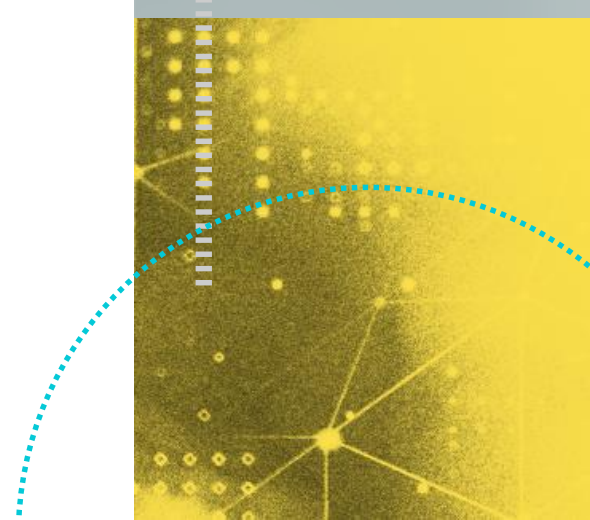




COVID-19 Business Impact Report

Q2, 2020



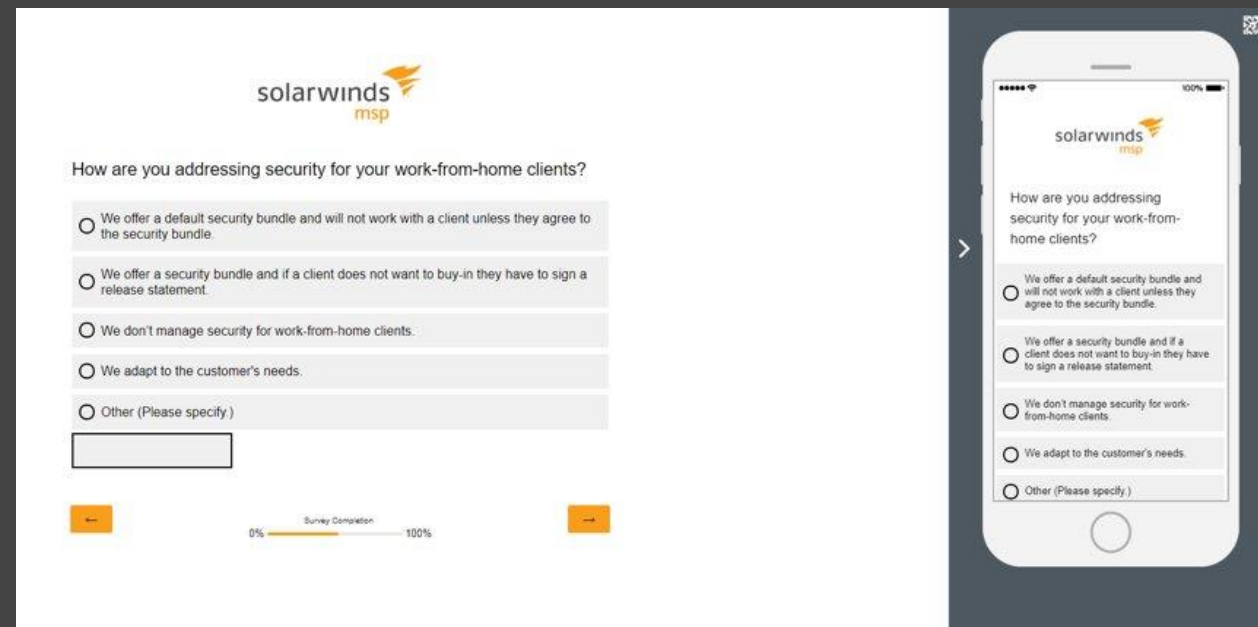


Global Survey: COVID-19 Impact and Response

In early May, SolarWinds surveyed partners around the world to solicit feedback on the impact of COVID-19 on their businesses, as well as expectations for the next 12 months.

Description

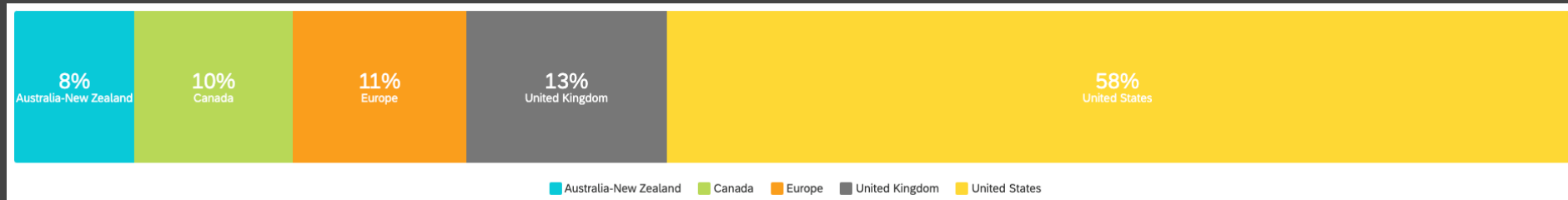
- Based on 500 completed surveys
- Submissions received during the week of May 4 – 8, 2020
- Respondents include companies based in North America, Europe and ANZ
- Responses segmented by revenue bands, geographic regions, and primary business models





