current YTD (Q3 2023)
G14. Commissions & Agency Gross Margin	69,766		39,924	5,634	16,670	11,964	5,656	10,194	32,008	34,290
G17 Services Gross Margin	\$2,017,853		\$1,467,083	\$440,788	\$302,798	\$341,132	\$382,365	\$443,246	\$1,224,306	\$1,026,295
GROSS MARGIN %										
F14. Overall Gross Margin %	27.7%	42.7%	25.3%	25.7%	23.1%	24.4%	28.3%	25.6%	27.2%	25.2%
F15. Hardware Resell Gross Margin %	16.0%	21.7%	7.0%	7.5%	13.3%	10.5%	-10.3%	9.1%	14.5%	6.8%
F16 Software Licenses (Resell) % Gross Margin	13.4%	22.5%	32.9%	18.9%	26.7%	35.5%	50.8%	28.5%	29.7%	38.5%
F32. Cloud White Label (SP Branded) Services Resale GM%	44.7%	41.6%	0.9%	26.0%	13.7%	-14.4%	-28.1%	6.7%	7.3%	-9.2%
F33. Cloud 3rd Party Branded Services Resale GM%	23.4%	26.9%	11.7%	30.4%	10.0%	-0.1%	5.1%	29.0%	28.8%	4.9%
F34. Cloud Services Resale GM %	26.9%	29.8%	7.9%	28.8%	11.4%	-5.2%	-4.5%	21.3%	19.3%	0.1%
F35. Hardware as a Service GM%	70.3%									
F17b. Product Resale Subtotal GM%	17.6%	27.9%	17.1%	15.7%	17.6%	16.9%	18.6%	18.2%	20.6%	17.7%
F17 Software Licenses (Own Software) % Gross Margin	45.3%	29.9%								
F28. Commissions & Agency GM%	86.9%	95.9%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
F18. Services Gross Margin Dollars %	40.3%	50.4%	33.6%	36.5%	27.3%	32.5%	38.0%	35.3%	33.4%	32.5%

Our Definition of BIC

If you have 100 service providers in a room, and you sort them by their true EBITDA%.



Overall, Strong Quarter But...

MSP Profitability Quartile	Threshold Q4-25 Adj. EBITDA%	Avg. Q4-25 Adj. EBITDA %	Avg. Growth MR4Q: Total Revenue	Avg. Growth MR4Q: Recurring Revenue
Top Quartile (Best-in-Class)	$\geq 15.1\%$	19.5%	12.3%	15.8%
Median	11.6%	11.2%	7.7%	12.4%
Bottom Quartile	$\leq +5.6\%$	2.6%	2.8%	10.5%

9% of MSPs in were unprofitable.

A black and white photograph of a male athlete in the middle of a race. He is wearing a light-colored singlet with a dark horizontal band across the chest and the number 411 on a bib. His mouth is open, and he has a look of intense effort. The background is slightly out of focus, showing a crowd of spectators and some structures, possibly part of a stadium or race course.

**Why is it so important to
understand the numbers
and what great looks like?**

Roger Bannister broke the four-minute mile on May 6, 1954.

His record lasted until...



Roger Bannister broke the four-minute mile on May 6, 1954.

His record lasted until...

- ...June 21, 1954 (not even 60 days)!
- Since then, over 1,750 athletes have done it, including multiple high school athletes!

Why were so many able to do it after Roger Bannister did it?

Our goal is to provide you with an understanding of what great looks like today and some tips to help you get there that you can start implementing today.



Coming Soon! Service Leadership Index® 2026 IT Solution Provider Compensation Report™



Exclusive compensation data and best practices of top-performing IT solution providers.

Report (400+ pages) includes:

- Total annual earnings (TAE) of 50+ positions, including sales, marketing, general administration/finance, technical services, and more.
- 2025 TAE % increases and budgeted 2026 TAE % increases.
- Allocation of incentive pay, by position and seniority level.
- **New roles added:** AI, RPA, and specific outsourced positions.
- FTE changes in relation to Digital Workers

Get notified of when the report is released in early March!

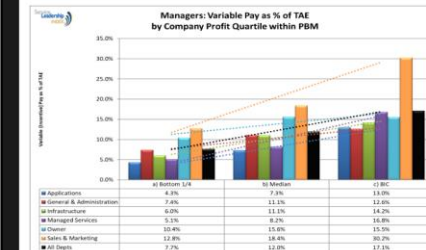
If you participated in the compensation survey, you will receive the report for free by end of February as a thank you.



Infrastructure Practice: Field Technician

Measurement	TAE	Variable % of TAE	Hourly Bill Rate	FTE Churn	TAE Increase - 2024	TAE Increase - Planned 2025	Remote Work Location
1st Quartile	\$ 48,750	2.5%	\$ 105	0 FTE's	3% or Less	3% or Less	Hybrid 2 or < days in the office
Median	\$ 56,527	2.5%	\$ 145	1 FTE's	4% to 6%	3% or Less	Hybrid 3 or > days in the office
3rd Quartile	\$ 71,250	2.5%	\$ 173	2 FTE's	4% to 6%	4% to 6%	In the office 100%
Maximum	\$ 127,500	48.0%	\$ 293	3 or More FTE's	More than 6%	More than 6%	In the office 100%
Median - 1-3 Years	\$ 51,250	2.5%	\$ 125	2 FTE's	3% or Less	3% or Less	Hybrid 3 or > days in the office
Median - 4-7 Years	\$ 61,250	2.5%	\$ 125	1 FTE's	3% or Less	3% or Less	Hybrid 3 or > days in the office
Median - 8+ Years	\$ 65,694	2.5%	\$ 134	1 FTE's	3% or Less	3% or Less	Hybrid 3 or > days in the office
Mean - 1-3 Years	\$ 53,619	4.1%	\$ 134	2 FTE's	4% to 6%	4% to 6%	Hybrid 3 or > days in the office
Mean - 4-7 Years	\$ 62,549	4.3%	\$ 139	1 FTE's	4% to 6%	4% to 6%	Hybrid 3 or > days in the office
Mean - 8+ Years	\$ 69,617	4.6%	\$ 142	1 FTE's	4% to 6%	4% to 6%	Hybrid 3 or > days in the office

Managers: Variable Pay as % of TAE by Company Profit Quartile Within All PBMs



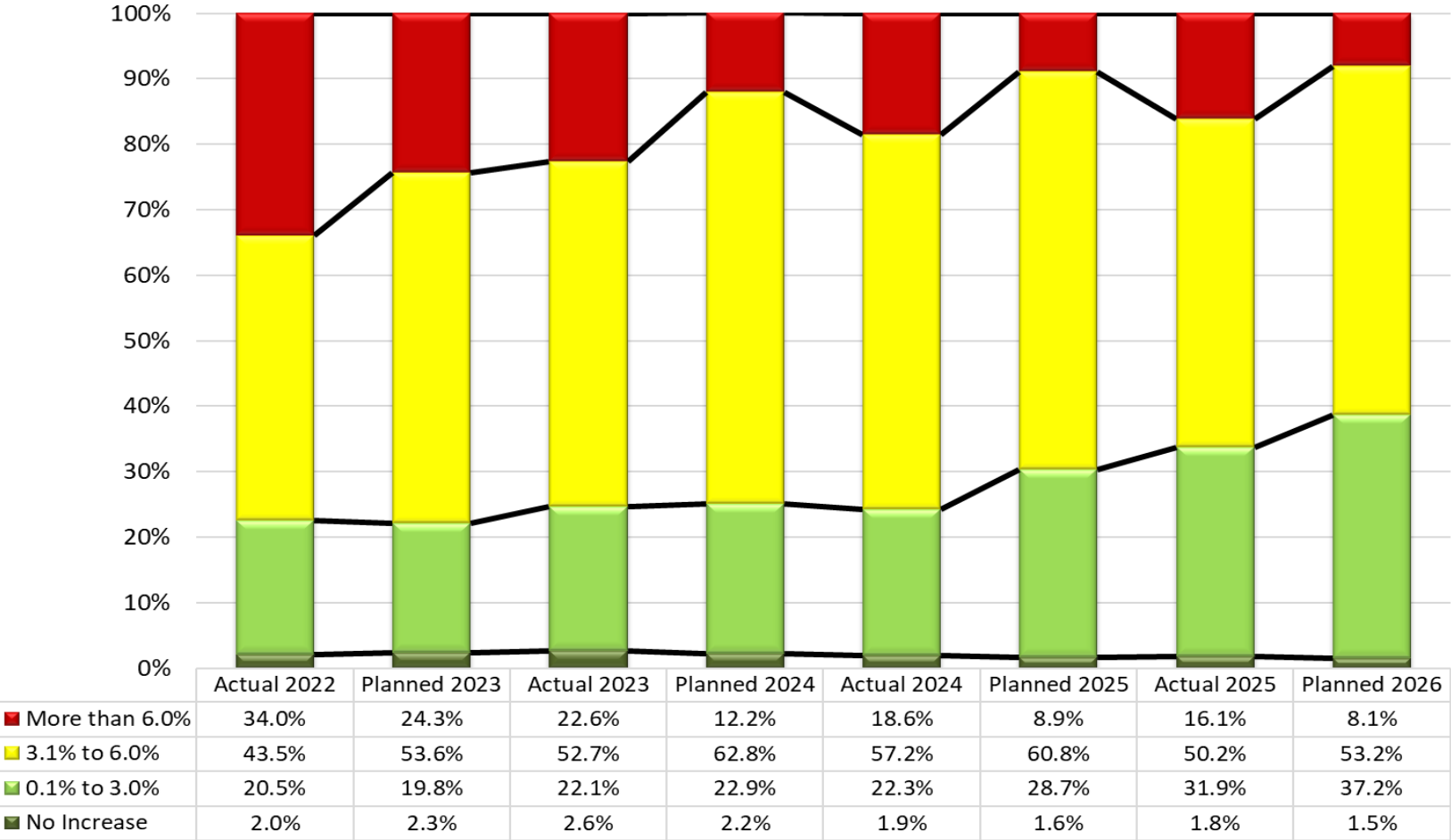
Do more profitable TSPs make greater use of variable pay for managers?
Like the preceding page, the answer is yes. In most of the previous years, the data has trended this way, and it also matches our experience, as noted on the preceding page. Again, the proportion of variable pay (as a percent of TAE) is too low here. Variable pay for managers should be 20%-40% of TAE, depending on management role.
According to the Service Leadership Index 2023 Annual IT Solution Provider Industry Profitability Report, the BIC profit companies earned an average of about 2.5x higher profit percentage than the median profit companies. Incentive compensation is one way they do it. The wide disparity in variable pay as a percentage of TAE between BIC sales and marketing managers, and median and bottom % performers is a strong indicator of the power of effective incentive compensation in driving higher bottom-line profitability.

Report cost: US\$1,999

Historical TAE % Increases 2022-2026



Average TAE Increase % 2022-2026



This chart shows the trend between the actual historical increases from 2022-2025 & planned increases from 2023-2026.

2022 witnessed record increases across the board with reduced TAE increases planned for 2023. The actual results for 2023 were better than planned.

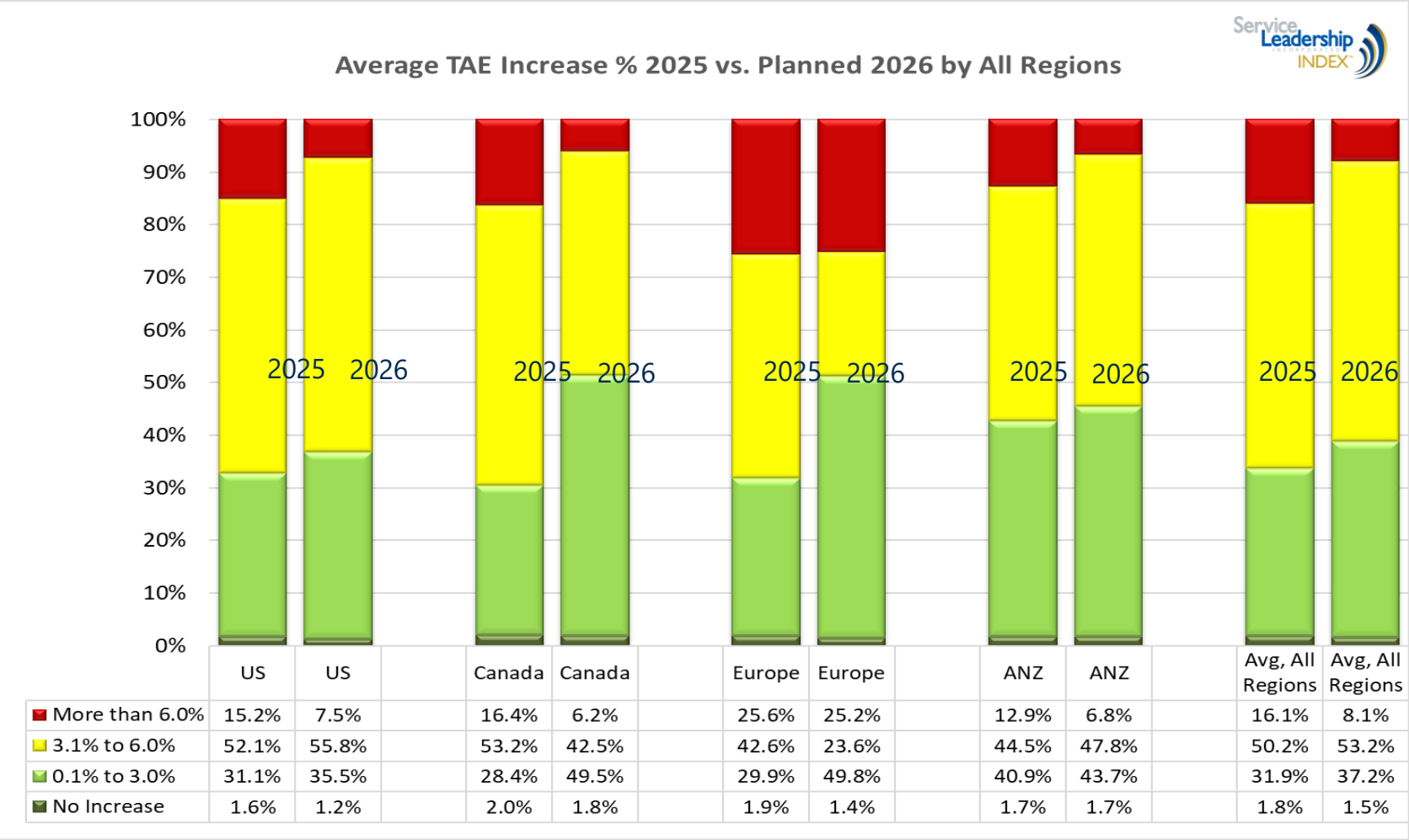
In 2024, solution providers expected further improvement over the previous two years. While results did improve, they did not improve as much as projected, due to a higher percentage of increases over 6% (18.6% to 12.2%).

