

UK MSP M&A in 2025 and outlook for 2026

M&A in the sector was dampened making 2025 a challenging year for the MSP/IT-services sector. Broadly deal-making slowed, transactions took longer, and many businesses went into a more conservative mode. The underlying market for services, however, remains healthy suggesting a structural runway over the medium term. Even though demand remains, clients are more cautious, procurement cycles lengthen, and companies are more selective about when to buy or invest. In nearly all our conversations with MSPs and private equity backers, this conservatism in decision making and difficulty in achieving organic growth was a very common theme.

This environment tended to reward MSPs with strong fundamentals such as recurring revenue, differentiated offerings (e.g. managed security, compliance, cloud infrastructure), efficiency, and resilience rather than aggressive growth-by-buying strategies. Structural factors such as the higher cost of capital/debt, macroeconomic and political uncertainty along with more cautious buyer sentiment were mentioned as key headwinds. Having said that:

- ❖ The broader UK managed services market is still forecast to grow strongly. One recent estimate¹ projects a compound annual growth rate (CAGR) of ~13.9% from 2025 through 2030, with the UK market potentially reaching > US\$42bn by 2030 (from ~US\$ 19.5bn in 2024).
- ❖ Another survey² of EMEA MSPs this year found that 73% expect their revenue to increase over the next three years.
- ❖ There is continuing demand, especially around high-growth sub-segments such as managed security and cloud or data-centre services³, reflecting broader structural shifts in how organisations consume technology services.

¹. *Grand View Research*; ². *CRN+1*; ³. *Grand View Research*

What's holding up and where's the opportunity

- ❖ The long-term growth outlook for the UK managed services market remains solid underpinned by increasing demand for outsourcing, security, cloud and data-centre services. This is structural, not cyclical, so supports value.
- ❖ Many buyers (especially financial investors/private equity) continue to see MSPs and IT services firms as attractive targets, especially those with high recurring revenue meaning valuations and interest can re-emerge once macro conditions stabilise.

2025

Dampened M&A
Lengthened Procurement
Organic Growth Difficulty
High Cost of Capital
Selective Investment
Market Uncertainty

2026

Increased M&A Volume
Valuation Recovery
Service Differentiation
Structural Runway
Disciplined Execution
Stabilising Conditions

What to expect in 2026

With underlying demand for managed services remaining strong and a growing enterprise appetite for stable, outsourced IT, even with organic growth being harder, those companies with a recurring-revenue model, disciplined execution and service differentiation provides confidence for the medium-term outlook for increased M&A.