Demographics of 500+ Respondents

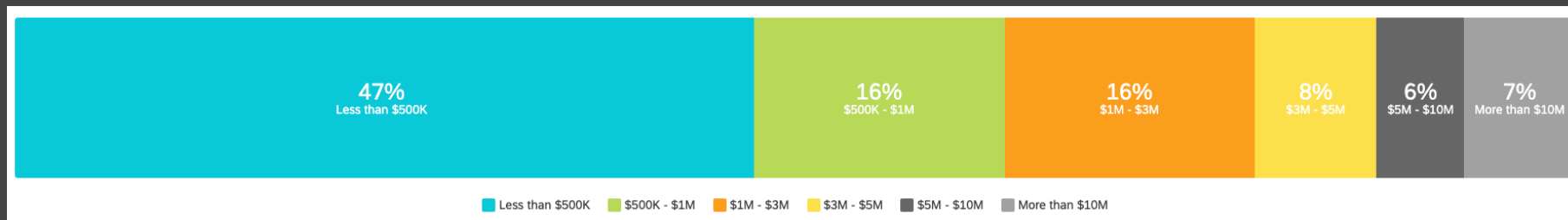
In what geography do you primarily operate?



Solution providers in the U.S., Canada, European Union, UK, and ANZ were invited to participate.

What was your total 2019 revenue (in USD)?

Respondents were spread across revenue bands.





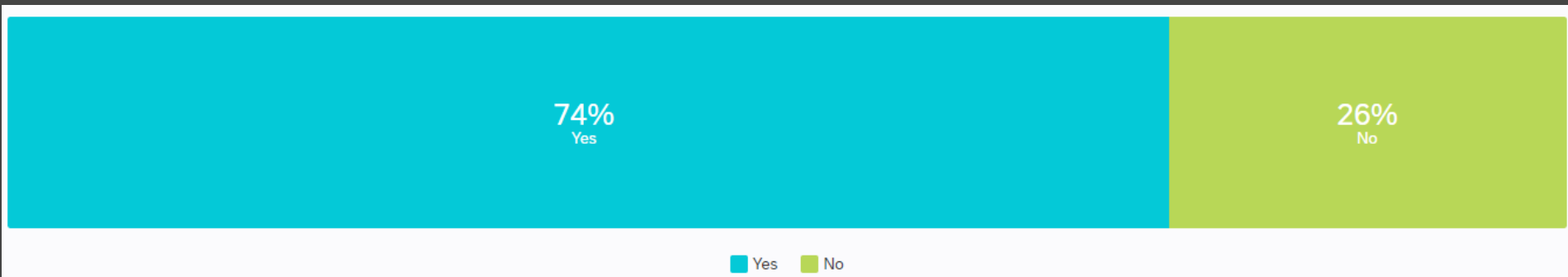
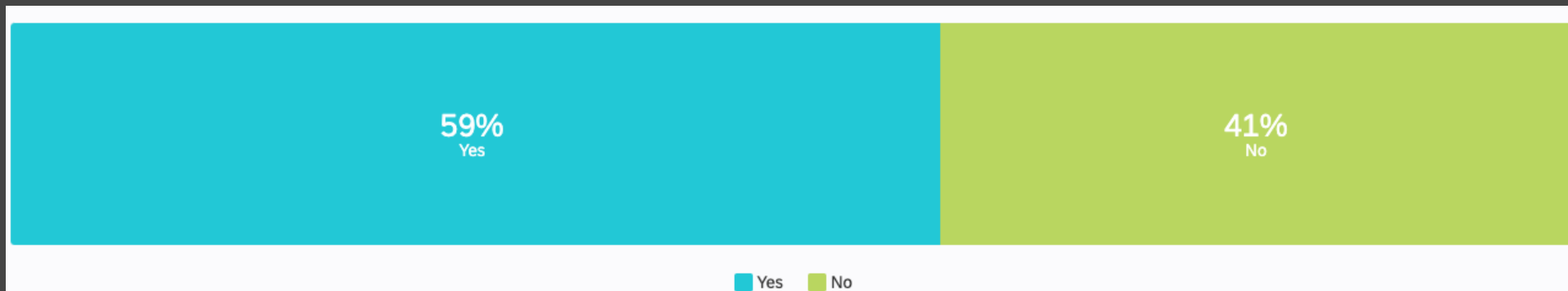
Operational Impact





MSPs Took Advantage of Financial Relief Programs

Question: Have you applied for government financial relief?