2025 saw a continuation of the same trend from 2024. While results continued to improve, they did not improve as much as projected, with a higher percentage of increases over 6.0% (16.1% to 8.9%).

As solution providers plan for 2026, they expect further improvement. Top-level (over 6.0%) increases are planned to be reduced to 8.1%, while 53.2% of increases are planned for the 3.1% to 6.0% range.

Will actual increases in 2026 come in higher than planned increases in 2026, as they did in 2025? Time will tell, but even if they fall a bit short of projections, as in 2024 and 2025, the trend is overwhelmingly positive.

2025 Actual & 2026 Planned TAE % Increase All Regions



Across all regions, there is a decline from 2025 to 2026 in the planned increases of more than 6.0%. Except for Europe, all regions are planning for a nearly 50% reduction in the 6.0% or higher range, the same trend as last year. Additionally, all regions are planning for an increase in the proportion of employees receiving planned TAE increases of under 3.0%.

While Europe is maintaining a large portion of 6.0% or higher increases, a significant shift of to almost 50% of employees will be receiving only 0.1% to 3.0% TAE increase in 2026. This is an unusual pattern compared to the other regions. Regardless, this reduction of top-level TAE increases allows solution providers to improve profitability or reinvest those funds in AI and other opportunities to drive efficiencies in service delivery and potentially improve future payroll costs

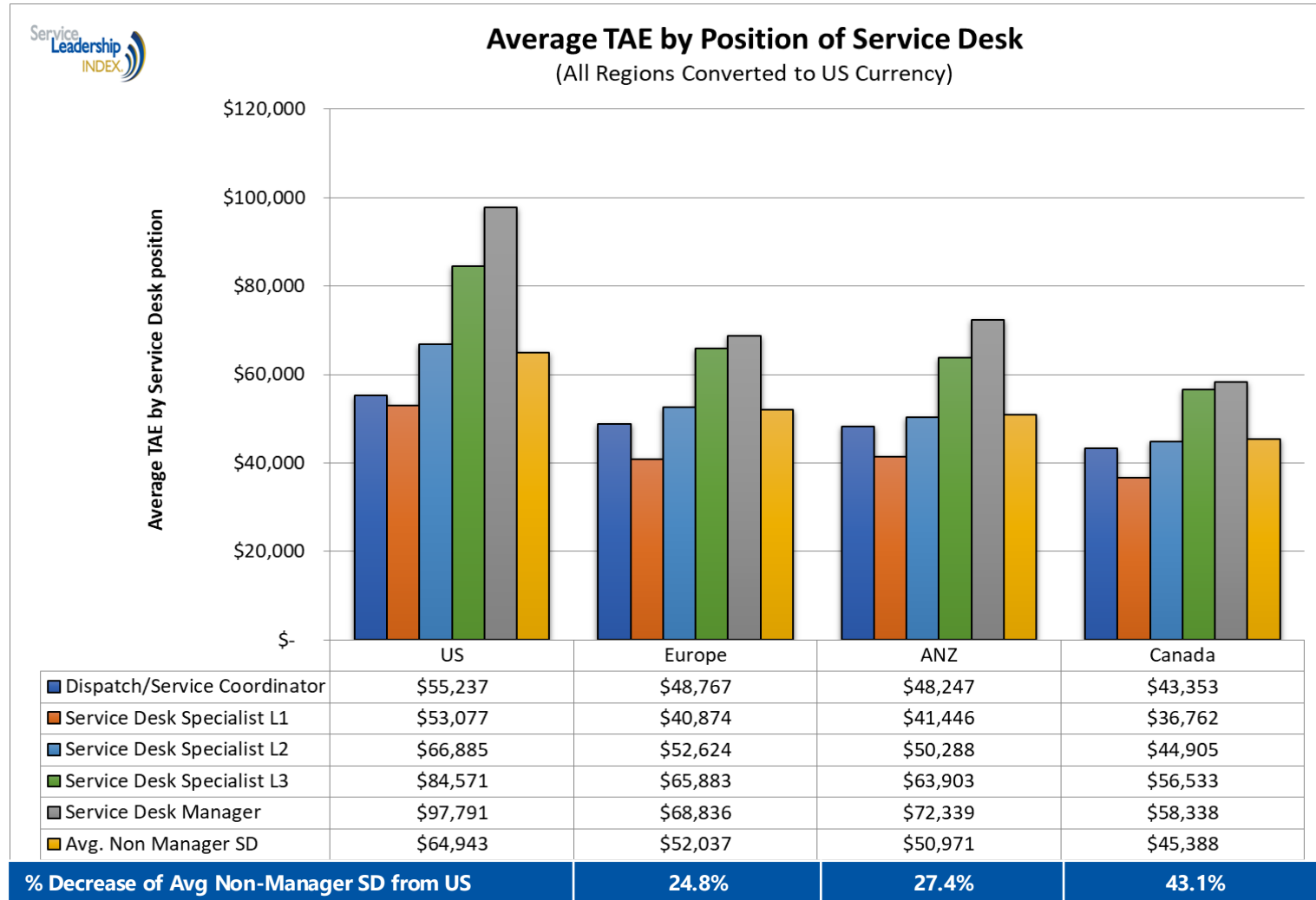
Lastly, even with a reduction in higher-level planned TAE increases, solution providers in all regions must continue to prioritize price increase management best practices to offset these additional payroll costs, which are still higher than overall inflation rates.

Average TAE by Position of Service Desk: All Regions - Currency Converted to USD

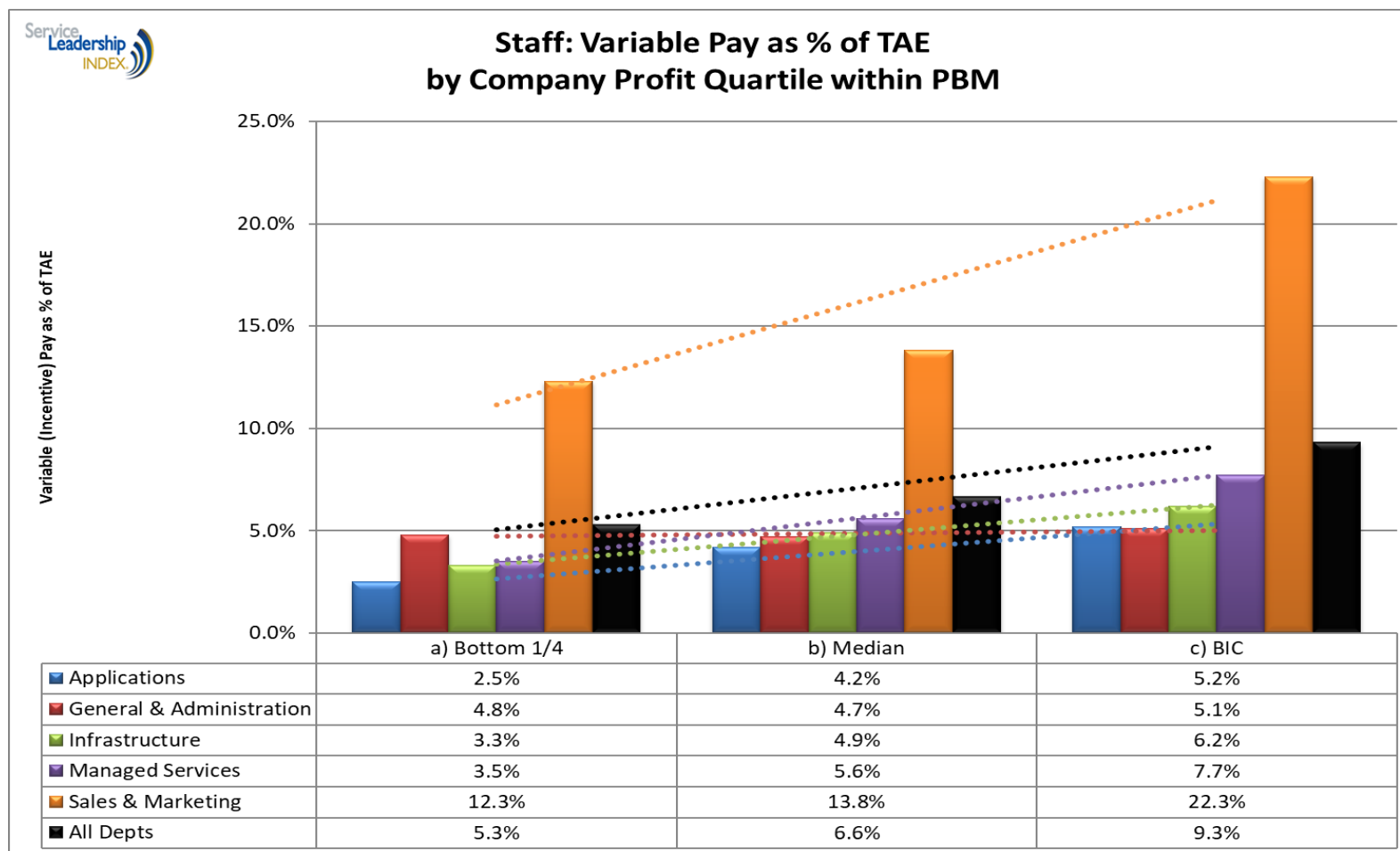
This chart shows the average TAE by position for the service desk converted to USD (US dollars) to accurately compare pay differences across the regions.

When comparing the average non-manager service desk position (omitting the service desk manager), we found:

- Europe pays 24.8% less than the US
- ANZ pays 27.4% less than the US
- Canada pays 43.1% less than the US



Staff: Variable Pay as a % of TAE by Company Profit Quartile Within All PBMs



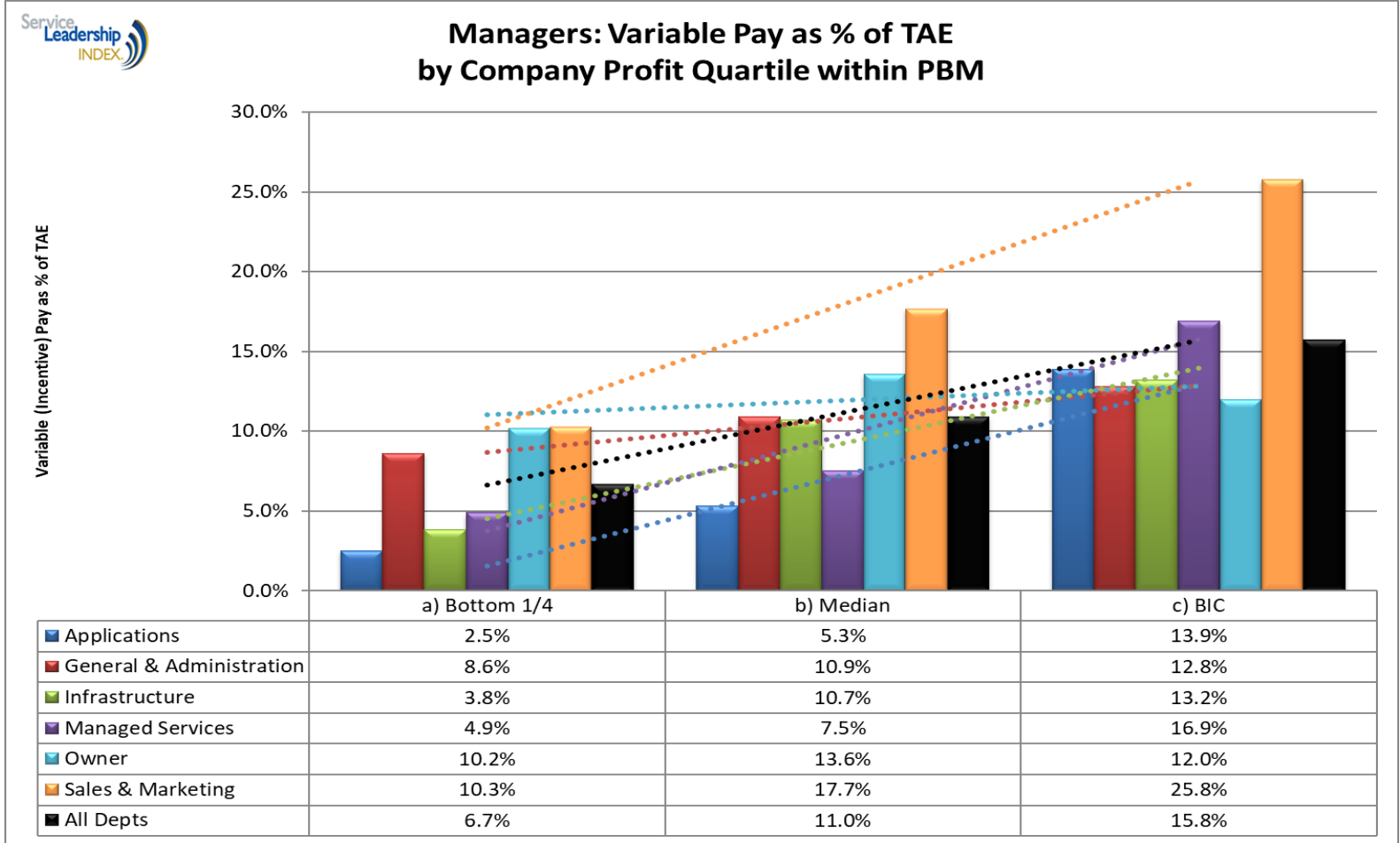
Do more profitable TSPs make greater use of variable pay for staff?

