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AI Autopilot

aiautopilot.ai
Emil Isanov
Mark Kandinov

90-day Free Pilot Program

MSP Automation

AI-TECH

US Peers

MSPBots: Provides data-driven process automation to enable growth and scalability of MSPs. Received \$5MN in seed funding.

Rewst: Develops a robotic process automation technology for smaller managed services providers. Has raised multiple rounds of funding totaling about \$80MN.

Business Description

AI-centric Automation for MSPs

- AI Autopilot is designed to automate IT support workflows via an intelligent AI agent.
- Features include opening, categorizing, prioritizing, dispatching, scheduling and resolving tickets using existing PSA/RMM tools.
- AI agent is accessible for users via a customer web portal that gives access to all the IT services offered by an MSP to its clients in a unified dashboard.
- **Benefits:**
 - **Ticket Automation:** Reduces time spent on ticket creation process from several minutes to seconds.
 - **MSP Integrations:** Integrates with industry leading RMM and PSA products such as ConnectWise Manage, Autotask, Kaseya, and essential MSP work enablers like Microsoft 365, Google Workspace, OpenAI.
 - **Centralized Client Portal:** Centralized dashboard includes ticketing, billing, remote access, password management, AI assistant.
 - **Real Time Training:** Currently engaged with Manhattan MSP to continuously train and improve AI automation process.

Key Differentiators

Heavy focus on AI to automate

- **Artificial Intelligence Emphasis:** Uses advanced AI/ML algorithms to automate and optimize a wide range of MSP operations including predictive analytics to foresee potential issues.
- **Broad Scope:** Aims to cover a broad spectrum of MSP tasks, from routine maintenance to complex decision-making processes.
- **Integration Flexibility:** Offers robust integration capabilities, allowing MSPs to connect with various other tools and platforms seamlessly.
- **Parent MSP:** AI Autopilot was founded to automate activities at its parent MSP ETECH7. Partnership with ETECH7 has accelerated its development.

Ask

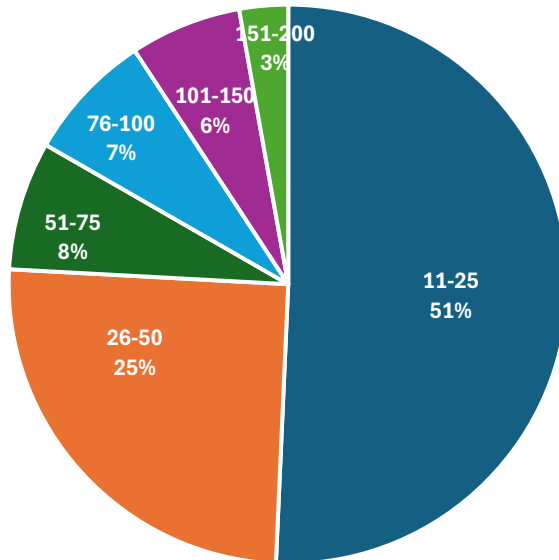
- Partnership with MSPs to deploy tool
- Early-Stage funding of about \$1-5MN to invest in product deployment and marketing

Cities in Tier 1 and Tier 2 cities like Denver (CO), Colorado Springs (CO), Salt Lake City (UT), and Las Vegas (NV) have large number of MSPs and are also have SMB growth profiles that are at or above average.

- In our January-April 2024 Newsletters we provided a brief overview of the IT MSP space in the greater NY, FL, IL and Mid Atlantic state areas.
- This month we take a closer look at IT MSPs in the Mountain States including CO, UT, AZ, and NV.
- The key difference between the Mountain States and the other regions we have studied lies in the dispersion of economic activity which is much more concentrated in the Tier 1 and Tier 2 cities for the Mountain States than it is for other major centers. Roughly 80% of MSPs in the region and 60% of the SMBs in the region lie in the top 20 states compared with 70% and 40% respectively for the other regions.
- We estimate there are 497 firms in the Mountain State area providing some degree of Managed IT services. 41% located in Colorado, 34% in Arizona, 13% in Utah, and 12% in Nevada.
- We excluded IT firms with 10 or fewer employees. 75% of the remaining MSPs have been 11-50 employees.
- 55% of the MSPs have shown stable y-o-y headcount growth, 34% have grown more than 10%, while 11% have shrunk by more than 10%**.
- To assess how attractive it might be to target an MSP business in a city, we look at two key metrics – SMB per MSP and SMB Growth %
 - SMB per MSP: We define this as number of Small and Medium Sized Businesses (SMBs) per MSP. The greater the number of SMBs per incumbent MSP the more desirable it would be to target an MSP in a city. Across all top 20 MSP cities***, the average value for this metric is 634.
 - SMB Growth%: We define this as the fraction of SMBs in a city that grew y-o-y headcount by over 10%. The greater this fraction the more desirable it would be to target an MSP in the city. Across all top 20 MSP cities, the average value for this metric is 13%.
 - Henderson (NV) has the highest SMB per MSP count at 1333 while Lehi (UT) has the highest SMB Growth % at 25%.