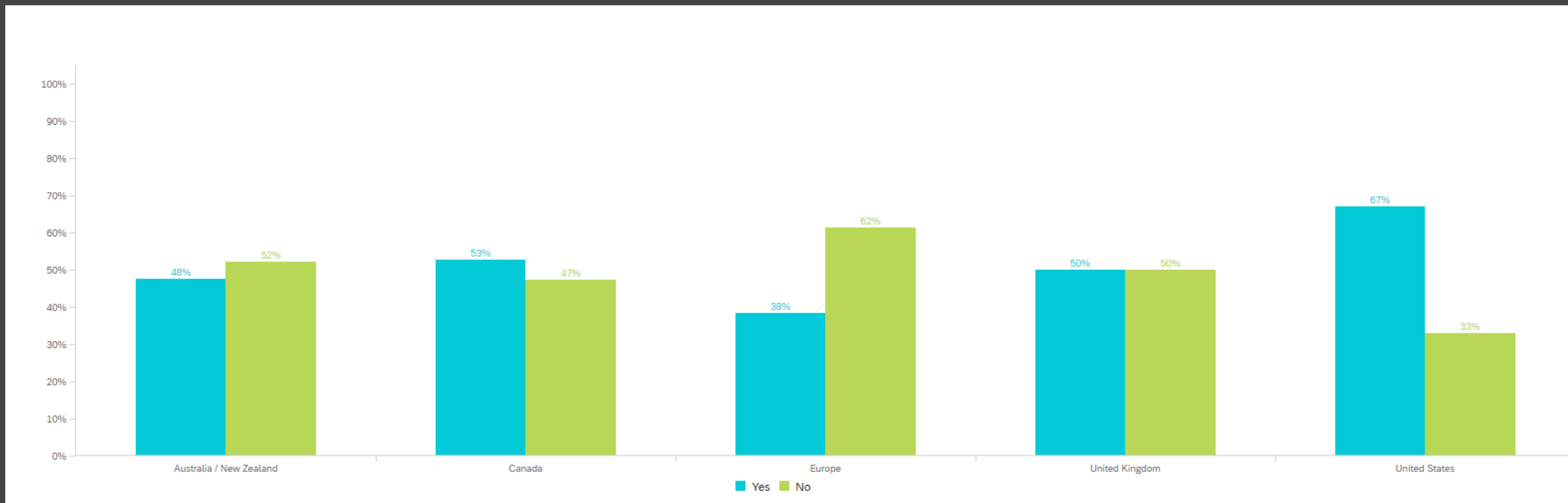


Question: If you applied for financial relief, have you already received, or gotten confirmation that you will receive, financial relief?



Government Financial Relief Applications Varied by Regions

Question: Have you applied for government financial relief?

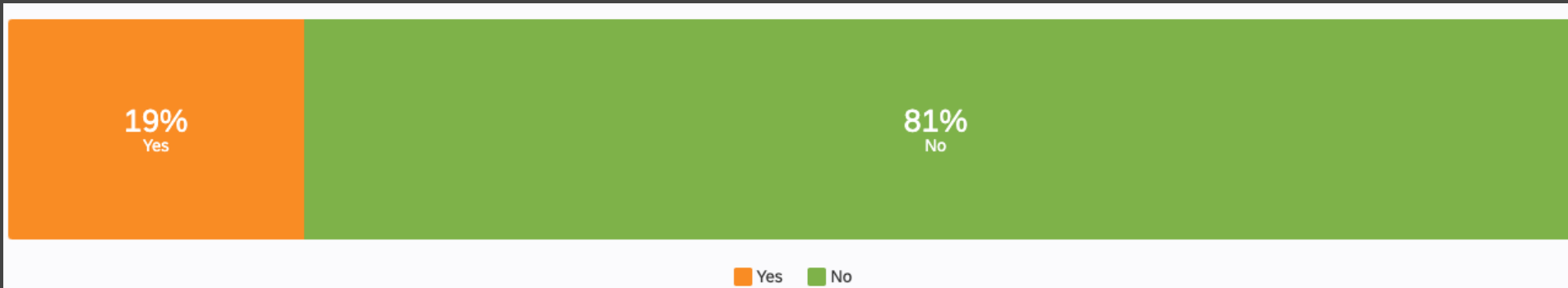


- Only 38% of European respondents reported applying for government financial relief, versus 67% of U.S. respondents