Our analysis indicates the answer is yes. In past years, the data has trended this way and it also matches our experience in our broader Service Leadership Index financial benchmarking (as well as in running our own TSP businesses).

That said, even the proportion of variable pay (as a percent of TAE) is too low here. Variable pay for junior technical staff should be around 10% of TAE and for senior technical staff it should be around 20% of TAE.

According to the Service Leadership Index 2024 Annual IT Solution Provider Industry Profitability Report, the BIC profit companies earned an average of about 2.5x higher profit margin than the median profit companies. Greater incentive compensation is one element of how they do it.

Managers: Variable Pay as a % of TAE by Company Profit Quartile Within All PBMs



Do more profitable TSPs make greater use of variable pay for managers?

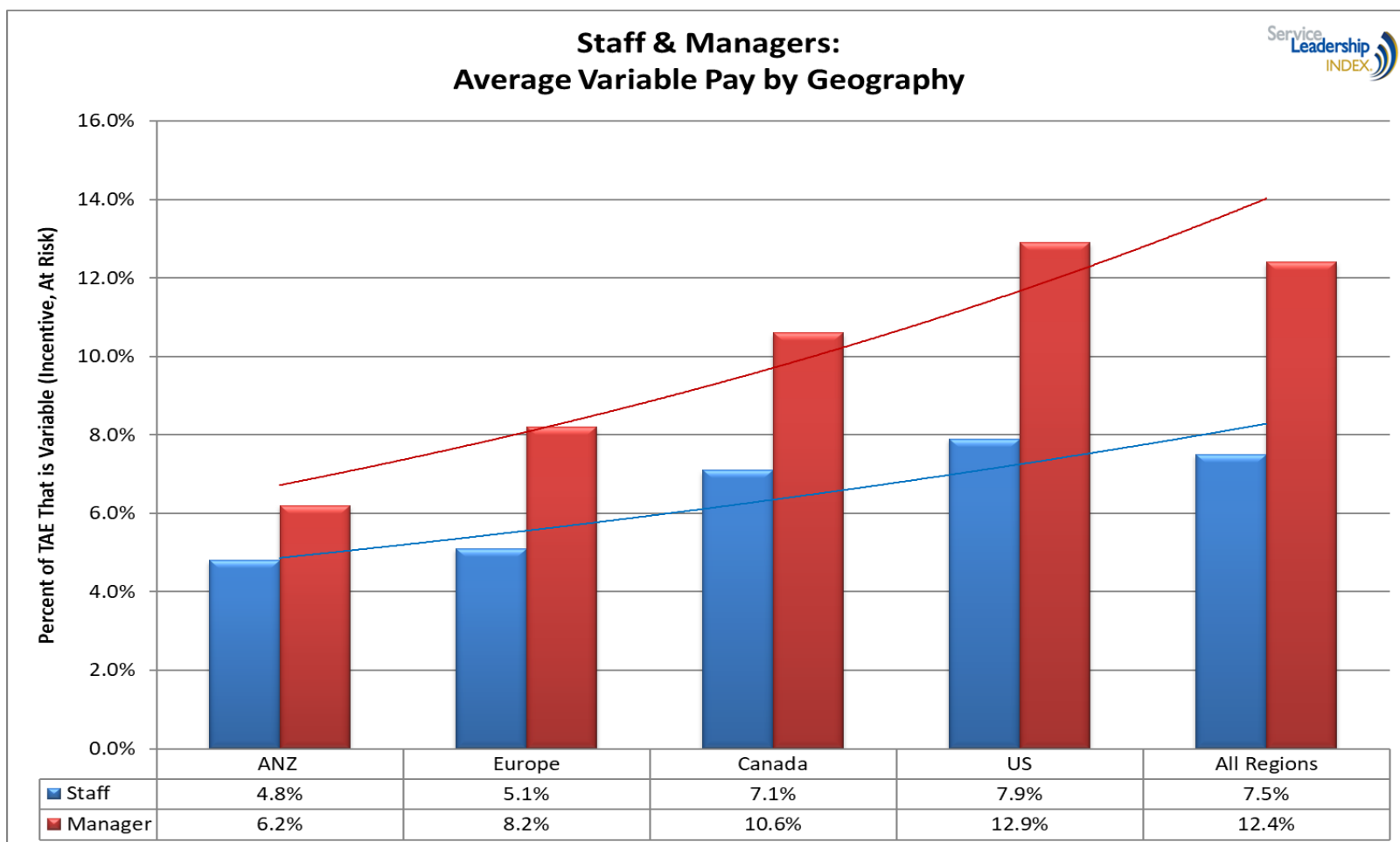
Like the preceding page, the answer is yes. In most of the previous years, the data has trended this way, and it also matches our experience, as noted on the preceding page.

Again, the proportion of variable pay (as a percent of TAE) is too low here. Variable pay for managers should be 20%-40% of TAE depending on management role.

According to the Service Leadership Index 2024 Annual IT Solution Provider Industry Profitability Report, the BIC profit companies earned an average of about 2.5x higher profit percentage than the median profit companies. Incentive compensation is one way they do it.

The wide disparity in variable pay as a percentage of TAE between BIC sales and marketing managers, and median and bottom ¼ performers is a strong indicator of the power of effective incentive compensation in driving higher bottom-line profitability.

Staff and Managers: Average Variable Pay by Regions



This chart illustrates the level of variable pay for staff and managers by geographic region. Across all regions, managers have a significantly higher percentage of variable pay at 12.4%, compared to 7.5% for staff.

The US has the highest percentage of variable pay for managers and staff at 12.9% and 7.9%, respectively. Canada is close at 10.6% and 7.1%. For Europe, there's a drop at 8.2% for managers and 5.1% for staff.

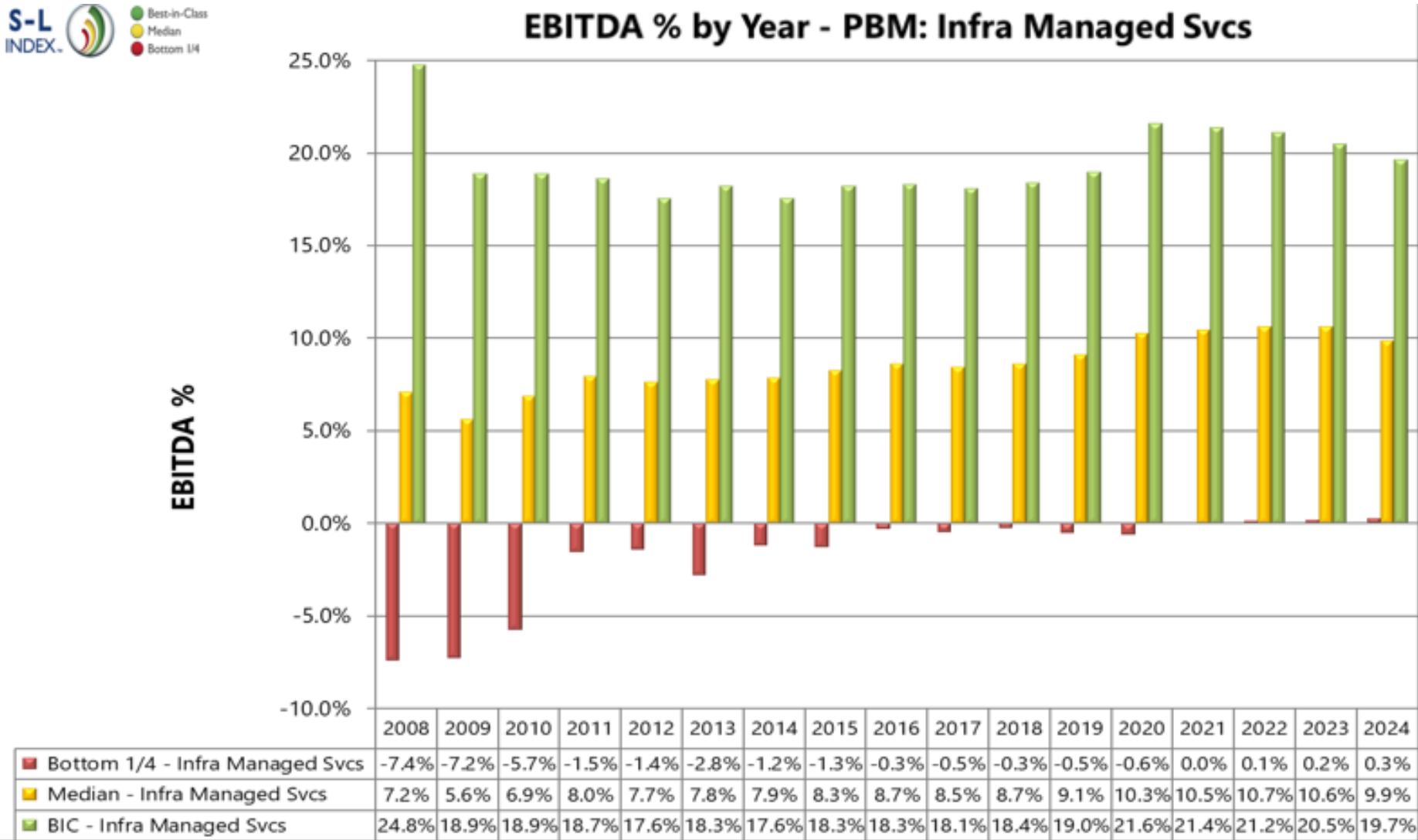
ANZ has the lowest percentage of variable pay for managers and the smallest delta between staff and managers, at 6.2% and 4.8%, respectively.

Across all regions, these variable percentages have increased from the prior year for both staff and managers.

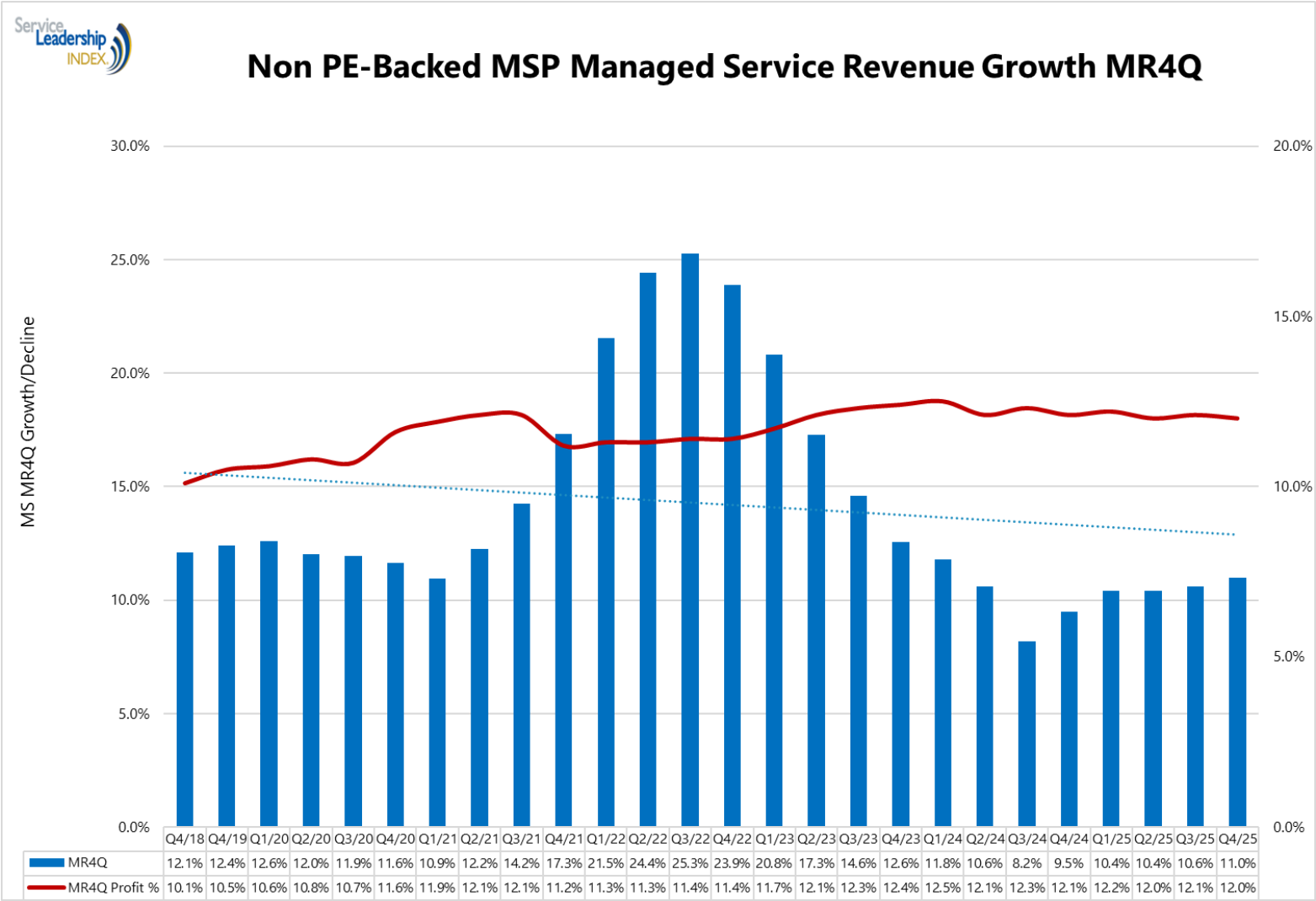
Higher levels of variable pay are a key factor in how the BIC are better able to align employee behavior more closely with company outcomes. A well-designed compensation plan should result in a win-win situation for both the employee and the firm that rewards company performance (and overperformance) with escalating levels of variable pay percentage.

How Is the Industry Doing?

