IT Managed Services

What good looks like … 1Q2024

Opportunity and Risk with AI



CONNECTWISE™

Your Hosts



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IBM, 25 yrs
VAR, President, $14M – $170M, sold
MSP, President, 4,000 endpoints, retired
CEO Peer Groups – Facilitator, Cert. Coach



Rick Harber

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MSP / MSSP, 28 years
Satellite / Digital Telephony, 6 years
ConnectWise Therapist / Digital Prophet
and all-around groovy guy – virtually forever

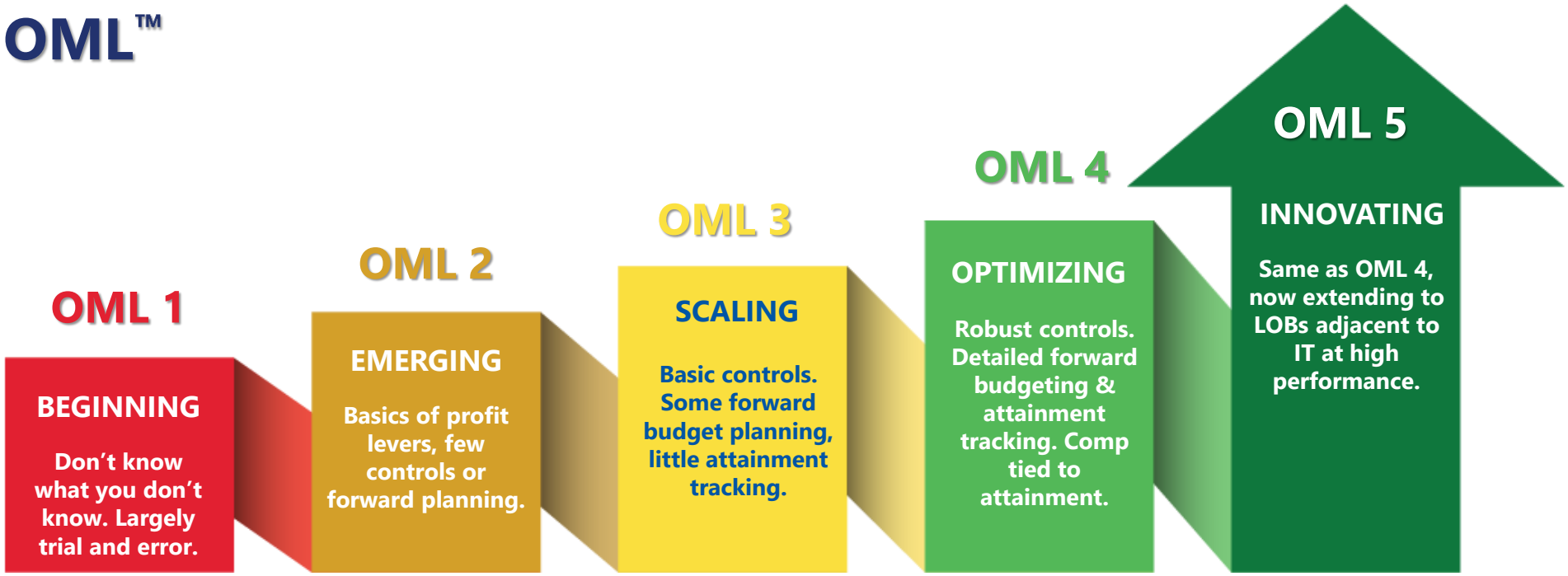
MSP Growth and Profitability

MSP Profitability Quartile	Threshold Q4-23 Adj. EBITDA%	Avg. Q4-23 Adj. EBITDA %	Avg. Growth MR4Q: Total Revenue	Avg. Growth MR4Q: Recurring Revenue
Top Quartile (Best-in-Class)	>= 17.3%	23.3%	20.5%	21.9%
Median	8.8%	10.3%	12.9%	16.0%
Bottom Quartile	=< -0.4%	-3.9%	7.6%	9.2%

- 28% of MSPs were unprofitable (25% in Bottom ¼ and 3% in Median).
- Those MSPs in the top quartile of profitability grew their total revenue & recurring revenue the fastest.
- Those MSPs in the bottom quartile of profitability grew both, the slowest. This is true in almost all quarters.
- This makes sense: if you are continually adding new contracts, chances are your tech team is highly utilized, and that produces high gross margin.
- There is a lot of churn in the Bottom Quartile: get better, go out of business or sell as a distressed asset.
- There is only about 20% churn in the Top Quartile. When they do fall, they don't fall far or for long. Once you learn how to ride the bicycle, you may fall but less severely and you get right back on.

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Operational Maturity Levels™



Higher Operational Maturity Level means increased ability to:

Drive accelerated performance | Maximize profit and value creation | Differentiate in the marketplace

Mitigate business risk | Drive accountability

The short list!

