



MSP'S ROADMAP TO **EBITDA** GROWTH

Introduction

You don't need to acquire 20 new clients to hit your EBITDA target. You need to look more carefully at the clients you already have. This paper will show you exactly how – using the data you're already collecting – to find the micro-adjustments that add up to a fundamentally more profitable business.



You Already Know Your Number. You Just Don't Know Where It's Hiding.

You have an EBITDA target. Maybe it's 15%. Maybe it's 20%. Maybe it's whatever gets you to the valuation multiple your investors – or your future self – expects. The number isn't the mystery.

The challenge is how to get there without some big gambles or large expenses.

Here's what most MSP executives don't realize: the margin you're looking for is likely already inside your business. It's distributed across your client portfolio in dozens of small gaps – agreements that haven't been repriced in three years, clients absorbing

out-of-scope work your team assumed was "just part of the deal," recurring ticket patterns that nobody has had time to diagnose. None of these are dramatic on their own. Together, they can represent hundreds of thousands of dollars in recoverable margin over time.

The framework isn't complicated. But it does require discipline, the right data, and a willingness to act on what you find. The MSPs that are consistently growing EBITDA – not just revenue – have figured out how to make this a systematic practice rather than an annual scramble.

“Every decision you make influences the value of your business. Without data, you're guessing.

- Reid Warren
ITValuations



EBITDA Levers

Three Paths for EBITDA Growth

There are three generally-accepted paths to grow EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization). You can add revenue by selling more products and services, you can improve the profitability of your existing base of clients, or you can cut costs - typically in SG&A (Sales, General, and Administrative). Many MSPs start down the first path of pure revenue growth. The highest-margin and most mature MSPs are obsessive about the second. This whitepaper is your guide to joining them.



ADD REVENUE

Add more revenue through new client acquisition.



OPTIMIZE BASE

Improve the profitability of your existing base of clients.



CUT COSTS

Reduce costs in SG&A.

The Brutal Economics of Client Acquisition

Before dismissing sales growth as a strategy, it's worth understanding exactly what new client acquisition costs – in time, money, and organizational energy. Every new client that comes through your door carries a price tag most MSPs underestimate.

Industry Benchmarks



According to research cited by the Harvard Business Review, acquiring a new client is 5 to 25 times more expensive than optimizing an existing one – a principle that holds true across industries and is especially pronounced in managed services, where onboarding complexity adds additional cost.

That doesn't mean sales is the wrong investment – it absolutely isn't. A healthy MSP needs new logos. But when sales growth is the only EBITDA lever being pulled, the result is often a business that's growing revenue while margins stay flat or even compress. You're adding clients and cost simultaneously, without the operational discipline to ensure each new client contributes meaningfully to the bottom line.

The smarter move is to build both capabilities in parallel: let your sales team pursue new business while your operations team systematically improves the profitability of the clients you already have.

Lessons From Retail: The Hidden Opportunity Inside Your Client Portfolio



Think of your MSP like a multi-location retail chain. Each client is, in effect, its own revenue-generating unit. Some are performing at or above their contribution or margin target. Others are quietly dragging down your margins – and without the right visibility, you may not even know which is which.

Looking at your MSP business as a whole, you may be profitable. But the aggregate number masks a critical reality: within that average are clients where you're under-delivering services, and others where significant margin is being left on the table.

Double Exposure Risk

Across the MSPCFO database, the average MSP has about 8% of revenue opportunity they could recover in their five most over-served clients. Meanwhile, their top five under-served clients represented 13% of total revenue at risk.

This is where most MSPs are flying blind. Without granular, client-level visibility into how much work you're delivering versus how much you're billing for, you cannot make informed decisions about pricing, scope, or resource allocation.



Understanding the Pricing Gap: Invoiced Labor vs. Shadow Billable

At the core of agreement profitability analysis is a simple but powerful comparison:

Invoiced Labor	Shadow Billable
The labor portion of your recurring managed service revenue.	What you would have billed for agreement-covered time if it weren't bundled.
What the client actually paid for after tools are backed out.	Reflects actual labor value delivered to the client.
Fixed – it doesn't change based on how much work you do.	Variable – it fluctuates based on ticket volume and engineer hours.

When Shadow Billable significantly exceeds invoiced labor, you have a profitability problem. You're delivering more value than you're being paid for. This calculation will uncover clients who need attention, but doesn't uncover *why* they are unprofitable. Is it a pricing issue or an operations issue?

Finding Root Causes and Fixing Them

Identifying that a client is underperforming is only the first step. The real work – and the real value – is in diagnosing why, and then taking targeted action to fix it.

Not every overserved client has the same problem. A client with a pricing issue requires a very different response than one with chronic technical inefficiencies. Applying the wrong fix not only fails to address the root cause – it can damage the client relationship and your team’s morale.

Match the Response to the Root Cause

01 OUTDATED PRICING

THE FIX

Reprice the agreement

OPERATIONAL LEVERS

Review contracts annually

Tie price to endpoints or users

02 OUT OF SCOPE SERVICES

THE FIX

Restructure scope

OPERATIONAL LEVERS

Restructure agreement

Bill separately for exceptions

03 TECHNICAL DEBT

THE FIX

Upgrade obsolete technology

OPERATIONAL LEVERS

Propose project to address technology

Roadmap infrastructure updates

04 CLIENT NOT A FIT

THE FIX

Transition the client

OPERATIONAL LEVERS

Protect margins

Off-board clients who resist

From Diagnosis to Decision

The goal is not to reflexively reprice every underperforming client. It's to develop a structured process – built on data – for diagnosing what's happening and taking the right corrective action. That might mean updating a contract. It might mean a project to upgrade aging infrastructure. It might mean a difficult conversation about fit.