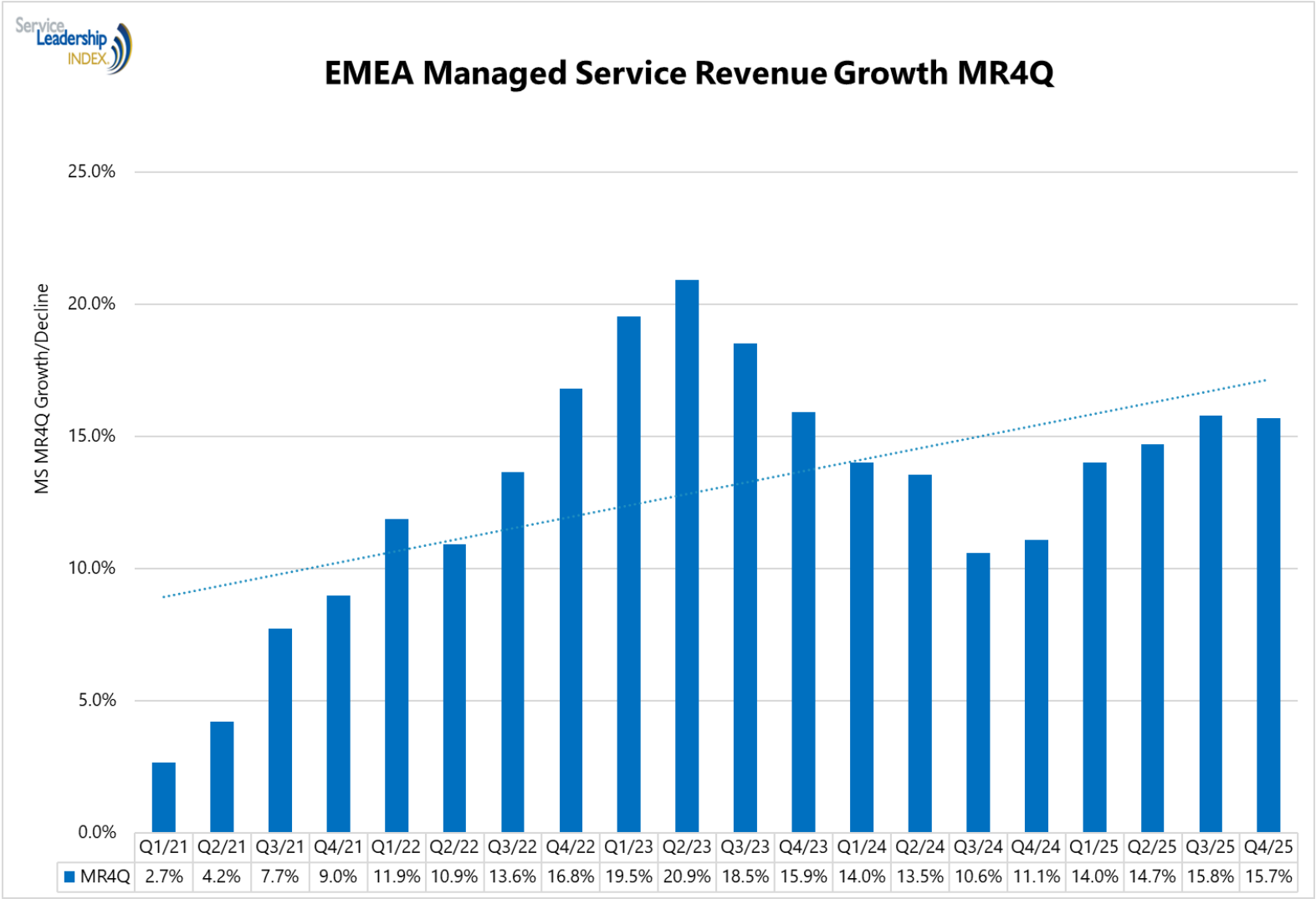
Last Five Years Have Been Great for MSPs



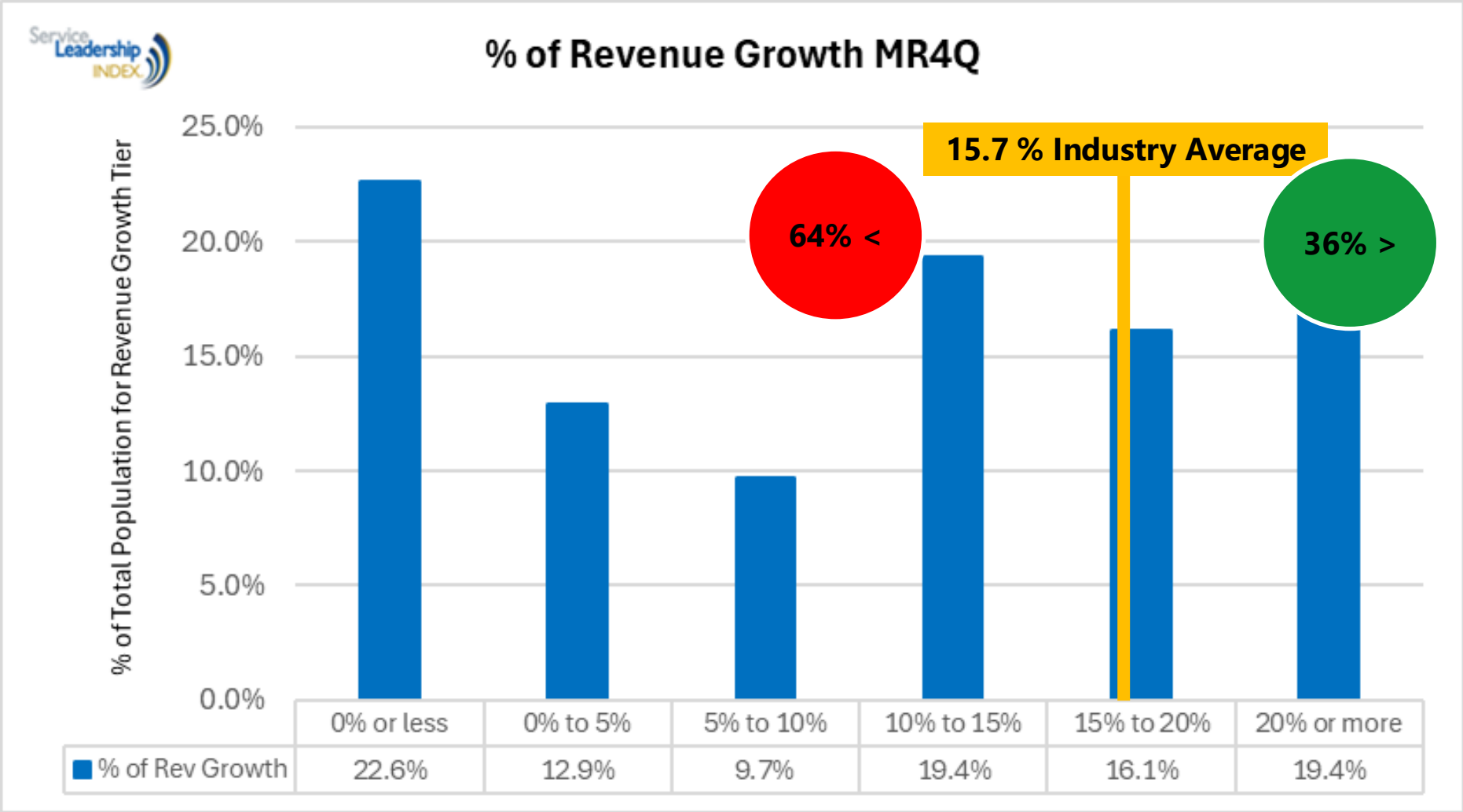
But...Most Recent Non-PE Backed MSP Four Quarters Managed Service Growth



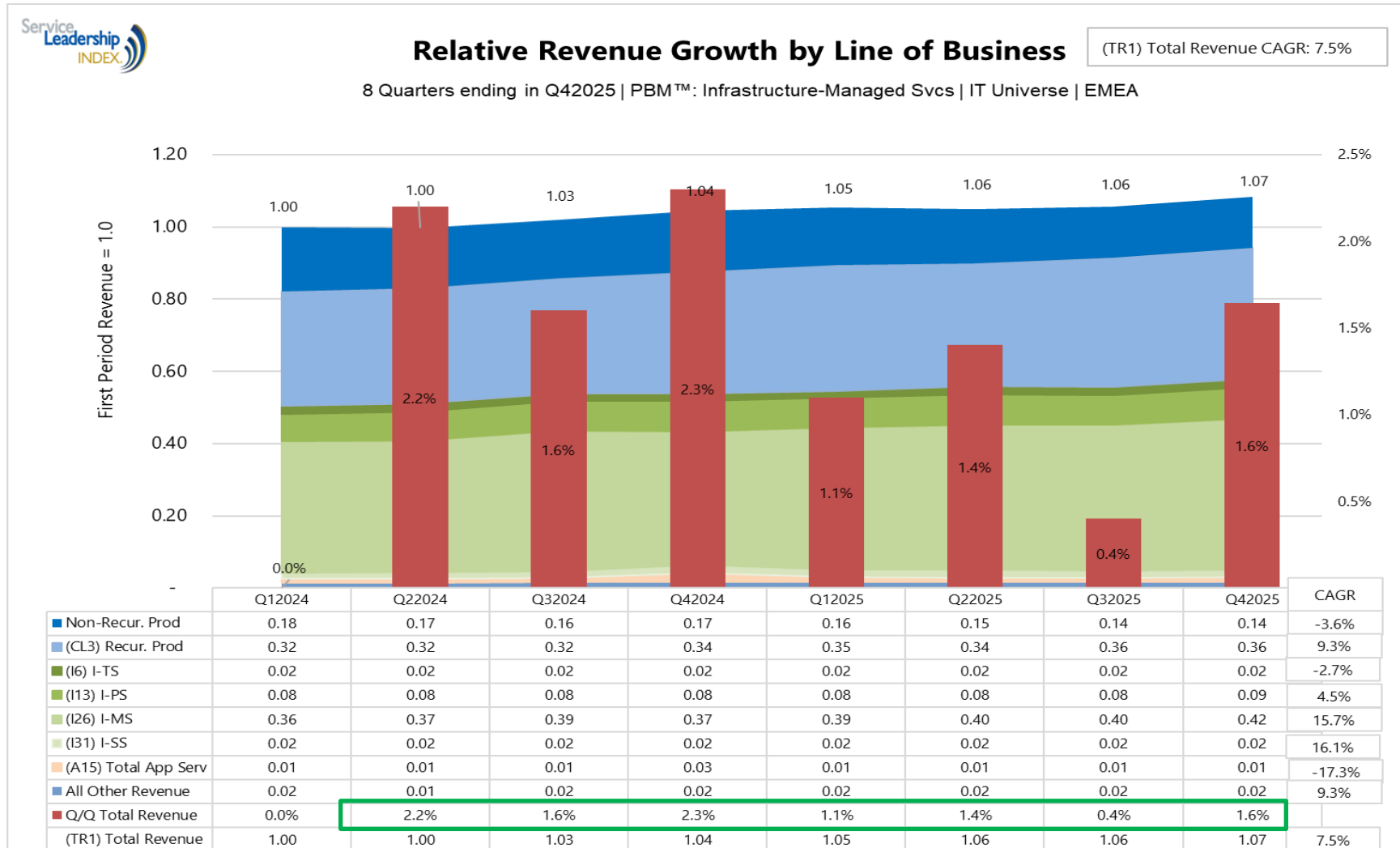
Average MSP EMEA: Most Recent 4 Quarters MS Growth



MSP EMEA: % of MS Revenue Growth by Total Population



Average MSP EMEA: Revenue Mix and Growth



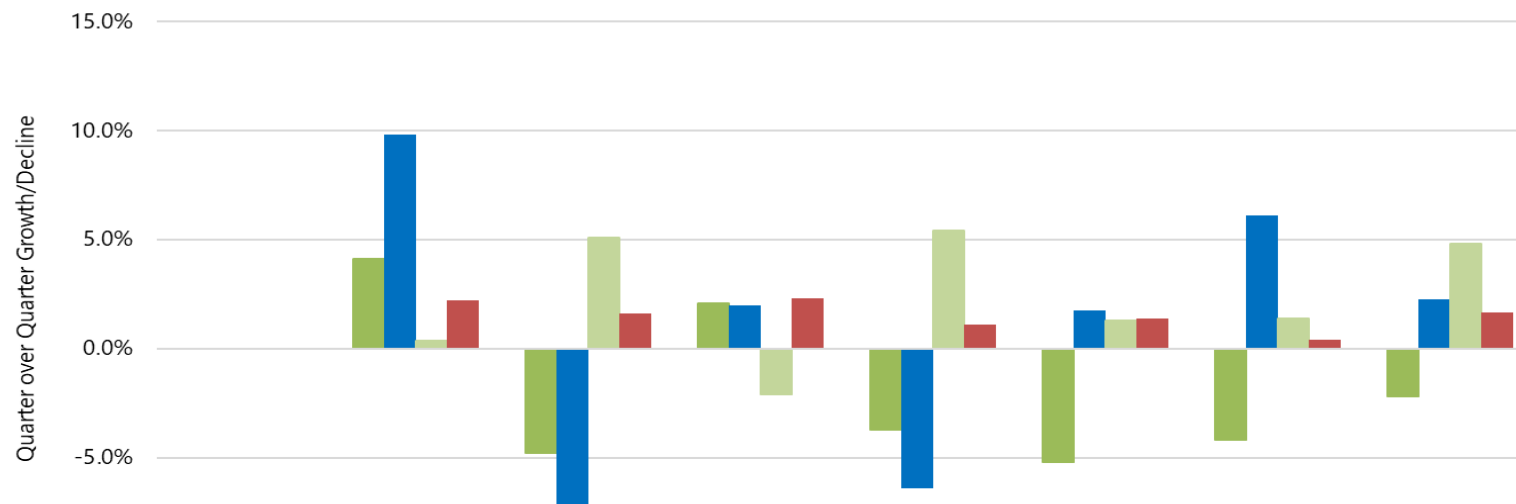
- The numbers along the top show the average MSP's revenue vs. Q1-24.
- Total revenue QoQ was up in Q4-25 at 1.6%, after increasing 0.4% in Q3-25.
- Non-recurring product resale decreased -3.6% from Q1-24 to Q4-25.
- Project services revenue increased 4.5% YoY.
- Cloud resale (AWS, M365, Azure, etc.) grew 9.3% and has now outpaced non-recurring product resale the last eight quarters as a % of total revenue.
- Managed services revenue grew 15.7%, slightly down from the prior quarter YoY growth of 15.8%.