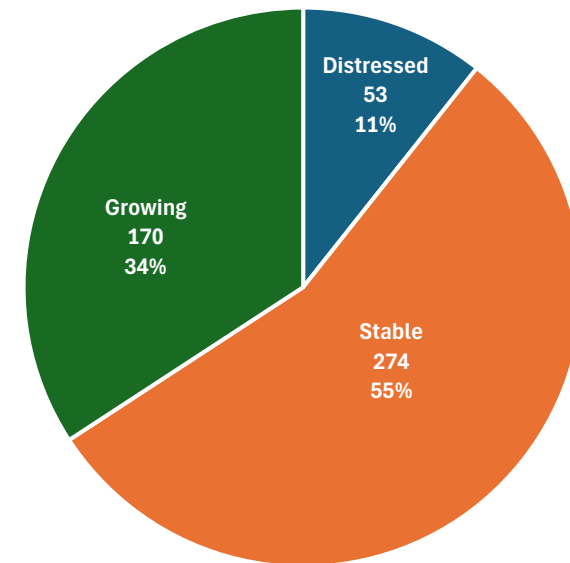
- We estimate there are 497 MSPs in the Mountain State* area providing some degree of Managed IT services.
- 51% have 11-25 employees, 25% have 26-50, 15% have 51-100 and 9% have over 100 employees.**
- 55% of the MSPs have shown stable y-o-y headcount growth, 34% have grown more than 10%, while 11% have shrunk by more than 10%***.

MSPs By Employee Count in Mountain States
(497 Firms)



75% of MSPs
have between
11-50 employees
~
\$2MN - \$12.5MN
in Revenue

MSP by Headcount Growth in Mountain States
(497 Firms)

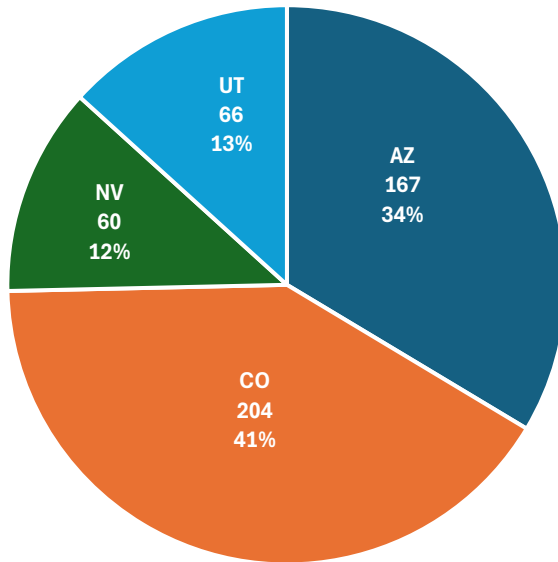


*Source: Linked-In.

* Mountain State area is defined to include CO, AZ, NV, and UT. **We excluded firms with 10 or fewer employees for this study. ***Firms exhibiting more than 10% y-o-y decrease or increase in headcount growth are categorized as Distressed or Growing respectively. The remaining firms are categorized as Stable.

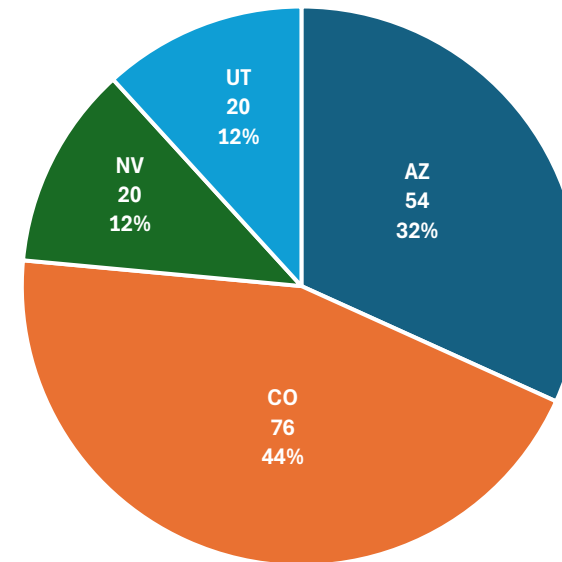
- We estimate there are 497 firms in the Mountain State area providing some degree of Managed IT services. 41% located in Colorado, 34% in Arizona, 13% in Utah, and 12% in Nevada.
- The share of MSPs experiencing over 10% y-o-y headcount growth in any state is roughly proportionate to the overall share of MSPs headquartered in the state.**.

MSPs By State in Mountain States
(497 Firms)

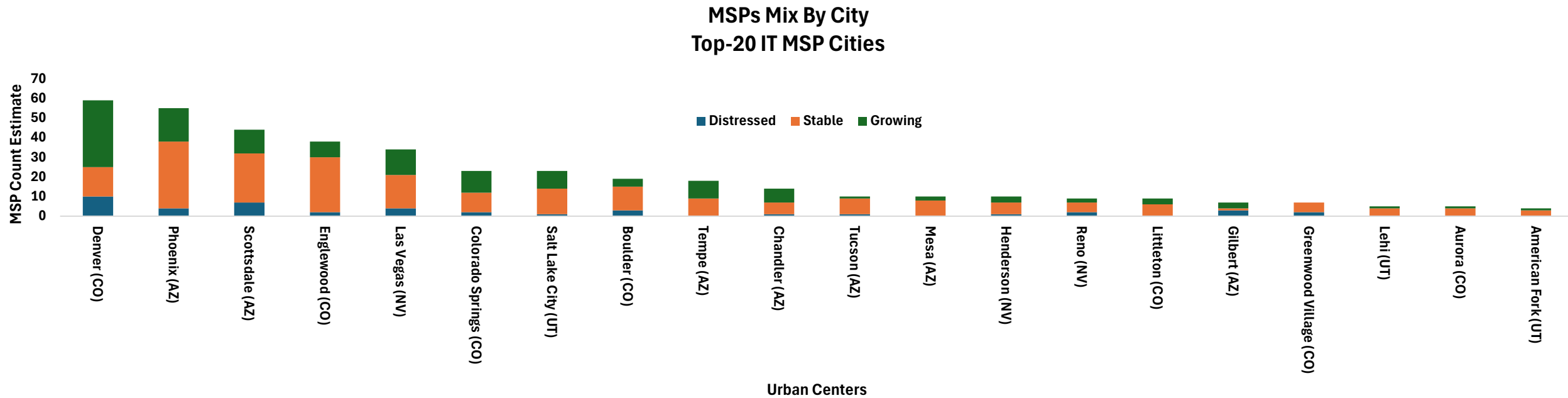


Share of MSPs experiencing growth in any state is in line with the overall share of MSPs in that state.