- Value Creation Strategy – What are you trying to build and by when?
- Target Customer Profile - Clearly defined and adherence to single market
- Price to Value, not cost or market rate
- Do “QBRs” religiously … one pager … Business Conversation
  - Retention + Growth
- Standardize your tech stack
- Simplify your Offerings … get people on the Full Meal Deal

- Benchmark … What does good look like?
  - Service Multiple = 2.5 or greater (Services Revenue / Loaded Cost of Service Org)

How can we help?

- Pricing and Packaging
- Sales Enablement/Training
- GTM Strategy
- Benchmarking
- Peer groups …accountability

Individual Calls or Webinars

What about AI

Can AI be an MSP Copilot(pun intended)

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Decoding AI

Understand the lingo

- RPA – Robotic Process Automation
- Expert Systems
- Traditional AI vs Generative AI
- Machine Learning vs AI

ConnectWise application of AI

- “Hyperautomation” – tasks, processes
- Use cases

AI Impact on Security?

The Good

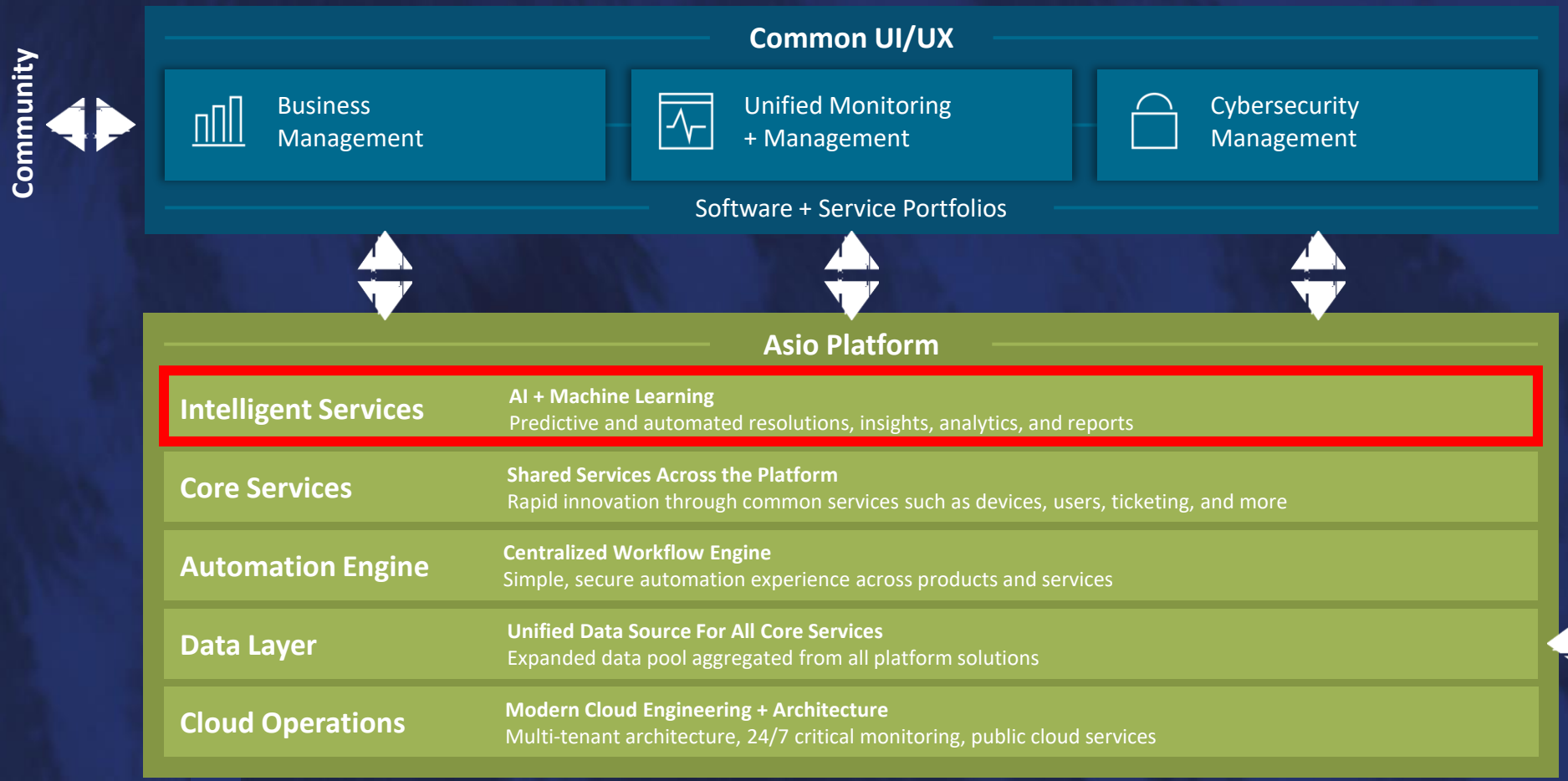
- Risk Mitigation – AI can identify and mitigate risk before they become a problem
- Reduce labor cost - AI can automate many security tasks, reducing human intervention and labor cost
- Unparalleled performance – AI can provide a level of performance that is difficult to achieve with human intervention alone