Average MSP EMEA: Quarter over Quarter Growth



Relative Revenue Growth Q/Q by Line of Business

8 Quarters ending in Q42025 | PBM™: Infrastructure-Managed Svcs | IT Universe | EMEA



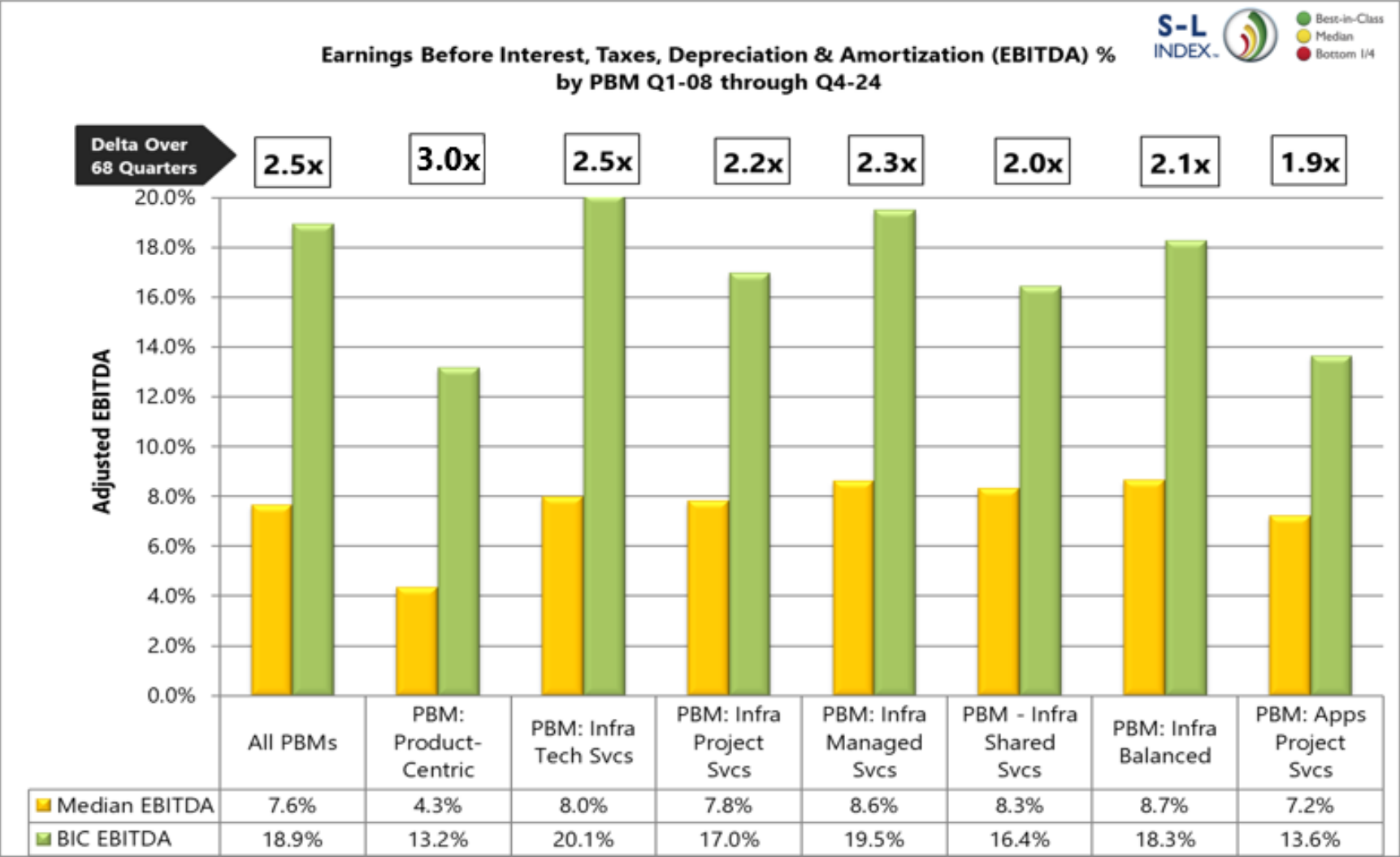
	Q12024	Q22024	Q32024	Q42024	Q12025	Q22025	Q32025	Q42025	CAGR
Q/Q Non-Recur. Prod	0.0%	4.1%	-4.8%	2.1%	-3.7%	-5.2%	-4.2%	-2.2%	-3.6%
Q/Q Project Revenue	0.0%	9.8%	-7.2%	2.0%	-6.4%	1.7%	6.1%	2.2%	4.5%
Q/Q MS Revenue	0.0%	0.3%	5.1%	-2.1%	5.4%	1.3%	1.4%	4.8%	15.7%
Q/Q Total Revenue	0.0%	2.2%	1.6%	2.3%	1.1%	1.4%	0.4%	1.6%	7.5%

- Total revenue QoQ was up in Q4-25 at 1.6%, after increasing 0.4% in Q3-25.
- Non-recurring product decreased by 2.2% in the quarter, marking the 4th quarter in a row of decline.
- Project services revenue continued to be highly variable with an increase of 2.2%, following a large increase the prior quarter of 6.1%
- Managed services revenue increased this quarter 4.8%, up from a 1.4% increase in Q3-25.

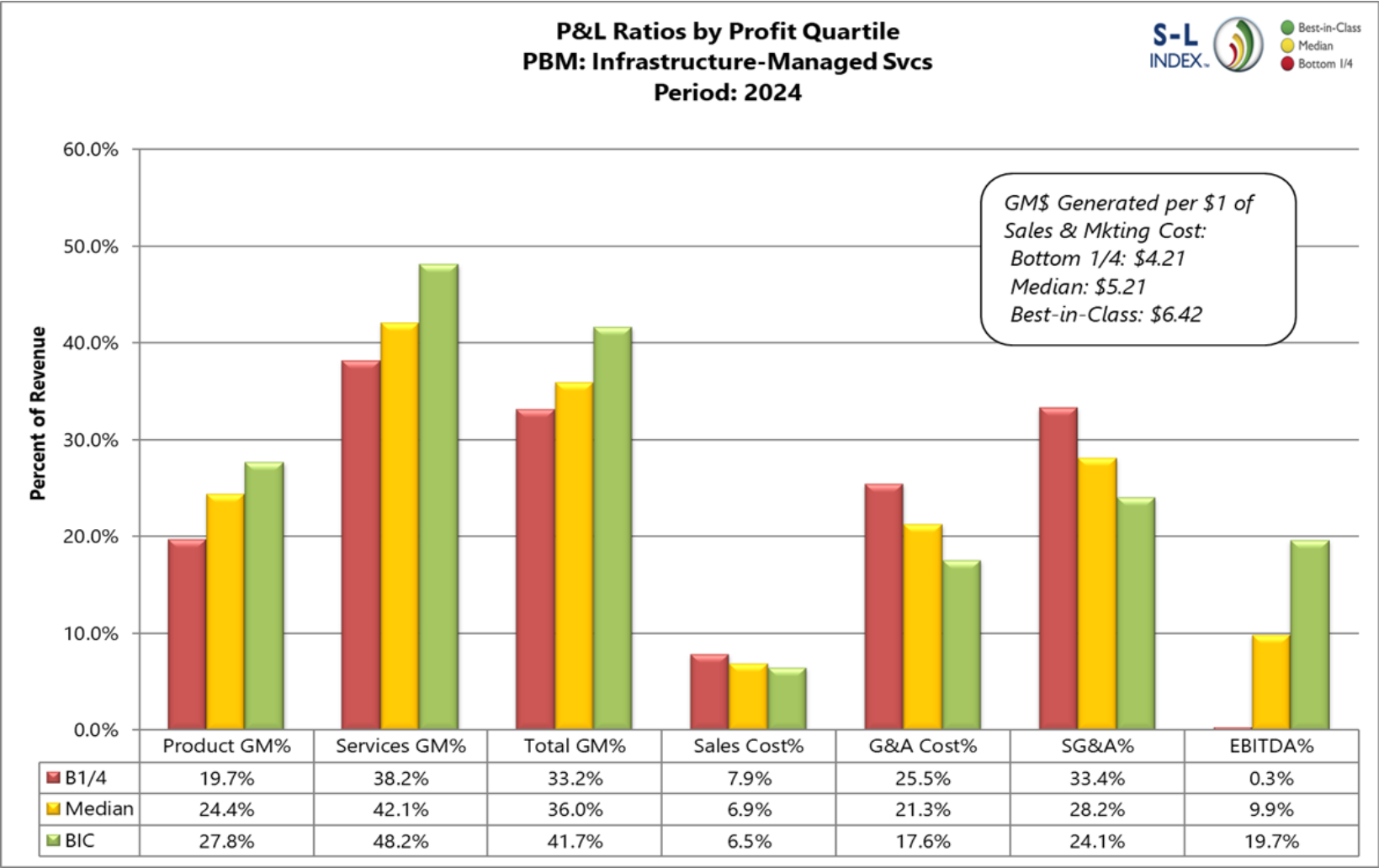


Financial Benchmarking: Why It's Important

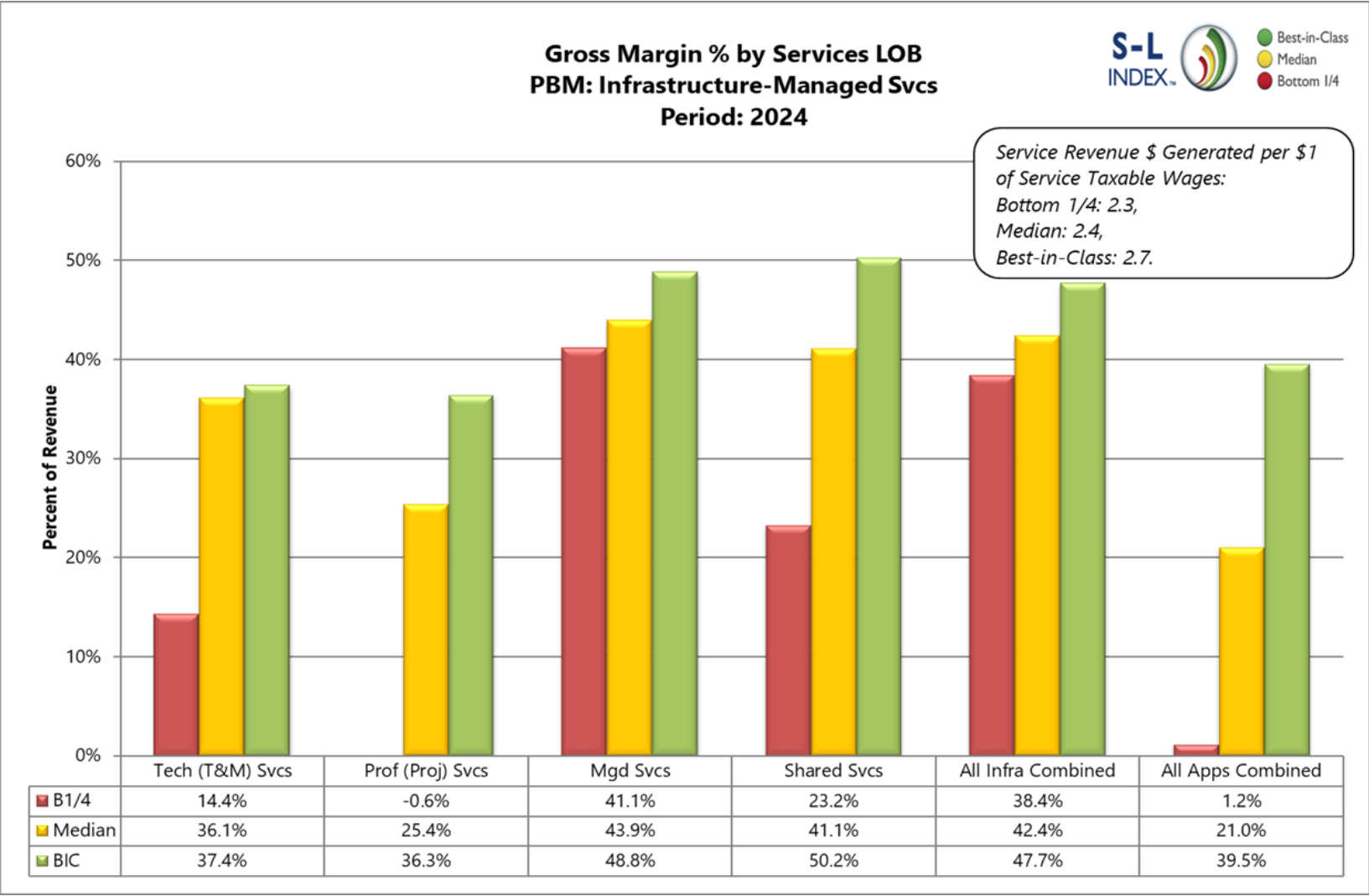
Profit Delta: BIC vs. Median 68 Quarters