MSP Share That is Growing in Mountain States
(497 Firms)



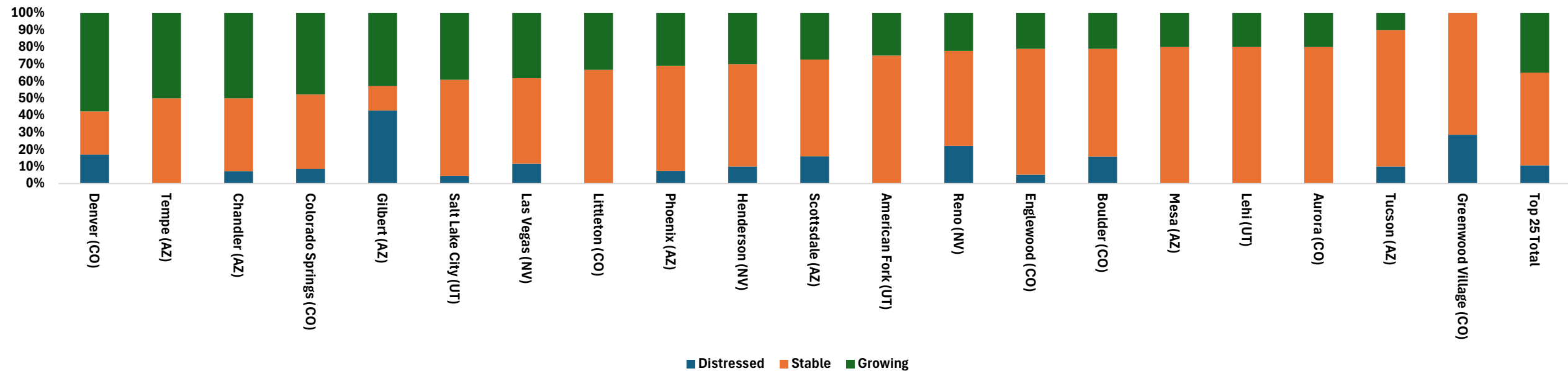
- Denver (CO), Phoenix (AZ), Scottsdale (AZ), Englewood (CO) and Las Vegas (NV) have the largest number of MSPs.
- The Top-20 MSP cities have 403 MSPs, about 80% of the total MSP count in the greater Mountain State area*.



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- Denver (CO), Colorado Springs (CO), Salt Lake City (UT), and Las Vegas (NV) have large number of MSPs and also have SMB growth profiles that are at or above average.

Growth Mix By City
Top-20 IT MSP Cities



*Source: Linked-In.

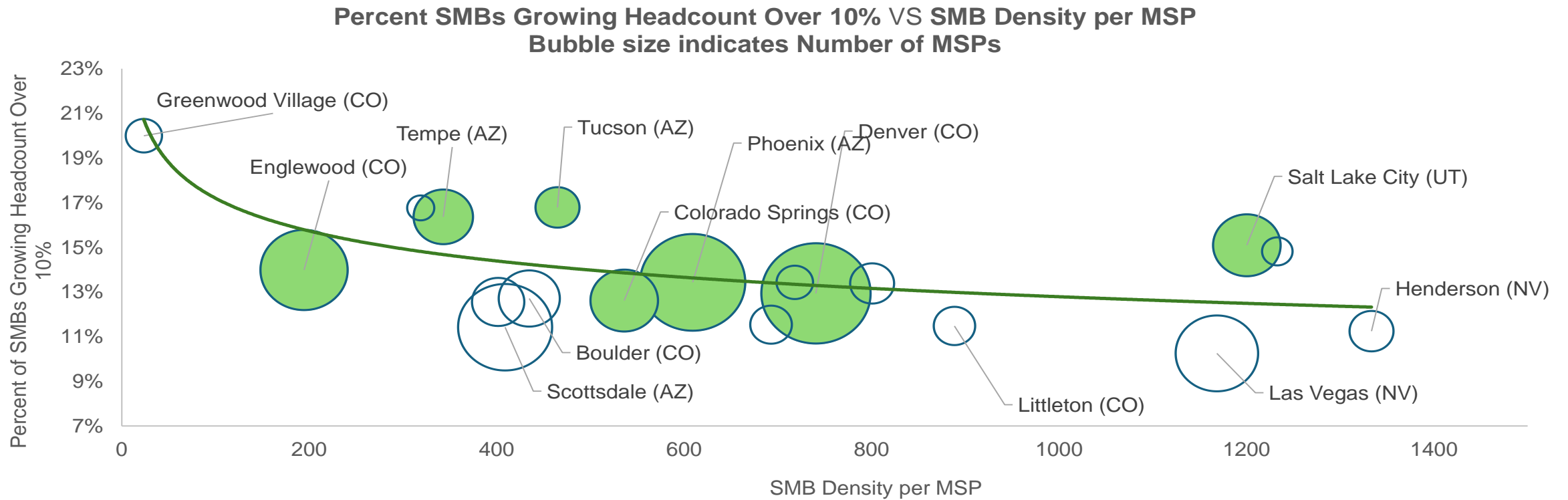
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- To assess how attractive it might be to target an MSP business in a city, we look at two key metrics
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 - SMB Growth%: The fraction of SMBs in a city that grew y-o-y headcount by over 10%. The greater this fraction the more desirable it would be to target an MSP. Across all top 20 MSP cities, the average value for this metric is 13%
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Top 20 MSP Towns	SMB (1-500) / MSP	% Large MBs*	SMB Growth%	MSP Count
Denver (CO)	↑ 741	→ 13%	● 13%	▲ 59
Phoenix (AZ)	→ 609	→ 14%	● 13%	▲ 55
Scottsdale (AZ)	↓ 409	↓ 11%	● 11%	▲ 44
Englewood (CO)	↓ 195	↑ 19%	● 14%	▲ 38
Las Vegas (NV)	↑ 1168	↓ 9%	● 10%	▲ 34
Colorado Springs (CO)	→ 536	↓ 11%	● 13%	▲ 23
Salt Lake City (UT)	↑ 1200	↑ 17%	● 15%	▲ 23
Boulder (CO)	→ 435	↑ 15%	● 13%	▬ 19
Tempe (AZ)	↓ 343	↑ 19%	● 16%	▬ 18
Chandler (AZ)	↓ 402	→ 14%	● 13%	▬ 14
Henderson (NV)	↑ 1333	↓ 10%	● 11%	▬ 10
Mesa (AZ)	↑ 801	→ 13%	● 13%	▬ 10
Tucson (AZ)	→ 465	→ 14%	● 17%	▬ 10
Littleton (CO)	↑ 888	↓ 12%	● 11%	▼ 9
Reno (NV)	→ 693	→ 12%	● 12%	▼ 9
Gilbert (AZ)	→ 718	↓ 10%	● 13%	▼ 7
Greenwood Village (CO)	↓ 24	↑ 25%	● 20%	▼ 7
Lehi (UT)	↓ 388	↑ 23%	● 25%	▼ 5
Aurora (CO)	↑ 1233	↓ 11%	● 15%	▼ 5
American Fork (UT)	↓ 319	↑ 17%	● 17%	▼ 4
Top 25 Total	634	13%	13%	403