Staffing Impact

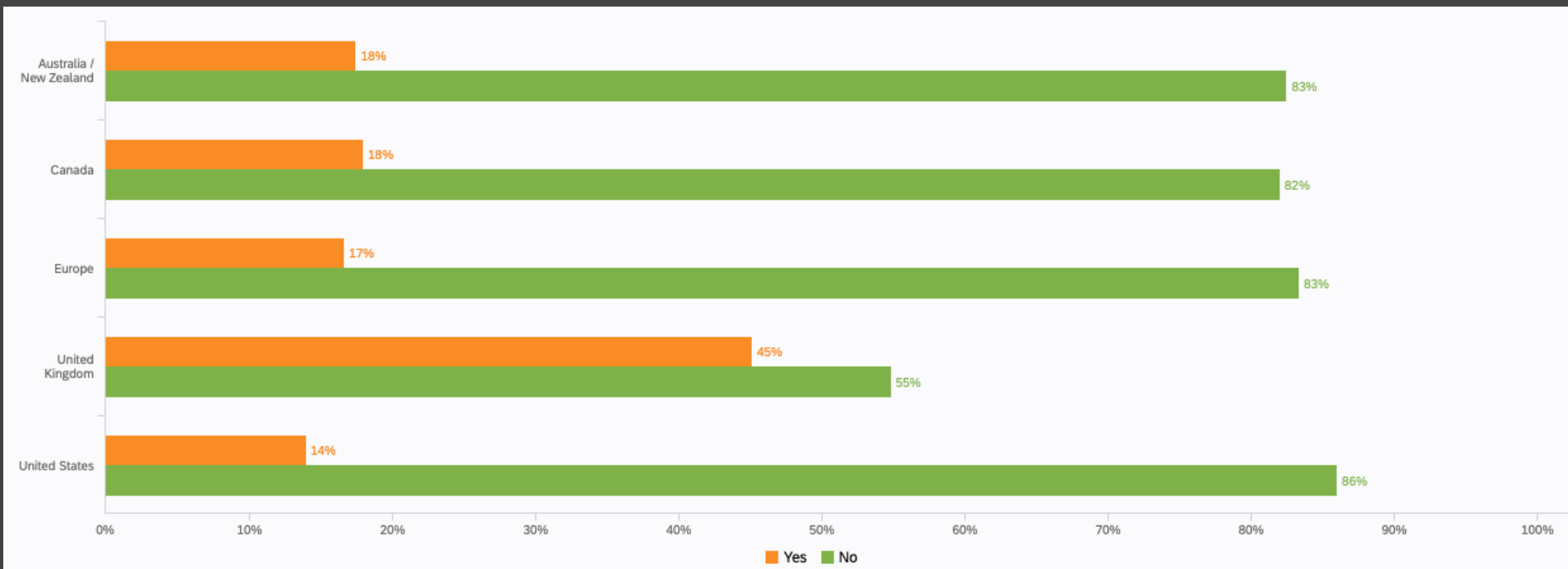


Question: Have you had to furlough or let employees go as a result of COVID-19?



More than 80% of respondents were able to continue operating with existing staff.

Why is the U.K. number so high?

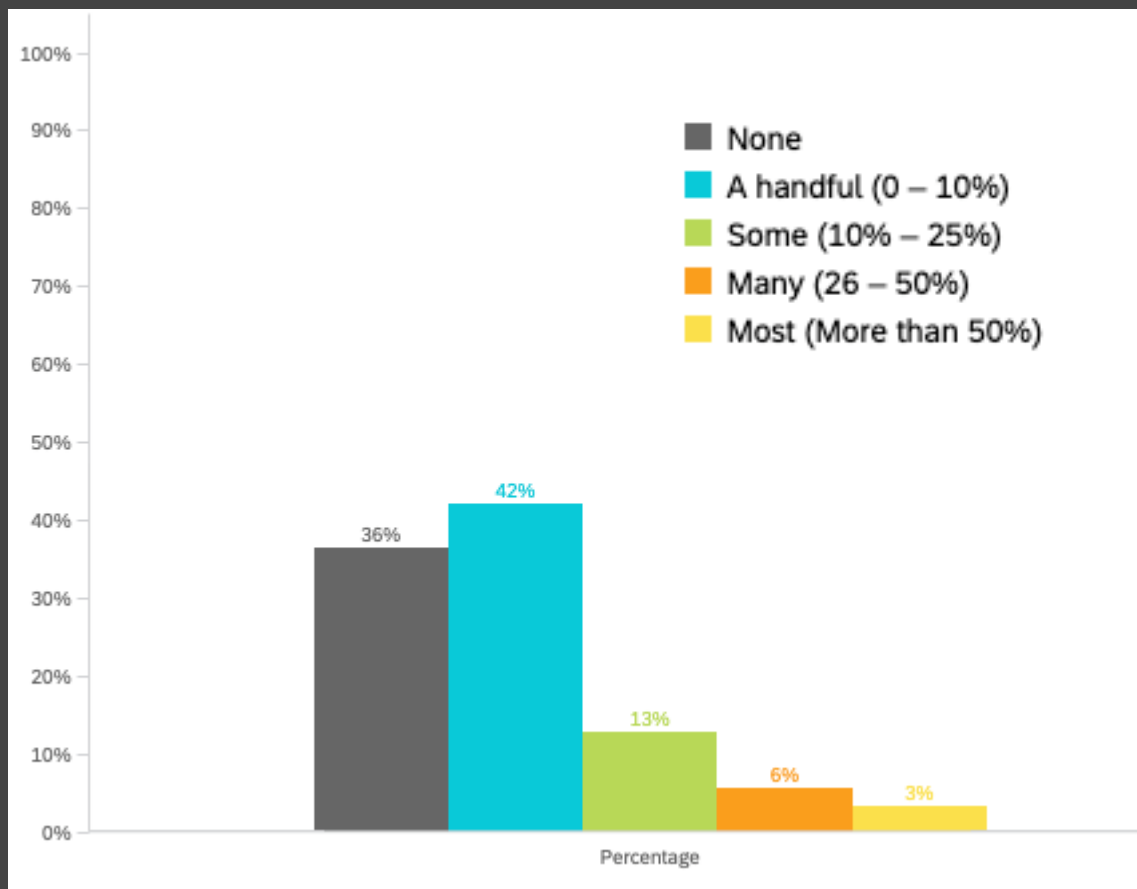


MSPs in the U.K. took advantage of a program meant to preserve jobs by using furloughs to temporarily idle employees, resulting in more furloughs than in other regions.

