A CFOFORIT WHITEPAPER

The State of MSP **Profitability**

3 core insights

Benchmarks & Key Drivers

CFOforIT

Contents

How operational maturity, pricing discipline, and financial visibility separate the top-quartile MSPs from the rest.

Executive Summary

The latest Service Leadership Index (SLI) Annual Report shows that the profitability gap between top-quartile and median MSPs widened again this year. Top-quartile providers achieved an average adjusted EBITDA of 19.5%, while the median sat near 9.3%, and the bottom quartile hovered around breakeven.

The data confirms a clear truth: EBITDA follows operational maturity. Service Leadership's Operational Maturity Level (OML) framework measures how disciplined, standardized, and data-driven an MSP is across finance, service delivery, and leadership.

High-OML firms aren't necessarily larger; they're better structured. They operate with defined processes, consistent offerings, and measurable accountability. Their visibility into client and service profitability allows them to act on data, not instinct.

BEST-IN-CLASS MSPS

Sell the full meal deal.

Best-in-Class MSps sell their fullest standardized package, the "full meal deal," to more than **71% of customers.**

The SLI findings also reinforce that standardization amplifies results. Best-in-Class (BIC) MSPs sell their fullest standardized package, the "full meal deal," to more than 71% of customers

Introduction

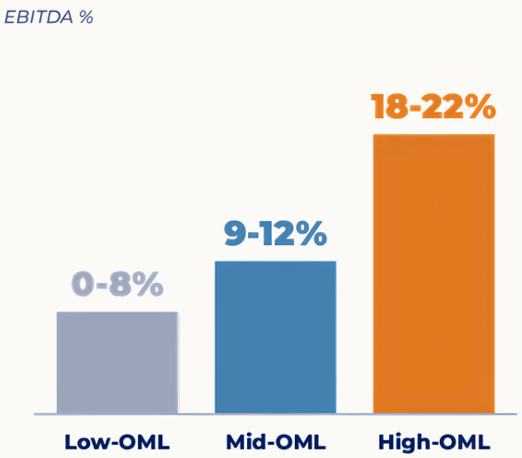
The managed services model continues to evolve from reactive support to standardized, outcome-based solutions. Firms that achieved the highest profitability were those that paired growth discipline with operational, financial, and strategic maturity. Service Leadership's data shows that Operational Maturity Level (OML) remains the single most reliable predictor of profitability.

As firms move from low to high OML, EBITDA expands predictably:

- Low-OML MSPs average 0 to 8% EBITDA.
- Mid-OML firms average 9 to 12%; and high-OML firms achieve 18 to 22%. Their maturity also shows in the details.
- High-OML MSPs price full bundles around $274 per user versus $149 at low maturity, hold SG&A near 57% of gross margin dollars (GM$) versus 70%+, and sustain churn rates below 7% while maintaining over 70% recurring revenue.

As firms move from low to high OML,

EBITDA expands predictably.



Their maturity also shows in the details.

PRICE PER USER (FULL BUNDLES)
$274 *vs $149 at low maturity*

SG&A AS % OF GM$
57% *vs 70%+ at low maturity*

CHURN
below 7%

RECURRING REVENUE
over 70%

The correlation between standardization and profit is equally clear. According to SLI, BIC firms' service gross margins averaged 41.2%, compared to 30.7% for bottom-quartile firms, a 10.5-point difference driven primarily by delivery consistency and adherence to standardized stacks.

CFOforIT's experience supports these findings: financial visibility and operational discipline accelerate OML advancement, which in turn drives profitability.

These clients are described as "more outcome-focused than price-focused," a mindset that leads to stronger relationships, higher gross margins, and lower churn among both customers and employees.

This white paper integrates SLI's benchmarks with CFOforIT field experience to demonstrate how financial discipline, operational maturity, and standardization combine to create durable profitability and enterprise value.

1. Profitability is an Outcome of Operational Maturity

Operational maturity is the ability to deliver consistency across every function: sales, service, finance, and leadership. It shows up first in financial discipline.

The SLI data proves that top-quartile MSPs keep SG&A near 57 to 60% of GM$, while median firms exceed 70%. That difference alone explains much of the EBITDA gap.

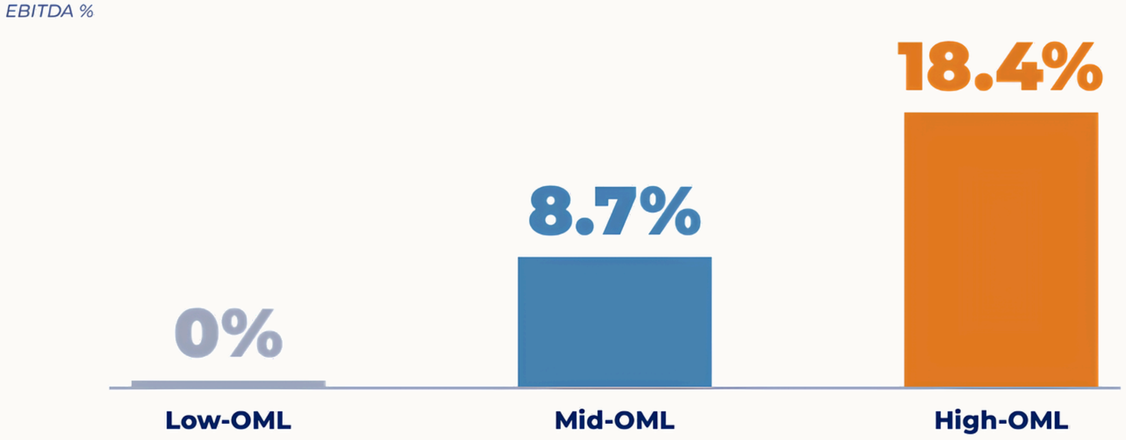
Mature MSPs manage SG&A relative to GM$, not revenue. This requires accurate cost structure, consistent reporting, and accountability by function.