* % Large MBs is the proportion of SMBs with 11-500 employees

- Cities like Denver (CO), Salt Lake City (UT), Phoenix (AZ) and Colorado Springs (CO) are the sweet spot to target MSPs. They have reasonable scale and either have higher than average SMB count per MSP, or they are cities with higher-than-average SMB growth profile.



*Source: Linked-In.

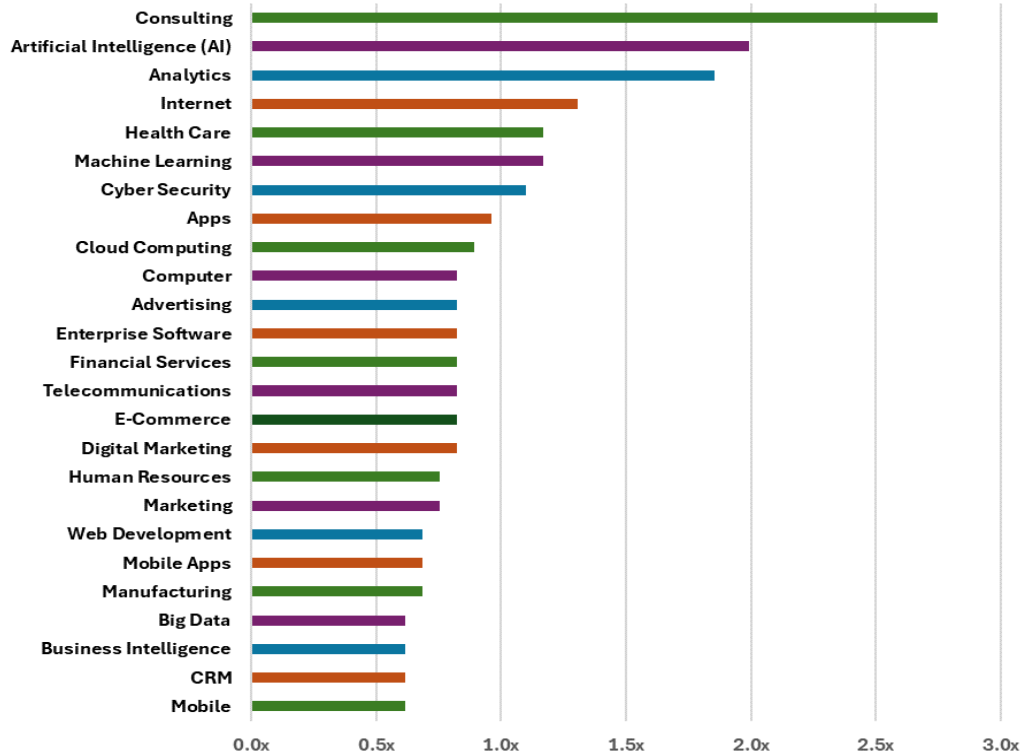
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SaaS Multiples recovered in June and M&A and funding activity held steady month-over-month.*

- The contraction in SaaS multiples that started in March 2024 paused in June. The average LTM revenue multiple for publicly traded SaaS companies rose to 6.41x up from its 5.75x in May 2024 but is still down from its peak level of 7.25x in Feb. The recovery in multiples is in line with analyst expectations that we are at the end of the Fed's rate hike cycle.
- 338 M&A transactions were announced globally in June 2024, down slightly from 349 deals announced in May 2024 but up from a monthly average pace of 285 transactions over the LTM period ended June 2024.
- 718 private software and IT companies received some form of funding in June, down 3 (0.4%) from 721 in May and up 42 (6%) from the average monthly rate of 676 over the trailing twelve months (TTM) ending June 2024. Funding activity in June 2024 is still below activity in June 2023 when 801 companies received funding.
- Artificial Intelligence (AI) and Machine Learning (ML) became even more dominant in June relative to the TTM. AI and/or ML were mentioned as one of the capabilities for 42% of the funded companies in June, up sharply from 31% of the funded companies over the TTM and 37% of funded companies in May.
- VC funding decreased slightly to 631 in June 2024 from 633 in May 2024 down 0.3%. VC funding activity in June 2024 is still below activity in June 2023 when 694 companies received funding.
- Changes in global funding activity were mixed across regions although regional shares remained mostly in line with TTM average levels. North America, Western Europe and Australasia accounted for 48%, 19% and 12% of total funding activity in June with the Rest of the World accounting for the remaining 20%.