Big Differences Between BIC, Median, and Bottom 1/4



Big Differences Between BIC, Median, and Bottom 1/4





MYTHBUSTERS

Myth #1: Choose One, Either Profit or Growth

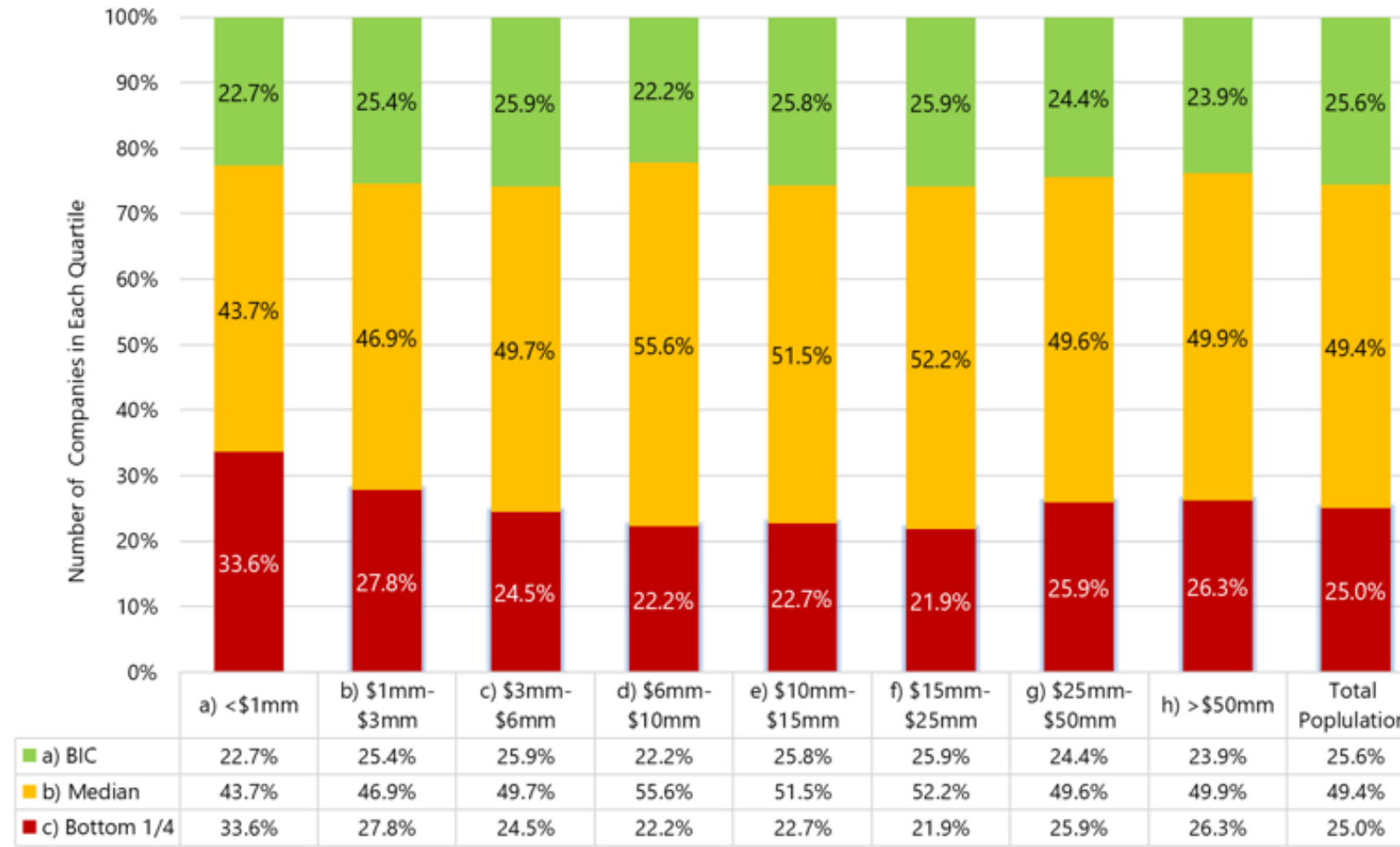
MSP Profitability Quartile	Threshold Q4-25 Adj. EBITDA%	Avg. Q4-25 Adj. EBITDA %	Avg. Growth MR4Q: Total Revenue	Avg. Growth MR4Q: Recurring Revenue
Top Quartile (Best-in-Class)	$\geq 15.1\%$	19.5%	12.3%	15.8%
Median	11.6%	11.2%	7.7%	12.4%
Bottom Quartile	$\leq +5.6\%$	2.6%	2.8%	10.5%

Myth #2: Only XYZ Size MSP Can Be BIC

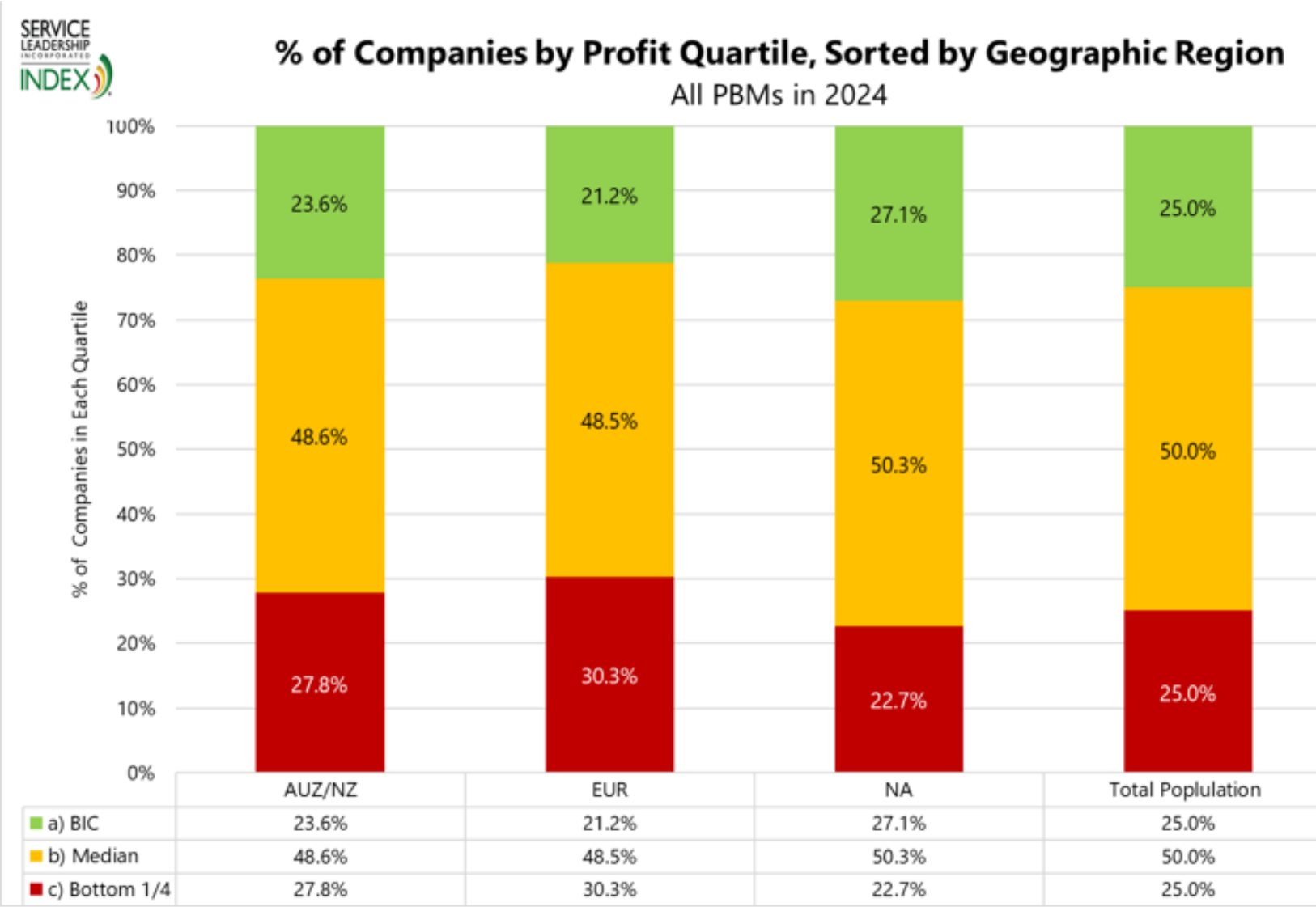


% of Companies by Profit Quartile, Sorted by Total Revenue Size

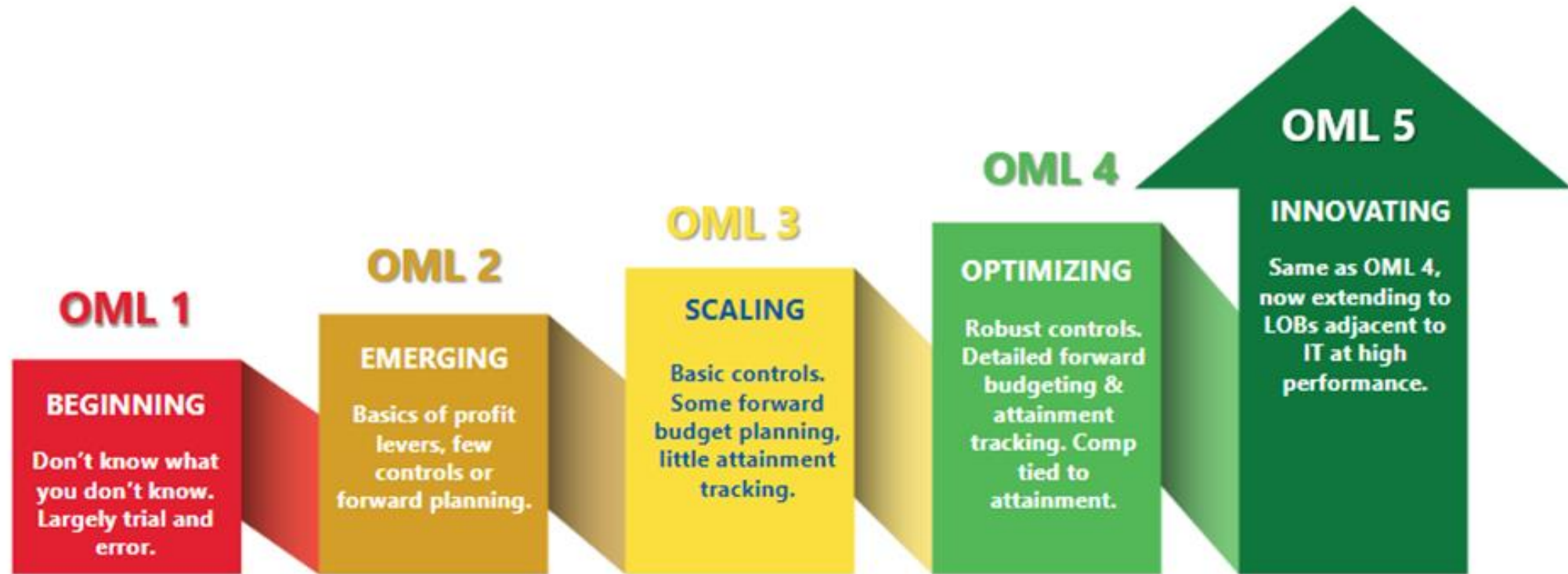
PBM: Infra-MS, by Profitability, 2024



Myth #3: I need to be located in XYZ to be BIC



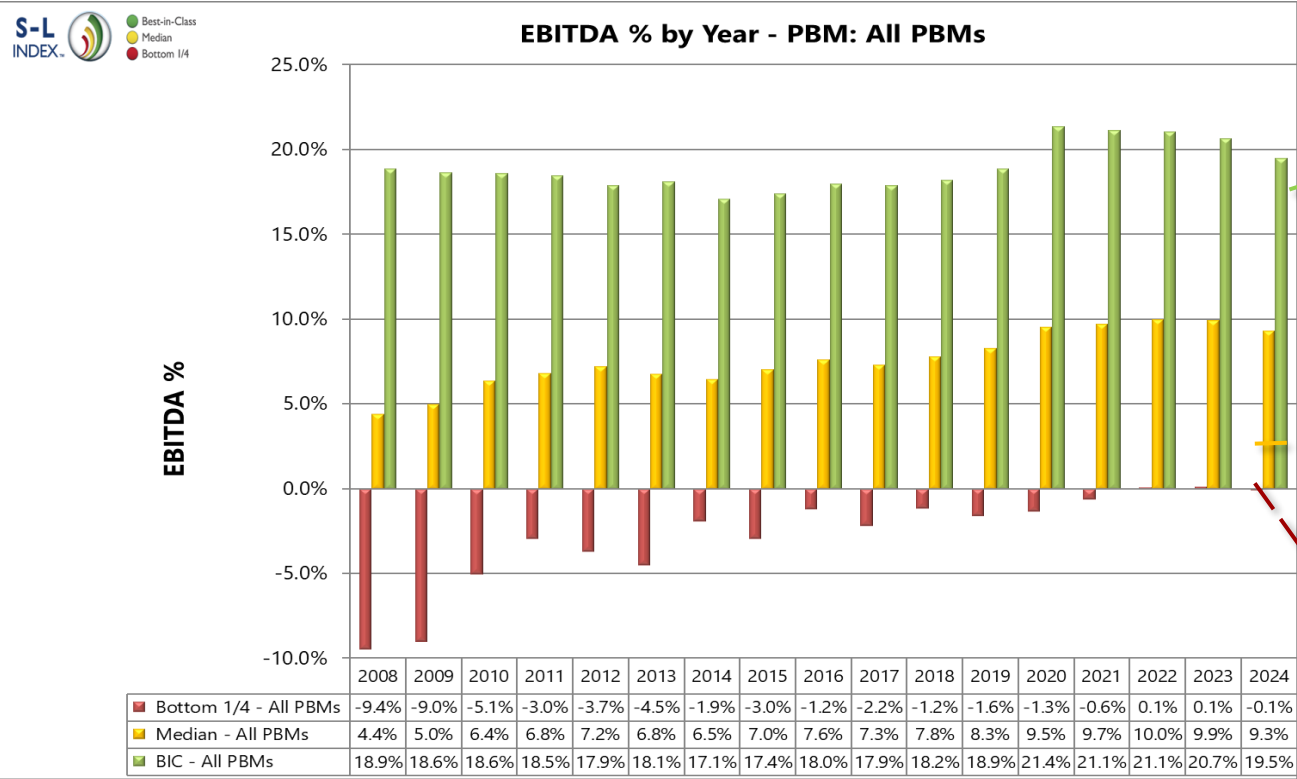
No, It's Due to Operational Maturity Level™ (OML™)



Higher OML means increased ability to:

Drive accelerated performance | Maximize profit and value creation | Differentiate in the marketplace
Mitigate business risk | Drive accountability

