The Numbers Behind a Managed IT Services Business

A free field guide from Bytell Press. The figures come from our example financial model for an owner-led managed IT provider serving small businesses. They are planning assumptions, not quotes for your market; the worksheet at the end is for your own numbers.

Most new IT providers are good technicians. The ones that struggle priced a seat without counting what it costs to support, or ran out of cash before the monthly contracts added up. This guide gives you that arithmetic in two pages.

1. How the money comes in

Managed IT is sold **per user, per month**, under a standing agreement. The example model uses these lines:

Revenue line	Model price	Model gross margin
Managed services, three plan tiers	$110–$175 per user per month	58–65%
Servers and network devices	$50–$150 per device per month	Priced on top
Project work	$125–$175 per hour	40–55%
Hardware resale	Per order	10–20%
Blended across the mix	**About $3,500 a month per 25-seat client**	**About 55%**

The recurring seats are where the margin is. In the model, a 25-seat client at $140 a seat pays $3,500 a month. Tools cost about $20 a seat, or $500, and support labor runs $800–$900. That leaves roughly $2,150. The rule behind it: every seat's price has to cover that seat's tools, its share of labor and a margin.

2. What it costs to open

The example model opens on about **$50,000**.

Use of funds	Amount
Working-capital runway	$22,500
Tool stack and first-year platform commitments	$10,000
Hardware lab and loaner devices	$9,000
Technical certifications and first-year insurance	$4,500
Branding, website and first demand generation	$4,000

Use of funds	Amount
Total	**$50,000**

The runway is the line to protect. Monthly contracts build slowly, and the bills start on day one.

3. What it costs to stay open

The model carries about **$8,787 a month** in fixed costs before the owner is paid:

Monthly fixed cost	Amount
Office, insurance, base platform subscriptions, accounting, phone, marketing tools	$4,200
Part-time service coordinator	$3,500
Loan payment	$1,087
Total before owner pay	**$8,787**
Owner draw	$3,500
Total with owner draw	**$12,287**

Technician labor and per-seat tool costs are not in this table. They sit in the cost of service.

4. The break-even: the one number to know

Break-even revenue = monthly fixed costs ÷ margin.

The model's gross margin is 55%. After card fees and variable marketing, about 49% of each dollar is left to cover fixed costs. With the model's numbers: $8,787 ÷ 0.49 = about **$17,933 a month**. At $3,500 a client, that is **five 25-seat clients**.

That figure does not pay the owner. Add the $3,500 draw and it becomes $12,287 ÷ 0.49 = about **$25,076 a month**, or a little over seven clients.

5. The ramp eats cash before it pays

The model starts near $9,000 a month and climbs to about $42,000 by month 12, of which roughly $30,000 is recurring.

Point in the model	Monthly revenue	Against the $17,933 break-even
Month one	About $9,000	About half
Month four to five	About $18,000	At the line
Month 12	About $42,000	Well above

In month one, $9,000 at a 49% margin brings in about $4,410 against $8,787 of fixed costs. The shortfall of about $4,377, plus any draw, comes out of the $22,500 runway. If clients sign more slowly than the model assumes, break-even moves later and the runway has to stretch further.

6. Your numbers

Fill this in with your own tool quotes and prices before you sign your first agreement.

Question	Model	Yours
Price per user per month	$140	_____
Tool cost per user per month	$20	_____
Margin after labor, tools and variable costs	49%	_____
Monthly fixed costs before your pay	$8,787	_____
Break-even revenue (fixed costs ÷ margin)	$17,933	_____
Break-even revenue with your draw	$25,076	_____
Working-capital runway	$22,500	_____

If your break-even needs more clients than you can sign before the runway is spent, fix the plan before you launch: raise the seat price, delay the coordinator hire, or hold more cash.

This guide is general business information, not legal, tax, accounting or investment advice. The figures are illustrative assumptions from an example model and are not a forecast or a promise of results. Licensing and insurance requirements vary by state and are not covered here; check yours with the state agency.

Bytell Press publishes the full business plan, the editable financial model behind these numbers, and the operating playbooks for a managed IT services provider.

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