Best Practice: Categorizing Ticket Types

Consistent use of Type, Subtype, and Item in your PSA is foundational to this kind of analysis. When ticket categorization is clean and standardized, patterns emerge quickly – which uncovers a fixable root cause rather than an inherently difficult client.

The most operationally mature MSPs approach their client portfolio with the same discipline a private equity firm would apply to its holdings: regular reviews, benchmarks, clear performance thresholds, and a willingness to make hard decisions when a client consistently underperforms and resists improvement.



Managing to Internal Benchmarks, Not Industry Averages

One of the most powerful shifts an MSP can make is moving from reactive, gut-driven client management to a structured, benchmark-driven approach. The key insight: your most meaningful performance benchmarks are internal, not external.

Every MSP operates in a unique market with unique pricing, talent, and toolsets. Industry benchmarks provide directional guidance, but your own portfolio data is the most accurate standard for measuring client-level efficiency.

01

Billable per Hour

Are you capturing the right rate for the work being done?

02

Labor Revenue per Endpoint/User

How much revenue relative to the client's size?

03

Hours per Ticket

How efficiently is your team resolving issues?

04

Tickets per Endpoint/User

How ticket-heavy is this client relative to others of similar size?

When you establish an internal benchmark for each of these metrics across your client base, you can immediately identify outliers. A client with normal hours-per-ticket but high tickets-per-endpoint may have a chronic technical issue driving excessive volume. A client with strong operational efficiency but low labor revenue per endpoint may have a pricing problem that's invisible without the data.

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“MSPCFO right now has several touch points into key processes in our organization. Our month-end close process, we’re using it for customer and employee profitability, utilization, just as a higher level managerial sanity check. Did something fall off the rails this month? Did we have a client that overutilize their agreement or an employee who forgot to record their time? It’s a really good quality assurance from that point of view.”

RICH ANDERSON
IMAGINE IT

The Outliers Are Where the Opportunity Hides

This distinction matters enormously. Diagnosing a pricing problem and diagnosing an operations problem require completely different responses. Without the right metrics, it’s easy to apply the wrong fix – or worse, do nothing because the problem isn’t visible at all.

Best Practice: Build a Monthly Client Review Cadence

High-performing MSPs conduct monthly portfolio reviews using client-level efficiency data. The goal isn’t to micromanage every client – it’s to catch deteriorating trends early, before they compound into significant margin erosion. A client moving from 1.8 tickets per endpoint to 2.6 over three months is a signal worth acting on before it becomes a pattern.

Making This Systematic: Where MSPCFO Fits In

The framework described in this whitepaper – portfolio-level visibility, shadow billable analysis, internal benchmarking, root cause diagnostics – is not theoretical. It's what operationally excellent MSPs are doing today to protect and grow their margins.

The challenge is that most MSPs don't have a clean, structured way to surface this data. It lives in their PSA, their RMM, their billing system – and pulling it together into a coherent picture requires hours of manual work, if it gets done at all.

MSPCFO is a financial analytics and reporting platform built specifically for MSPs. It connects to your PSA and organizes your operational and financial data into the views that matter most for running a profitable business: agreement profitability by client, efficiency metrics benchmarked against your own portfolio, and trend analysis that surfaces problems before they become material.

What MSPCFO Surfaces for You



Agreement Profitability

Invoiced labor vs. shadow billable by client, with efficiency scoring and delta analysis.



Client Efficiency

Billable/ hour, revenue/endpoint, hours/ticket, and tickets/endpoint, compared to internal averages.



Trend Analysis

Track individual client performance over time to distinguish chronic issues from one-time incidents.



Technician Productivity

See how well each technician is performing from an hours and dollars perspective.



Ticket Drilldown

Identify specific ticket types driving inefficiency and link directly to your PSA for follow-up.

You Can't Fix What You Can't See.

For most MSPs, the gap between profitable and highly profitable comes down to one thing: visibility.



MSPCFO is not a replacement for good operations or strong client relationships. It's the visibility layer that makes both of those things more effective. When your team can see exactly which clients are underperforming and why, they can have better conversations – with clients about pricing and scope, and internally about resource allocation and process improvement.

MSPs using MSPCFO have identified six-figure margin opportunities within their existing portfolios – opportunities that were invisible before they had the data. The question isn't whether those opportunities exist in your business. They almost certainly do. The question is whether you have the visibility to find them.

The Best Time to Start Is Now

The best time to plant a tree was 20 years ago. The second best time is today. The same principle applies to building the operational discipline that drives EBITDA growth.

Every month that passes without clear visibility into your client portfolio is a month where margin leakage continues undetected, where pricing decisions are made on gut feel instead of data, and where the enterprise value of your business is shaped by forces you can't see clearly enough to influence.

The MSPs that will command the highest valuations in the next three to five years are the ones building that discipline now – using data to manage their portfolios with the same rigor that the best-run companies in any industry apply to their operations.

READY TO SEE WHAT'S INSIDE YOUR PORTFOLIO?

We'd love to show you what MSPCFO surfaces in a business like yours. Connect your PSA, run your reports, and see exactly where your margin opportunities are hiding – no commitment, no contract, no pressure. Just your own data, organized in a way you've never seen anywhere else.

Visit mspcfo.com | See your live data in MSPCFO today!