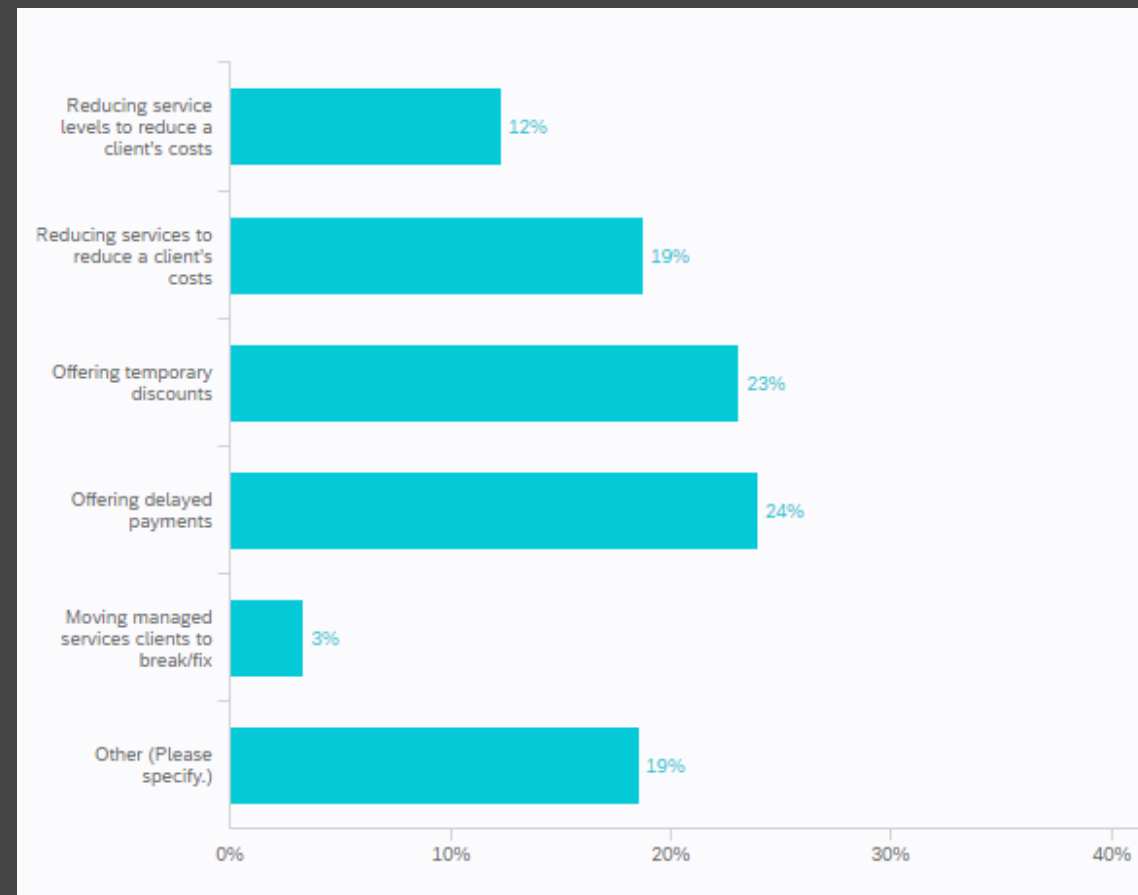


How Solution Providers Are Responding to Requests for Lower Prices

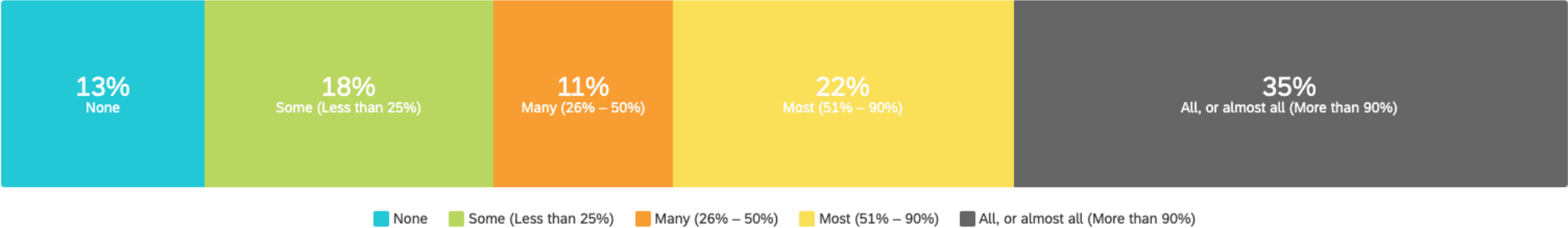
Question: What portion of your clients have asked you to reduce their costs?



Question: Which of the following options have you used to preserve revenue when a customer has asked you to lower costs?

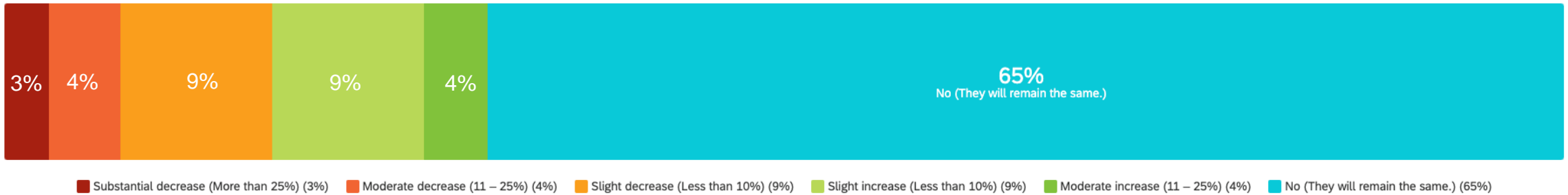


Question: If you've had to lower costs with some of your customers, what percentage do you expect will return to their original spend post-pandemic?