OML and EBITDA Profitability Correlation



Best-in-Class

EBITDA% ●

Average OML ▲

Median

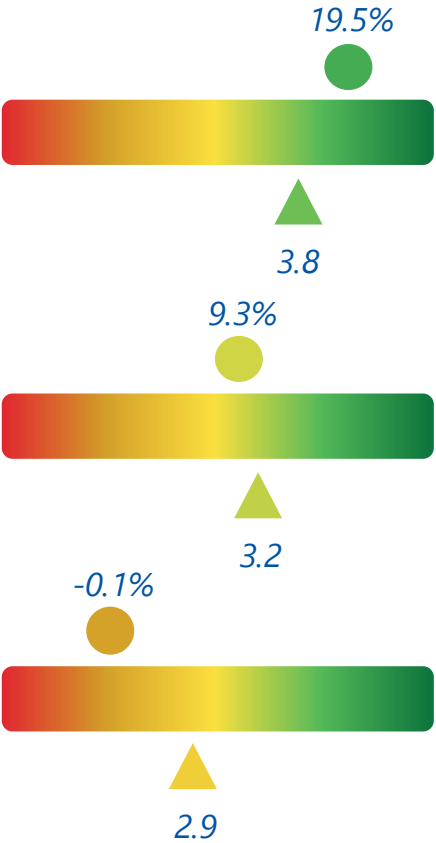
EBITDA% ●

Average OML ▲

Bottom Quartile

EBITDA% ●

Average OML ▲

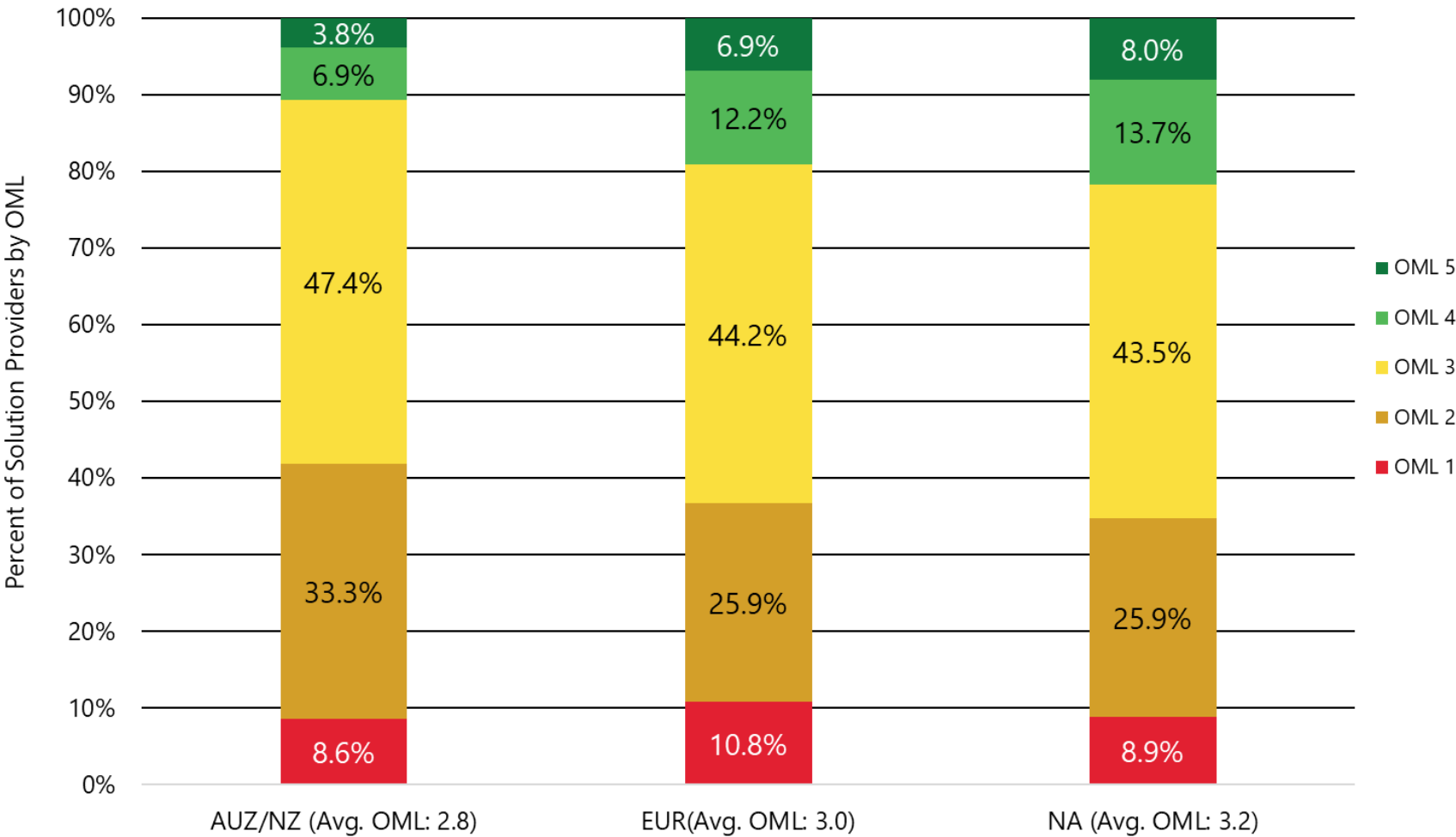


There is a strong positive correlation between OML and EBITDA.

OML by Geographic Region



Operational Maturity Level™ by Geographic Region
All PBMs in 2024



High OML Service Equation

Target Customer Profile

Pursue a narrow enough size range (# users) of customers, that you need only build one Service Factory™ and Sales Factory™.

Then every sale uses the same factories, and they will be highly utilized and efficient.



Technology Standards

Build a single customer and management architecture.
Get new customers on it right away.

Keep customers on it with upgrades synchronized across the contract base.



Cross-Selling Effectiveness

100% of customers buy 100% of your offerings. Meaning:

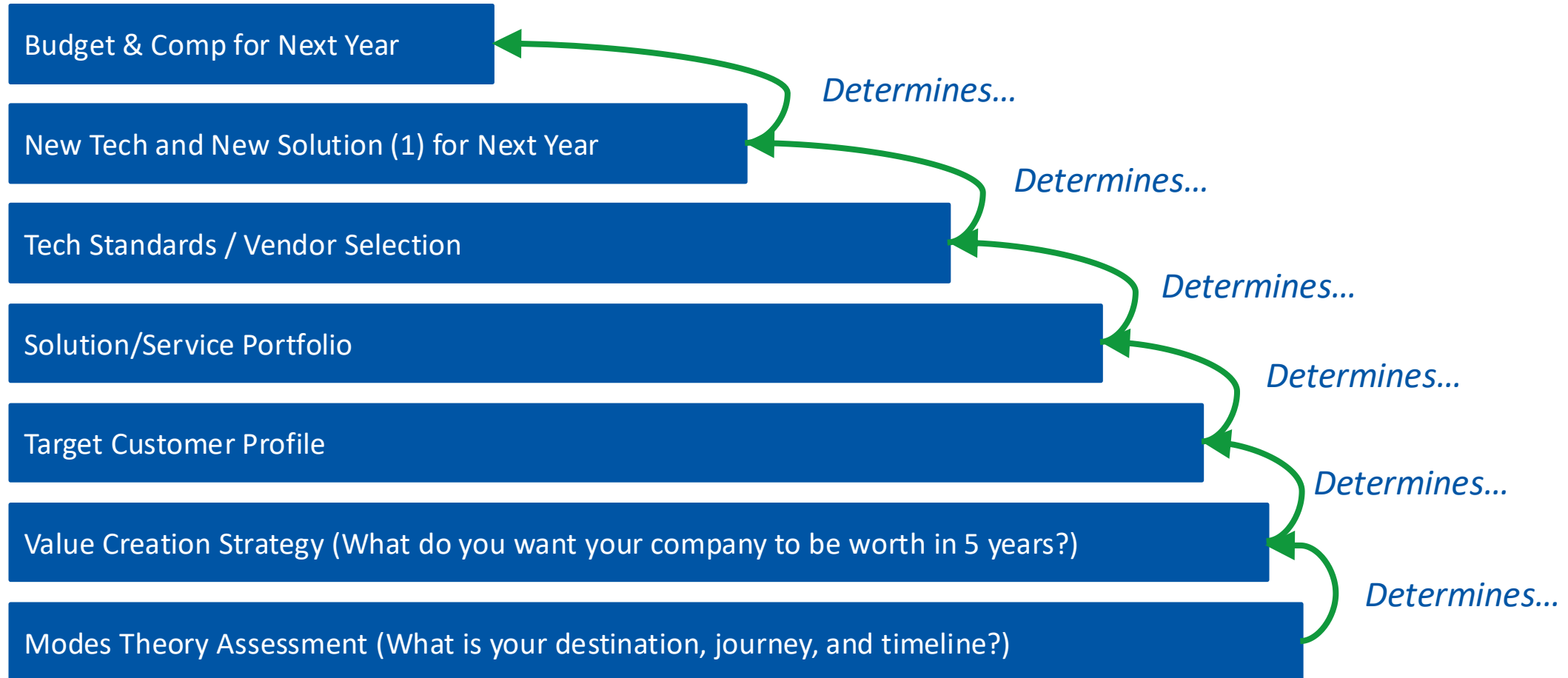
As close to 100% of new customers as possible, buy your *fullest MS "Gold Package" Day 1.*



Best client experience at lowest COGS.

Value Creation Strategy

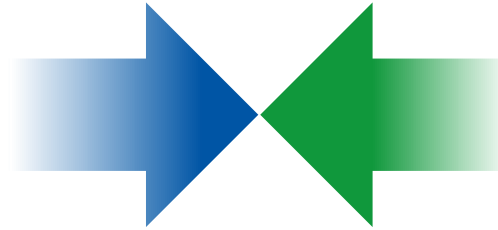
Start With Value Creation Strategy



Your OML in Value Creation Strategy



We're happy to have a good company and if we can drive growth each year, that means we're creating value for ourselves.



We know how much stock value we want to create, what year we want to create it, and how we're likely going to extract it.

WHY

Knowing where you're going makes it more likely you will make the proper decisions to get there. Solution providers who can answer the "how much, how soon and how extract?" questions in detail, tend more often to be higher performers financially (profitability, revenue size). Those who cannot, more often tend to have lower financial performance, and less consistent financial performance.

Some Key Terms

PWT

(Personal Wealth Target) How much you expect to need when you exit your business to live your desired lifestyle

BVT

(Business Valuation Target) How much you need your business to be worth when it's time to exit

VCS

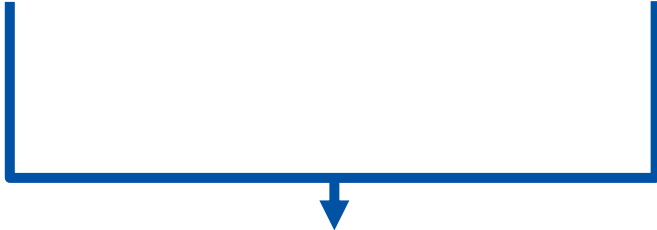
(Value Creation Strategy) Your plan for how you will get from your current business valuation to your Business Valuation Target so when you exit you have met your Personal Wealth Target

Value Creation Strategy - Three Questions


1. What do you
want the company
to be worth?

2. In what
period of time?

3. How will you
plan to monetize
that value?



#1 and **#2** need to be
understood by your
leadership team.

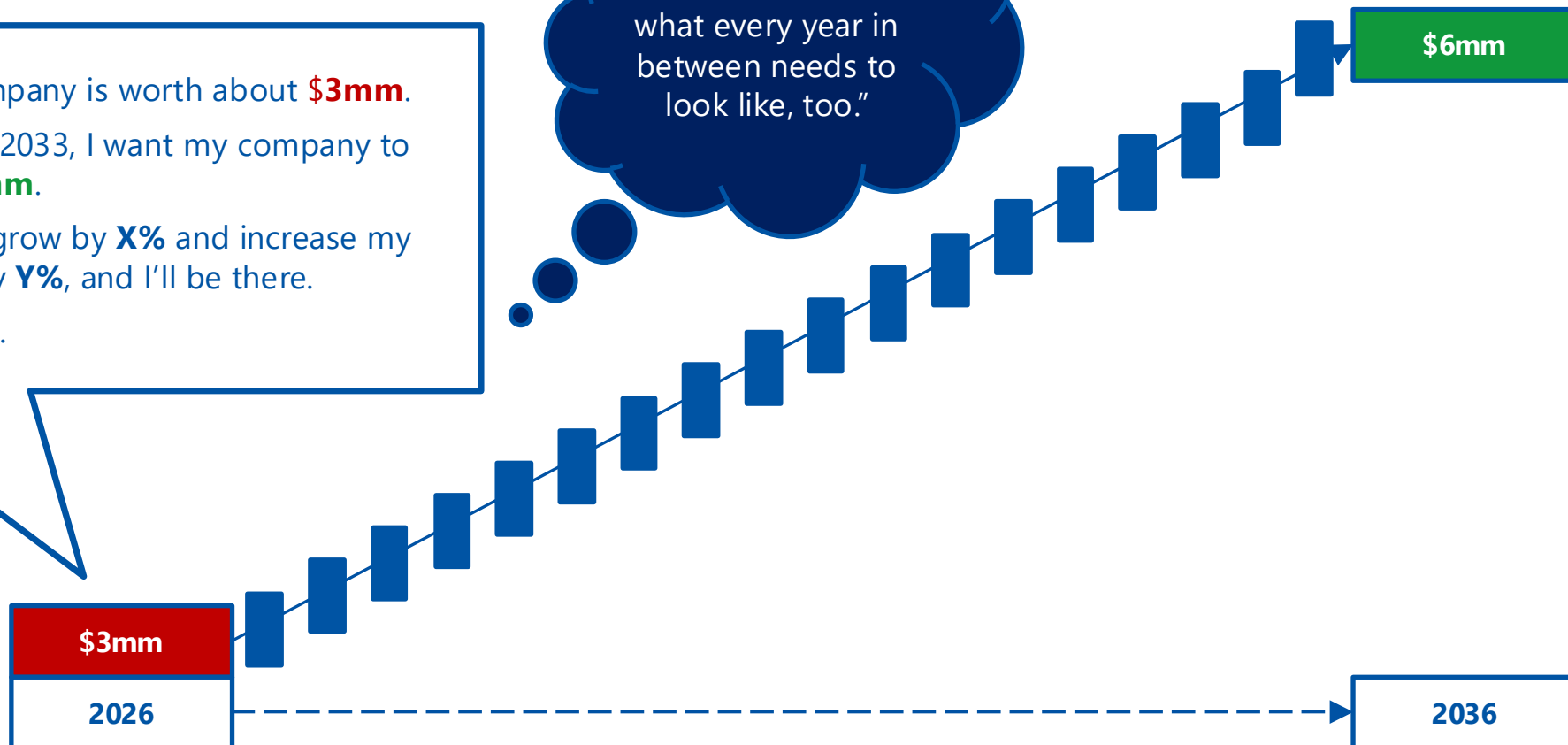


#3 doesn't mean you
have to sell at the end
of your VCS term.