Consulting, AI/ML and Analytics were key M&A themes in June 2024

Relative Frequency of Occurrence of Top 25 Acquiree Industries



*Source: Crunchbase.

Notable Service Provider and Software Deals of the Month

Software Services

AlphaSense

Acquiror – AlphaSense

- AlphaSense acquired Tegus for \$930mn
- AlphaSense provides AI-powered market intelligence and search tools to analyze business data and insights.
- Tegus provides an investment research platform that combines expert insights and financial data to support informed decision-making.
- The acquisition aims to boost growth and innovation by integrating complementary products and content, offering customers deeper insights from diverse content sets.



Target – Tegus

Managed Service Providers



Merger of Majorkey & Clango

- Major Key Technologies provides comprehensive managed IT services, including cybersecurity, cloud solutions, and IT consulting.
- Clango offers identity and access management (IAM) solutions, focusing on identity governance and access control.
- This merger creates one of the largest and most capable full-service pure play identity and access management businesses in the market today.

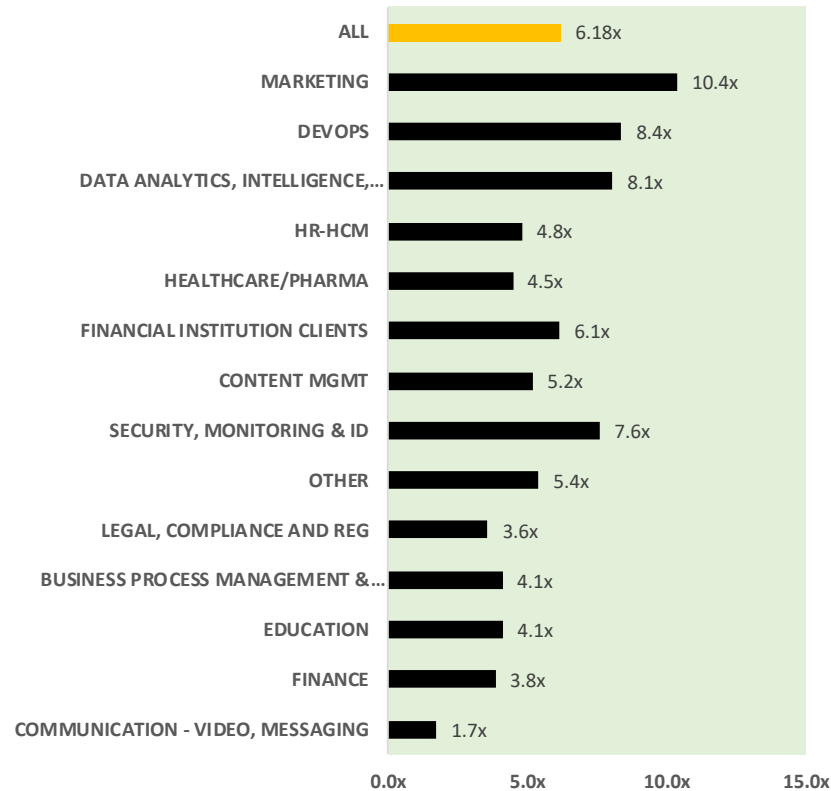


SaaS multiples rallied in June after dropping for 3-consecutive months through May. The rally was largely in line with the rally in equity markets which driven by outperformance in technology stocks.

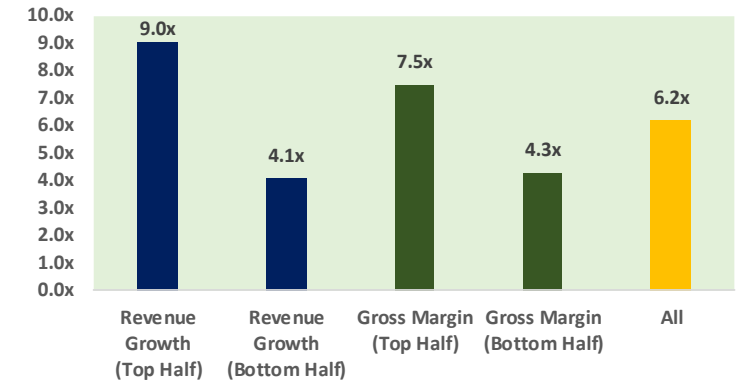
- The contraction in SaaS multiples that started in Mar 2024 ended in June. The average LTM revenue multiple for publicly traded SaaS companies rose to 6.41x up from its 5.75x in May 2024 but is still down from its peak level of 7.25x in Feb.
- More recently, the possibility of lower rates has galvanized the equity markets with analysts widely expecting a rate cut in September 2024. In its most recent meeting on July 31, 2024, the Federal Reserve decided to maintain the federal funds rate in the range of 5.25% to 5.50%.
- The Fed acknowledged progress towards its inflation goal of 2% but emphasized caution, indicating that it will closely monitor economic data before making any rate cuts. While the labor market has shown signs of easing, the Fed remains vigilant about inflation risks and is not ready to lower rates until it gains more confidence in a sustainable decline in inflation.
- Multiples contracted for Communications, Legal, Content Management and expanded for industry verticals like Marketing, Security, Devops, Data Analytics.
- The difference in multiples between Top Half and Bottom Half companies by Revenue growth and Gross Margin remains elevated. Multiple differences indicate the extent to which the market is differentiating between the companies based on their growth and margin.
- There is a 4.9x multiple difference between top half and bottom half of companies when sorted by revenue growth. There is a 3.2x multiple difference between top half and bottom half of companies when sorted by gross margin.