Requests to Reduce Cost vs. Return to Original Spend

Question: Do you expect to make changes to your current managed services package pricing in response to the pandemic?



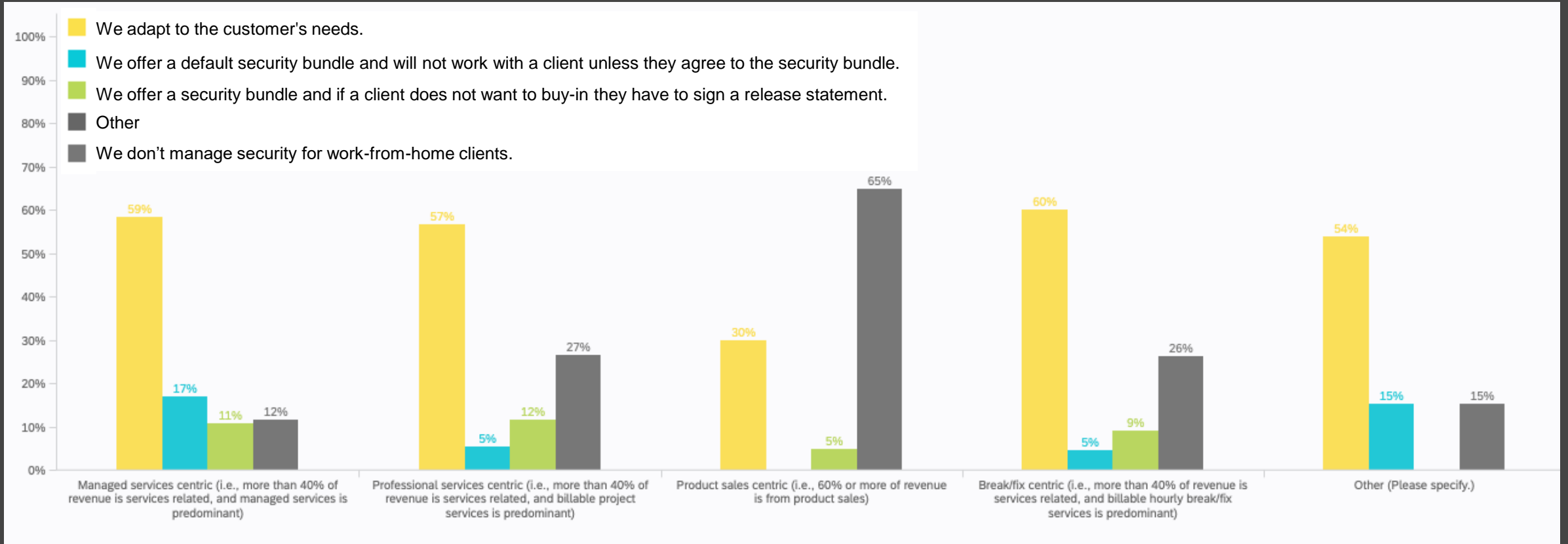
While 65% of MSPs do not anticipate making any pricing changes to their managed services package, 13% intend to increase their prices, and 16% intend to decrease their prices as a result of the pandemic.

Managed Services Package Pricing Changes

Security for Work-from-Home Client Bundle Offers



Question: How are you addressing security for your work-from-home clients?



- The majority of MSPs declared adapting their security services for work-from-home clients.
- Managed-services-centric businesses offer more security bundles than any other business model.



Broadly Building Goodwill with Customers

Question: Are you doing anything specific to build goodwill with your customers?



- More than 2/3 of MSPs have reported going the extra mile to support their customers during this time.

Some examples:

- *Waiving some of our after-hours rates for small clients when calls are out of scope/regular service window due to workload/environment limitations.*
- *Supplying free Microsoft® Teams® licenses, weekly demos on video conferencing, working from home tips and tricks, and security.*
- *24/7 access and personalized attention.*