CFOforIT reinforces this discipline by installing SG&A dashboards, cohort analysis, and rolling-margin views that allow CFOs to measure profitability as they operate, not after the fact.

As aforementioned, high-OML MSPs deliver stronger service margins, averaging 41.2% compared to 30.7% for bottom-quartile peers. That is a 10.5-point advantage directly tied to standardization and process rigor.

High-OML MSPs deliver

18.4% average EBITDA.



Moreover, high-OML MSPs delivery EBITDA margins average 18.4% compared to the mid-OML and low-OML MSPs, who average 8.7% and 0%, respectively.

Operational maturity begins with instrumentation. SG&A/GM$ is the first maturity indicator every MSP should monitor weekly.

2. Standardization Drives Pricing Power

The SLI report directly links pricing power to operational maturity. Low-OML MSPs average $149 per user for full managed services, while high-OML firms command $274 per user for the same core bundle.

The SLI report directly links

pricing power to operational maturity.

$149 → **$274**

per user — **Low-OML**

Same core bundle.

per user — **High-OML**

The difference is not market position, it's structure. Mature MSPs define inclusions and exclusions, enforce standard stacks, and avoid exceptions.

Standardization reduces internal friction, enables repeatability, and strengthens client trust. According to SLI, BIC MSPs sell their full standardized package, the "full meal deal," to over 71% of customers.

These clients, described as "more outcome-focused than price-focused," drive higher gross margins and lower churn because both sides operate with clarity.

At a prior organization we helped lead, a $1 million-per-year customer appeared to be a flagship account until profitability analysis revealed the cost to deliver exceeded $1.5 million.

When the client declined a necessary price adjustment, the company made the difficult choice to terminate the relationship. While not ideal, profitability improved by roughly $500,000 the following year, illustrating that unprofitable revenue destroys value faster than lost revenue.

Standardization → Price realization

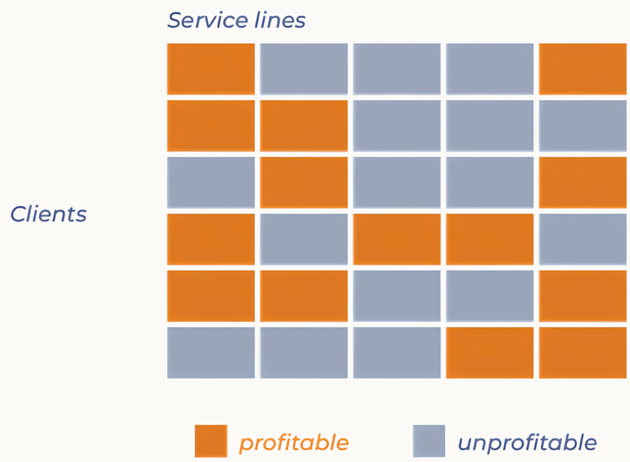
Price realization follows standardization. The clearer the offer, the stronger the margin.

3. Client-Level Visibility Prevents Hidden Losses and Missed Opportunities

Financial maturity requires visibility at the client and service-line level. Without it, leadership cannot distinguish profitable customers from unprofitable ones.

Profitable. Unprofitable.

Distinguishable only when you see both levels.



The SLI data shows that high-OML MSPs maintain detailed profitability analysis by client, allowing proactive management of low-margin contracts.

At another prior organization we helped lead, a Fortune 100 customer requested a price reduction that was declined under the assumption that margins were already tight. When client profitability analytics were later implemented, the data revealed an 85% margin.

Had that visibility existed earlier, leadership could have negotiated a meaningful concession and retained the account. The client left, underscoring how the absence of insight can cost even the most profitable relationships.

Profitability visibility turns pricing and negotiation from instinct into strategy.

Conclusion

The latest Service Leadership findings confirm what CFOforIT sees every day: profitability is a function of operational maturity and standardization, not geography or revenue size.

Firms that manage SG&A relative to GM$, standardize their service catalog, and measure client profitability consistently outperform peers. Every step up the OML curve converts variability into predictability, activity into efficiency, and growth into real earnings.

Every step up the OML curve

converts.

Operational maturity is measurable and it can be accelerated. CFOforIT partners with MSP leaders to implement the financial systems, dashboards, and cadence that drive visibility, profitability, and enterprise value.

EBITDA follows maturity and maturity begins with measurement.

About CFOforIT

CFOforIT is a fractional CFO firm built exclusively for MSPs, VARs, and IT services firms that want to scale profitably, operate with confidence, and maximize enterprise value.

Led by executives who have helped grow multiple IT services companies from under $20 million to over $130 million in revenue and executed more than 20 acquisitions, CFOforIT combines deep industry insight with proven financial architecture.

Our approach turns finance into a strategic operating system integrating cash management, pricing discipline, forecasting, and KPI governance into the daily rhythm of leadership. Whether preparing for growth, pursuing acquisitions, or positioning for exit, we help founders and CFOs build data-driven visibility, optimize EBITDA, and unlock valuation multiples that reflect the true strength of their business.

CFOforIT partners with leadership teams to build the systems, metrics, and cadence that drive operational maturity and value creation because in IT services, sustainable profitability isn't a mystery; it's a discipline.

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