- The aggregate SaaS TTM Revenue Multiple expanded about 0.43 pts in June 2024 to **6.18x** from **5.75x** in **May 2024**.
- SaaS TTM multiple expansion was in sync with the broad stock market rallying. SPY rallied 3.5% in June and 4.8% in second quarter. The rally in broader indexes is being driven by outperformance in a few large technology stocks – Amazon, Alphabet (Google), Meta (Facebook), Microsoft and NVIDIA.
- Sector Mattered:** Multiples contracted for Horizontals like Communications, Legal, Content Management and expanded for Verticals like Marketing, Security, Data Analytics and Devops.
- Quality Mattered:** The difference in multiples between Top Half and Bottom Half companies by Revenue growth and Gross Margin increased.

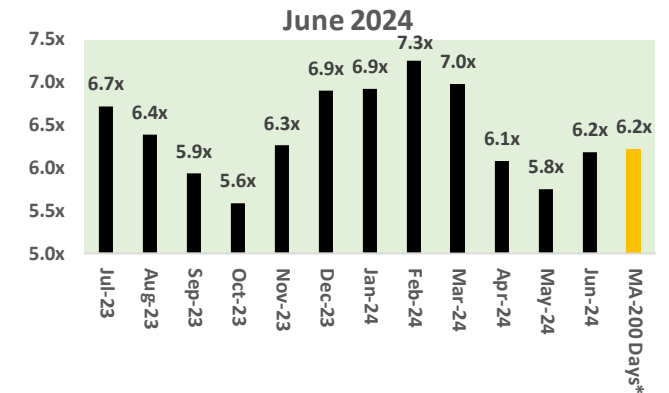
Revenue Xs By SaaS Sector (ME June 2024)



SaaS Revenue Xs (ME June 2024) By Quality



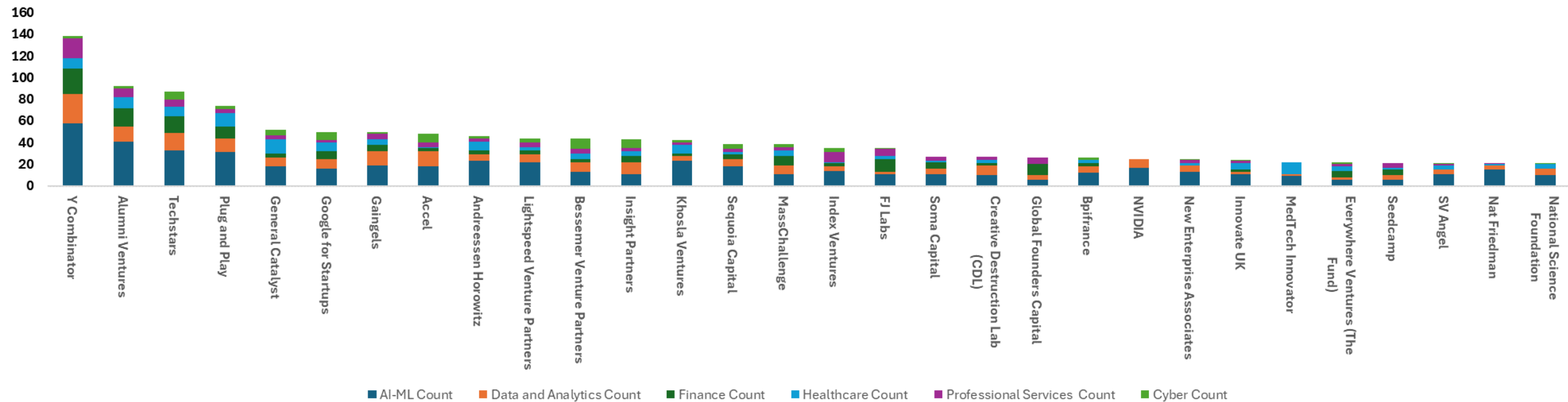
Recovery in SaaS Revenue Xs Stalled in



*Source: Yahoo Finance.

Almost 5,200 funds globally provided some form of funding to early-stage companies YTD through June 2024. The top 30 investors accounted for about 10% of the total funding by count.

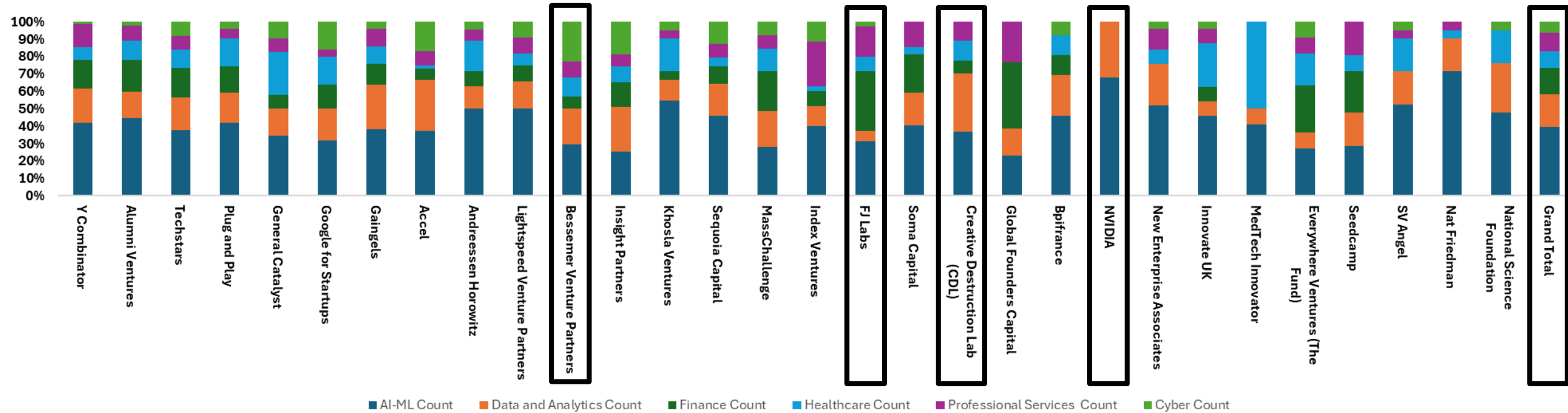
Top Investors by Count in Key Software and IT Sectors (YTD Through June 2024)