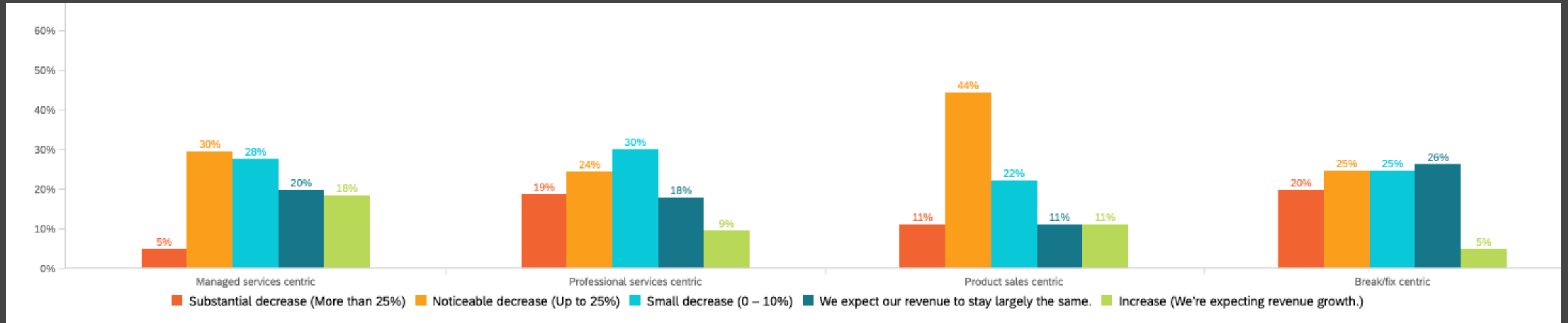
Outlook for the Next 12 Months



Business Model Matters



Question: What impact do you expect COVID-19 to have on your revenue over the next 12 months?

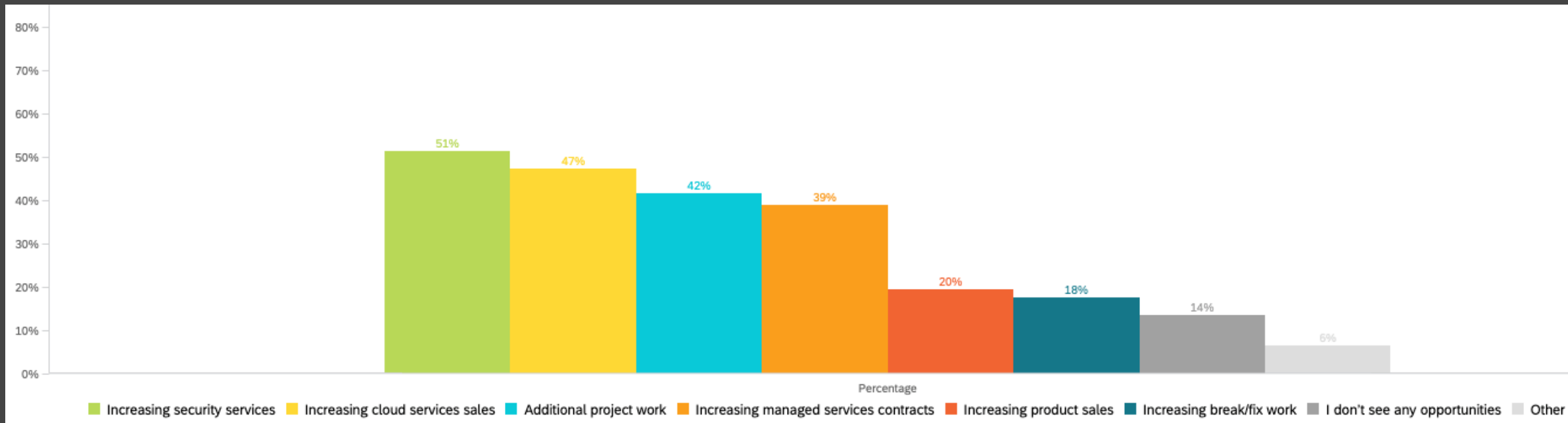


- Companies operating primarily in the break/fix business model have a more conservative outlook on the next 12 months than companies operating in a managed services business model, that show more confidence and expect stronger revenue growth.



Security Services Are Top-of-Mind for Growth

Question: Where are you seeing opportunities for increasing revenue (by contract type, select all that apply)?

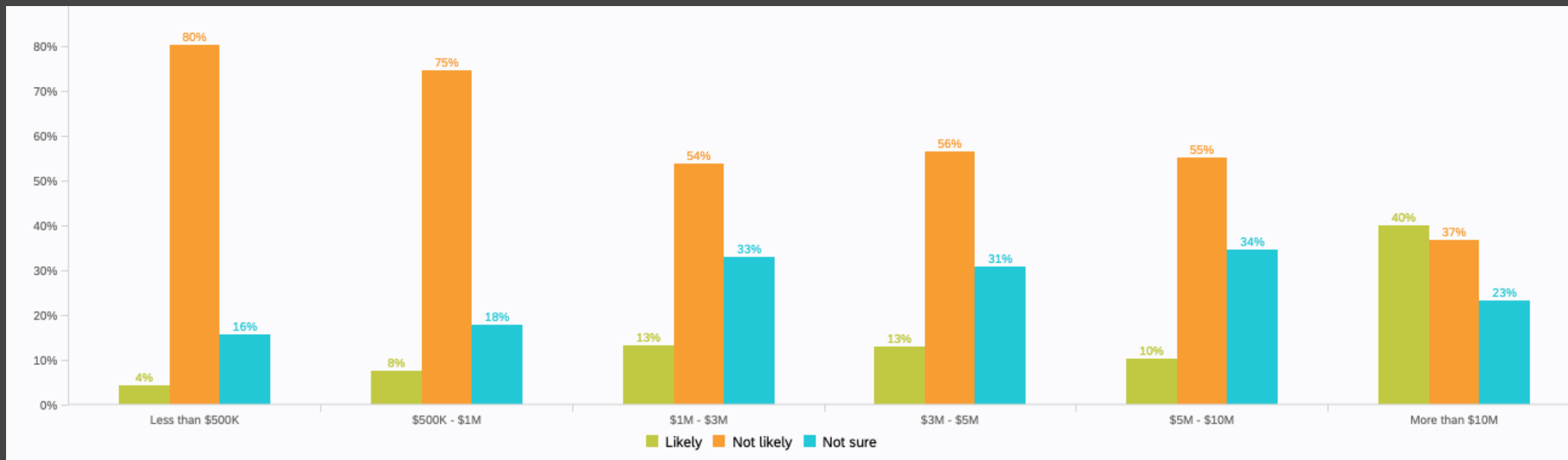


- Across all segments, security and cloud services are seen as the biggest opportunities for growth.