What is a Value Creation Strategy?

- Today my company is worth about **\$3mm**.
- By the end of 2033, I want my company to be worth **\$6mm**.
- So, I need to grow by **X%** and increase my profitability by **Y%**, and I'll be there.
- That's my VCS.

"And now I know what every year in between needs to look like, too."



How Having a Value Creation Strategy Impacts Decisions



		To Get There In...	
My MSP	Value Creation Goal	5 Yrs	10 Yrs
<div>\$7.5mm total revenue</div> <div>\$675,000 pre-tax profit</div> <div>~34 employees</div> <div>~68 material clients</div> <div></div> <div>\$7.5mm stock value</div>	<div>\$25.1mm total revenue</div> <div>\$2,500,000 pre-tax profit</div> <div>~112 employees</div> <div>~168 material clients</div> <div></div> <div>\$20.mm stock value</div>		

How Having a Value Creation Strategy Impacts Decisions

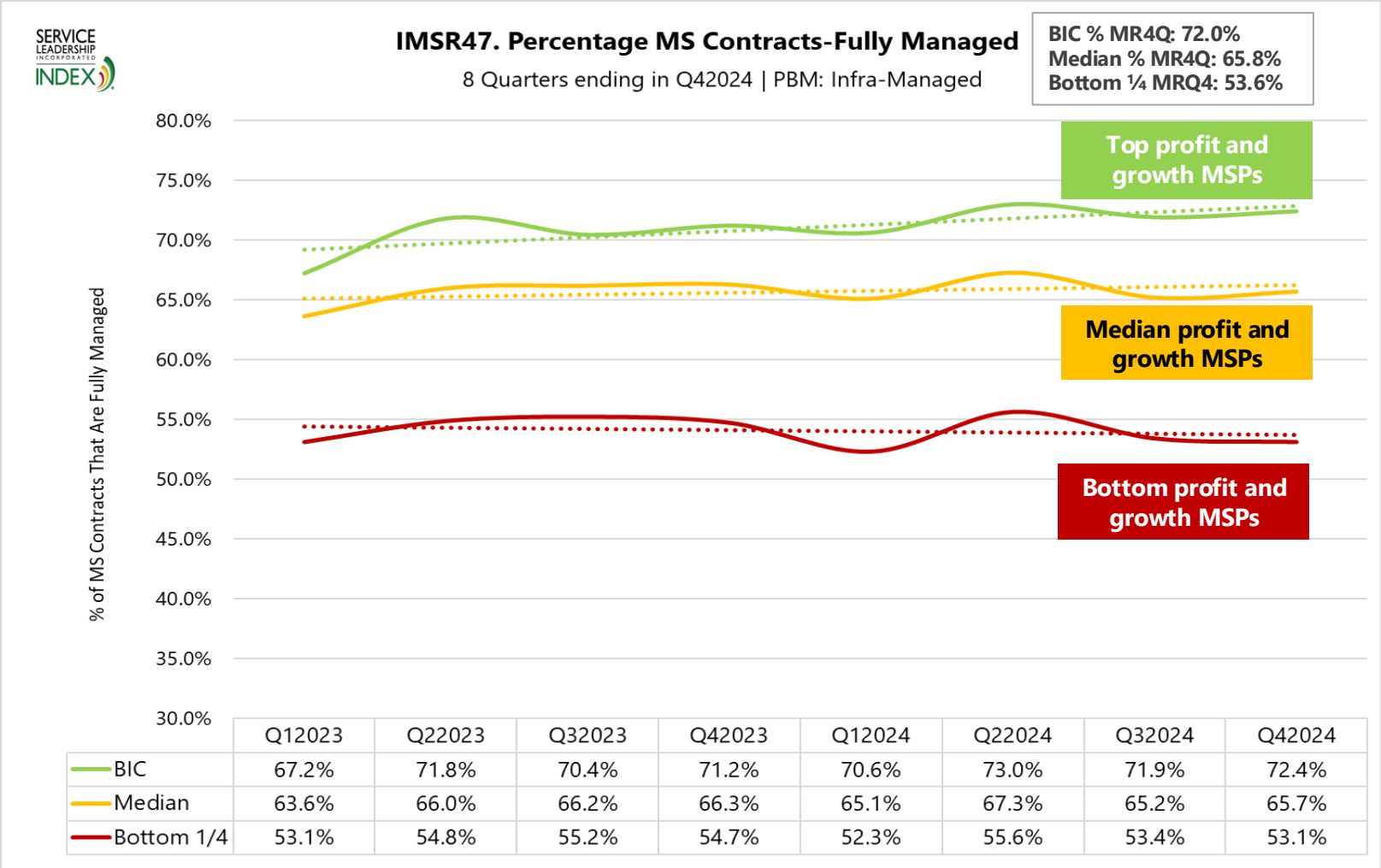
		To Get There In...	
My MSP	Value Creation Goal	5 Yrs	10 Yrs
<p>\$7.5mm total revenue \$675,000 pre-tax profit ~34 employees ~68 material clients</p> <hr/> <p>\$7.5mm stock value</p>	<p>\$25.1mm total revenue \$2,500,000 pre-tax profit ~112 employees ~168 material clients</p> <hr/> <p>\$20.mm stock value</p>	<p>+27% / Year +30% / Year +27% / Year +20% / Year</p> <hr/> <p>+30 Wins/Yr</p>	<p>+13% / Year +14% / Year +13% / Year +10% / Year</p> <hr/> <p>+15 Wins/Yr</p>

Will likely require M&A to achieve.



High OML Sales

BIC Sell More Fully Managed Service Contracts



Higher-profit and growth TSPs tend to sell deals that include more offers (and at higher prices) for their target customer size than lower-performing TSPs.

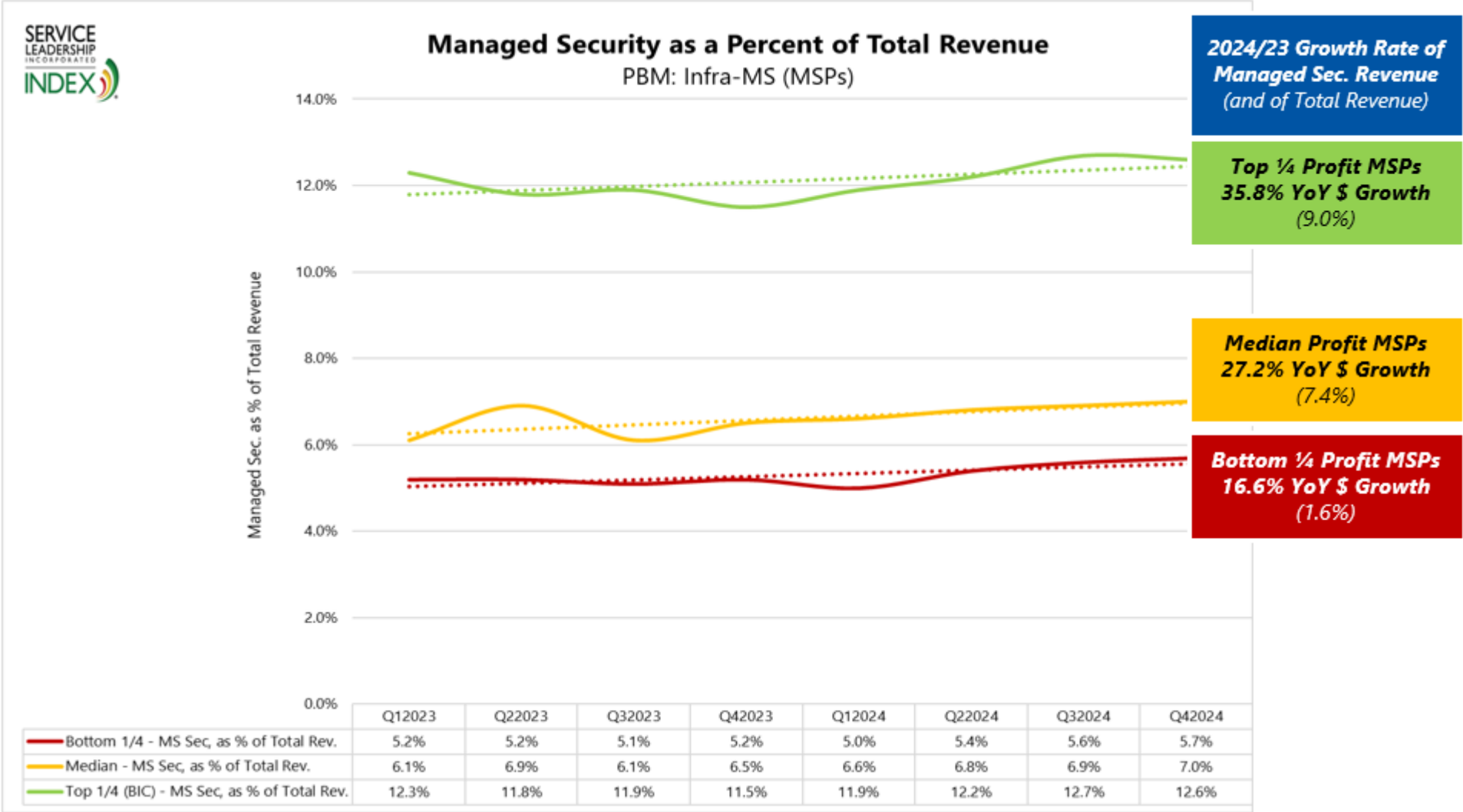
Consider two car dealers selling the same make of car: One sells only fully-loaded models, the other sells the same models, but many are not fully loaded. The former will grow faster, be bigger, and more profitable. This is because it doesn't take 30% more effort to find and close a deal that is 30% richer in content and price.

Higher-performing MSPs more often sell the "full meal deal" with contracts starting at the widest possible range of services. Lower performers more often sell "partially managed" deals in hopes of later upselling to their fullest range of services. Most often, that upsell doesn't happen.

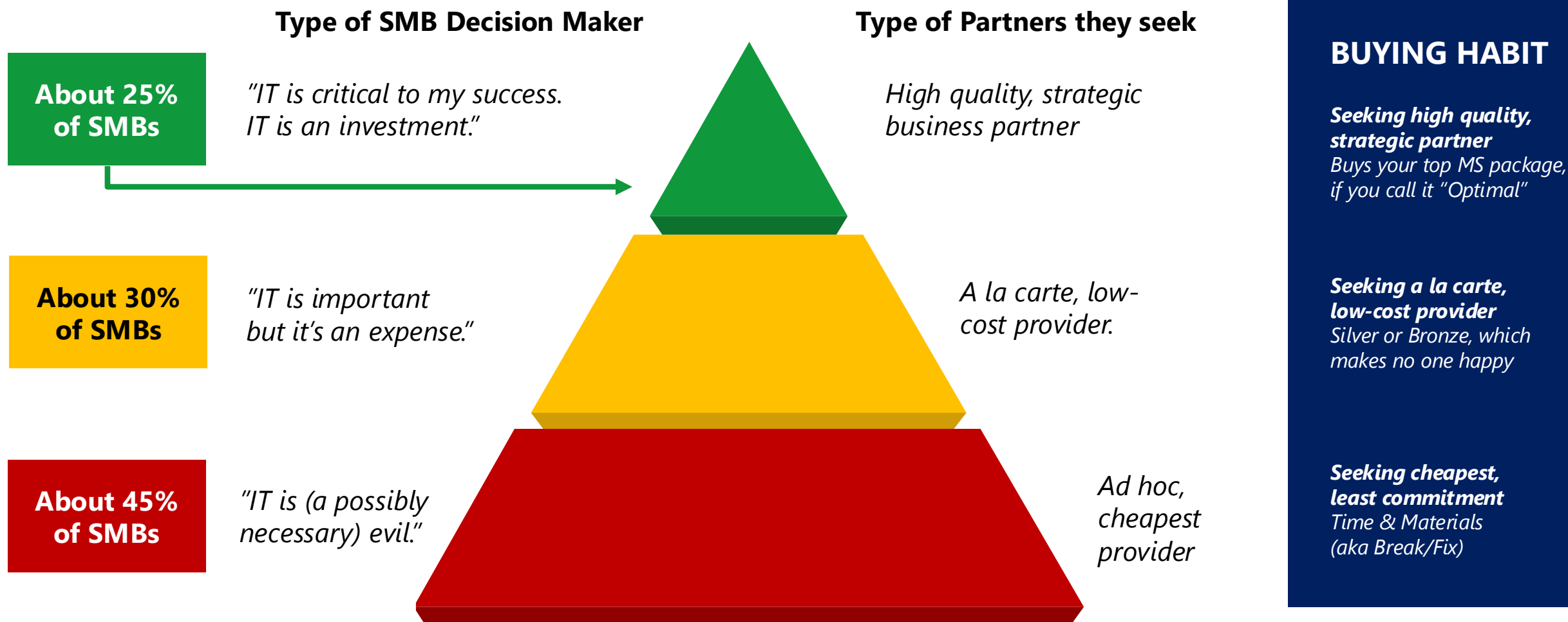
This chart shows the proportion of "full meal deals" sold by MSPs in each profitability quartile. Even the small difference between median and BIC drives materially higher performance. Benefits continue to accelerate exponentially when 80% or more of customers buy the full-meal deal.

Sales and account management incentive plans should drive this behavior.

BIC Also Sell More Managed Security



Top 25% of the Pyramid is Who You Want



Exclusive Deepdive and hands-on workshop with Peter Kujawa

11 February – 10:00 – 14:00 hrs

ConnectWise Amsterdam office

> Like to join?

Places left, visit the ConnectWise Booth.





IT NATION™ CONNECT EUROPE

9–11 March 2026 | Hilton London Metropole

**Transforming MSP
businesses through the
power of community**

Exclusive offer for Portland Summit
attendees! Use code **PORTLAND25** to
SAVE an additional **€29***

***EUR shown for reference only.
Registration is charged in GBP.**

REGISTER TODAY!

**ALL
ACCESS PASS**

€230*

Ends 12 Feb

~~€461*~~

**ALL ACCESS
ADDITIONAL**

€172*

Ends 12 Feb

~~€346*~~



Questions and Thank You