The Bad

- AI can hallucinate – It can generate false data or false alarms which can lead to incorrect response
- Deepfakes – Deepfake audio and video will become sophisticated and used to misinform and impersonate
- Velocity and Ferocity – The speed, efficiency, and viciousness of attacks will increase

Modern, Unified Platform

When scalability, automation, and extensibility matter, we've got your back with the **Asio™ platform**



Benefits:

+ Infinite Scalability
+ Rapid Innovation
+ Security-First
+ Deeply Customizable
+ Enhanced Data Insight
+ Risk Mitigation
+ Consistent Automation
+ Reduced Labor Cost
+ Improved Productivity
+ Unparalleled Performance

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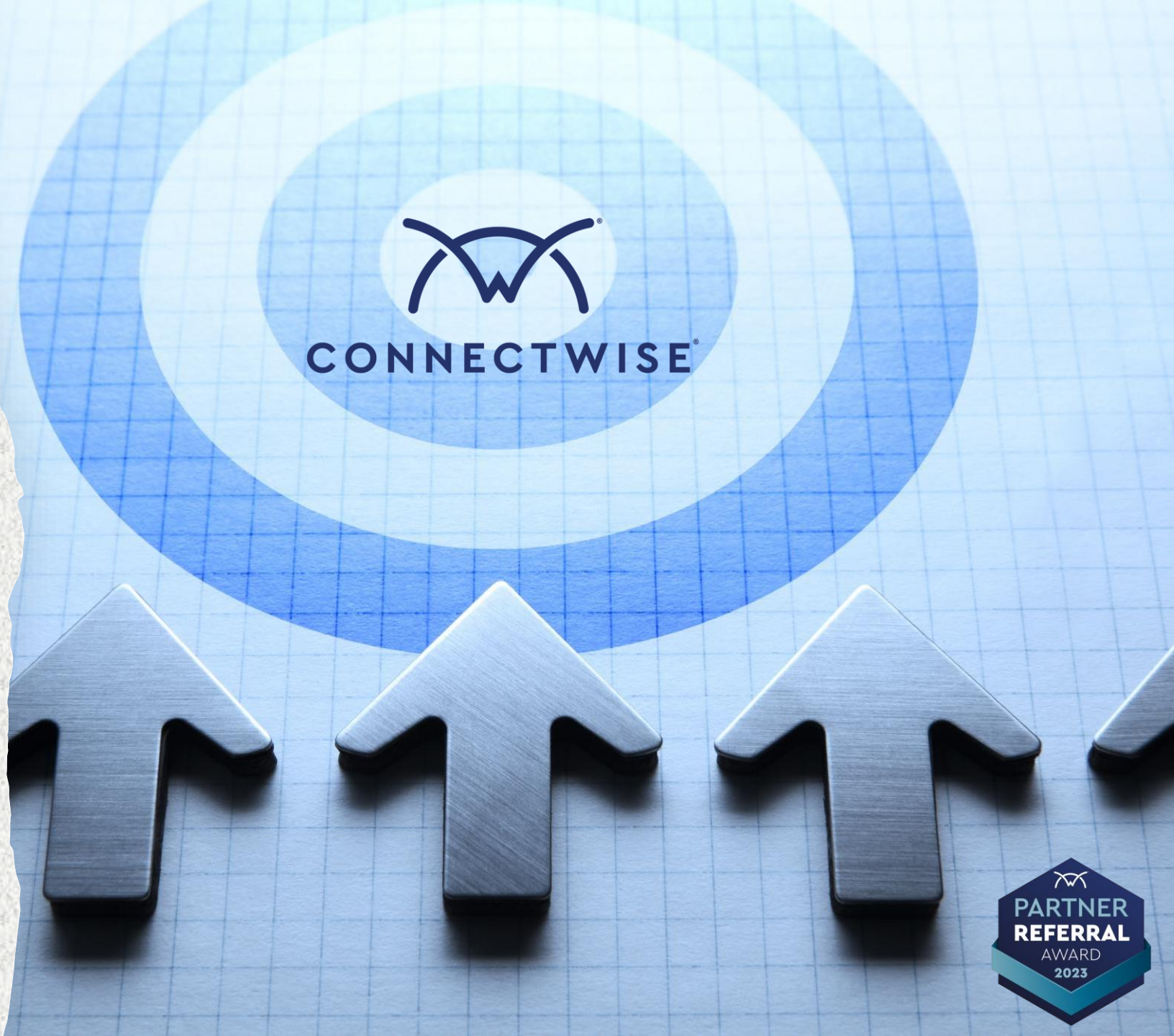
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