*Source: Crunchbase.

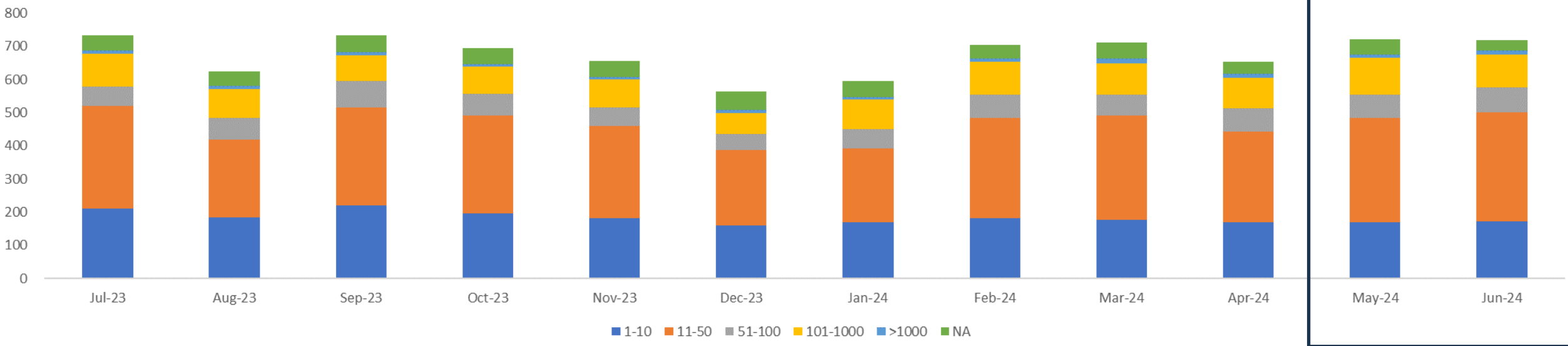
At the aggregate level funding across key sectors was diversified. But some firms chose to focus on specific themes. For example, 68% of NVIDIA’s investments were in AI-ML, 33% of CDL’s investments were in Data Analytics, 23% of Bessemer’s were in Cybersecurity and 34% of FJ Labs investments were in Finance.

Investment Mix by Count in Key Software and IT Sectors (YTD Through June 2024)



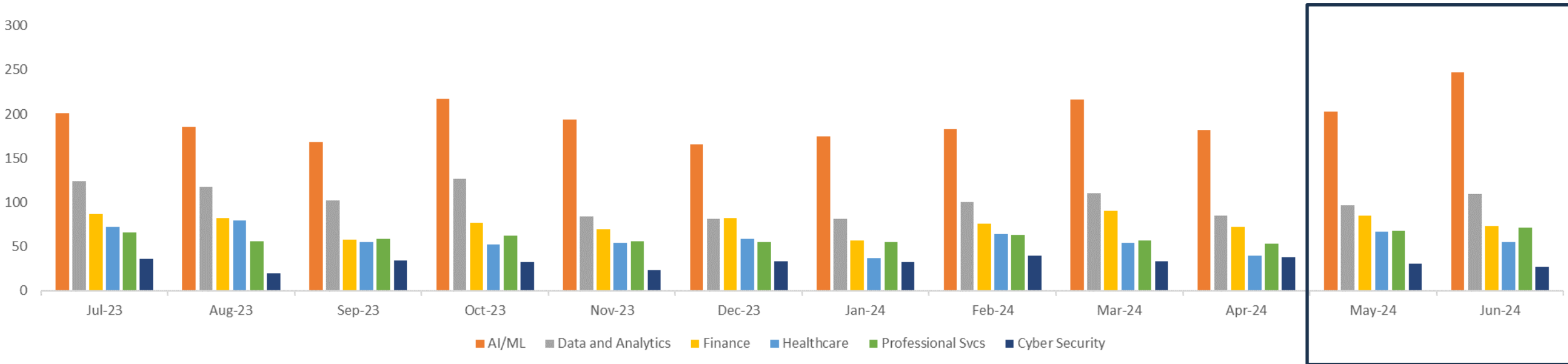
*Source: Pitchbook.

