



Channel Futures
Leading Channel Partners Forward

MSP 501

What Criteria Define a Top MSP?

The 2024 MSP 501 Methodology Explained

The Channel Futures MSP 501 methodology aims to identify the best-performing managed services providers based on a wide range of criteria. Applicants must pass a first-round review which includes surpassing a threshold for minimum annual revenue and managed services revenue. Then there's a deeper review of these top managed IT service providers' financials that examines weighted annual revenue, EBITDA as a percentage of total revenue, and recurring revenue as a percentage of total revenue. We designed those three criteria to identify true high-performance managed services providers. Large, diversified companies submit the operating data from their managed services division or business to ensure a level playing field against pure-play MSPs.

In judging MSP 501 candidates, we use a proprietary algorithm that weighs different revenue streams according to their importance to modern business models and forward-thinking managed services strategies. Overall revenue accounts for 50% of each MSP's score, but that 50% is broken down and weighted to favor value-added services versus resale.

Next, the Channel Futures MSP 501 methodology is reviewed, amended and updated by a blue-chip group of thought leaders. These experts include MSP owners, analysts - including those from Informa-owned Canalys and Omdia - practitioners and consultants who study MSP business models.

The revamped 2024 MSP 501 methodology considers the ways MSP business practices have transitioned to subscription-based services. We increased the weight of recurring revenue from 10% in 2023 to 25% in 2024 to better reward MSPs who have adopted more subscription-based services. We requested a profitability metric and considered how it can be impacted by high levels of reinvestment into the business to fuel growth, so companies are not penalized for investing heavily.

We keep each MSP's revenue, profitability and other financial data confidential, but use this data in aggregate totals that we may publish.

Over time, the MSP 501 methodology has evolved to match the characteristics of the market as business models change. It is the only methodology of its kind providing a sound benchmark for managed service providers to gauge their business performance. It now also aligns with the major benchmarks provided by such organizations as MSP Toolkit and Service Leadership, a ConnectWise company.

The following contributed to this year's MSP 501 methodology: Len DiCostanzo, MSP ToolKit; Sam Ruggeri, LincolnIT; Peter Kujawa, Service Leadership, a ConnectWise company; Mitch Morgan, New Charter Tech; Neil Medwed, Meriplex; Tony Ferrigno, ATSG; and Jason Rincker, Stronghold Data.