M&A Expectations By Size of Company

Question: Do you anticipate making a merger or acquisition this year to support growth?

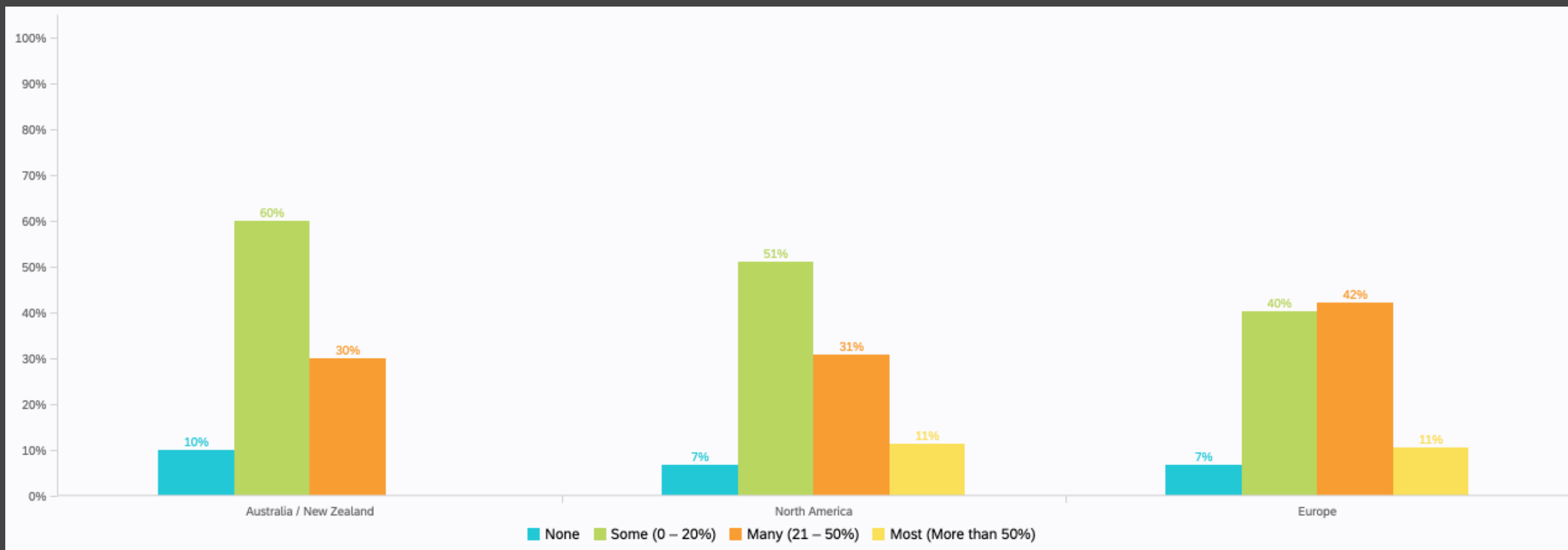


- The likelihood to engage in a merger or acquisition is predominantly on the horizon of larger MSPs.



Work-from-Home Expected to Continue Post-Pandemic

Question: What percentage of your customers do you anticipate keeping work-from-home policies in place post- pandemic?



- Across all segments and geographies, MSPs estimate that more than 20% of their clients will implement work-from-home policies post-pandemic.

Changing Businesses



Question: How do you anticipate this COVID-19 experience will change how your business operates?

Representative responses:

- *None / I don't think it will change anything. As of now, hoping for little change.*
- *More remote work practices for team members and customers.*
- *Clients are more comfortable working from home, so supporting home offices will be a new offering.*
- *We need to be much more frugal to build up a cash reserve. Government bailouts aren't forever, and pandemics aren't always one-and-done.*
- *We'll keep more cash on hand. Use less credit. Plan on attending industry tradeshow - to gain new customers.*
- *Significantly more mobile workforce. Significant shift to more cloud services.*
- *We've always been cloud-first, so expect that this will accelerate adoption of services among current and prospective clients. We don't expect to change much, but will work remotely more ourselves.*



Challenges in the Next Year

Question: What are the biggest challenges you expect to face over the next 12 months?

Representative responses:

- *Staying alive and making a profit.*
- *Largest challenge will be adding new customers.*
- *Pandemic may reduce likelihood of customers wanting to make a change.*
- *Social distancing requirements in the office and at customer sites.*
- *Lower IT budgets and spending due to recession.*
- *Adapting to having staff and clients work from home.*
- *Predicting the unknown.*
- *Unknown. And that is the biggest challenge. It has been hard to anticipate how we will be impacted because most of our clients are still adjusting and learning how they will be impacted over the next 3-12 months.*



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