Funding for Software and IT Firms By Firm Headcount: Dropped slightly (0.4%) from Levels in May 2024



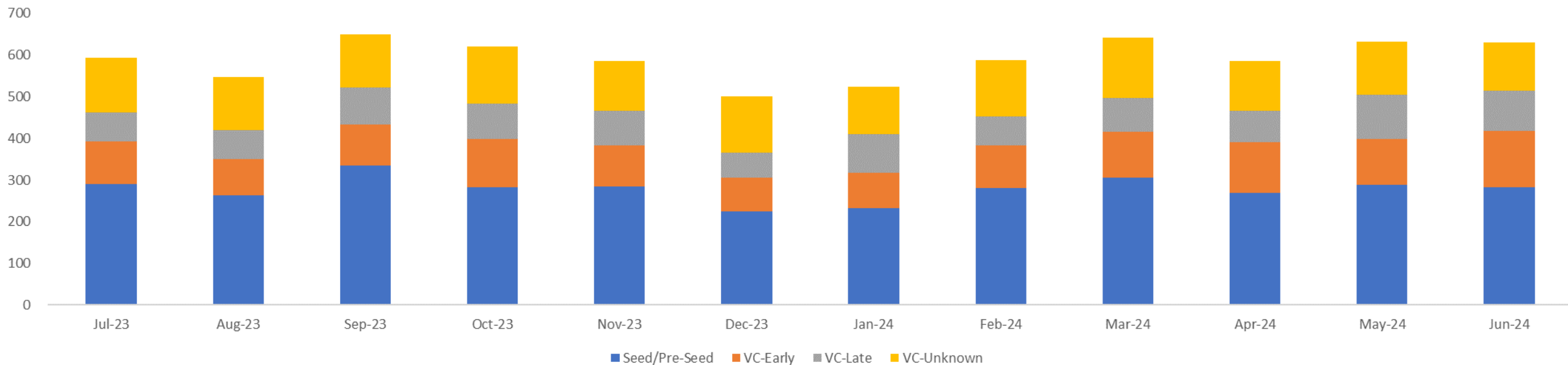
718 private software and IT companies received some form of funding in June, down 3 (0.4%) from 721 in May and up 42 (6%) from the average monthly rate of 676 over the trailing twelve months (TTM) ending June 2024. Funding activity in June 2024 is still below activity in June 2023 when 801 companies received funding.

Funding for Software and IT Firms By Industry Mix: AI/ML Even More Dominant in June



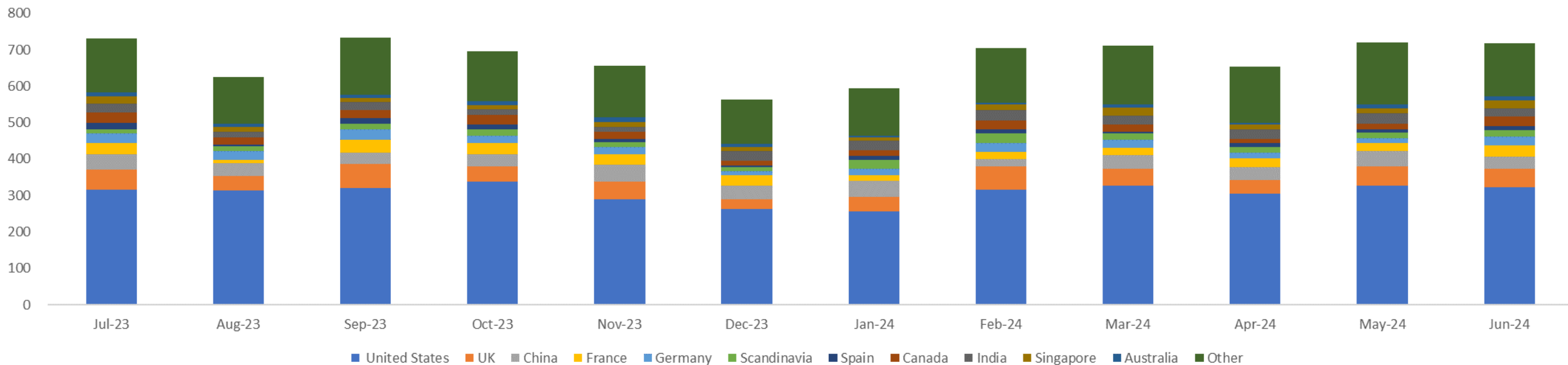
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VC Funding for Software and IT Firms By Stage over TTM: VC funding decreased slightly (0.3%); 66% Early Stage



VC funding decreased slightly to 631 in June 2024 from 633 in May 2024 down 0.3%. The share of Early-stage VC (Angel, Seed and Series-A) funding was up slightly at 66% in June 2024, from 63% in May 2024. Early-stage VC funding is in line with its TTM share of 65%. VC funding activity in June 2024 is still below activity in June 2023 when 694 companies received funding.

Funding for Software and IT Firms By Regional Mix: NA (48%), W. Europe (19%), Australasia (12%)



Changes in global funding activity were mixed across regions although regional shares remained mostly in line with TTM average levels. North America, Western Europe and Australasia accounted for 48%, 19% and 12% of total funding activity in June with the Rest of the World accounting for the remaining 20%.



Madhur has over 20 years of experience in middle market IT and software Mergers & Acquisitions and Consulting. Prior to joining Excendio, Madhur worked in various senior transaction advisory and middle market SME roles at firms such as Citibank, Barclays, Lehman Brothers, New York Life, KPMG, Moody's and KBRA.

He has worked extensively with companies in the \$10MN-\$1BN revenue range across a range of strategic initiatives including exits and acquisitions, working capital optimization, IT implementation, financial planning, valuation and debt restructuring.

Middle market businesses are personal and can often be someone's passion and life's work. As such, Madhur focuses not just on the specifics of the transaction, but also on how it fits into the life goals of the owner and the importance of career transition for them.

Madhur will often connect founders looking to exit with the right industry participants to ensure founders can confidently exit knowing they've maximized their business's value, gaining the clarity, confidence, and peace of mind they deserve.

Madhur has a PhD in Financial Economics from UC Berkeley, Haas School of Business. He lives with his wife and son in New Jersey. He loves tennis, wine, the outdoors and spending time with family and friends.

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