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RISING STARS 2022

How high-performance channel partners
are thriving in a post-Covid world

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Welcome to Rising Stars 2022

The pandemic, chip crisis and changing customer buying patterns are forcing all front-line tech providers to re-evaluate what they stand for.

CRN Rising Stars 2022 explores how six of the UK's most profitable and fastest-growing resellers and MSPs are reinventing themselves for a new era of hybrid working, fresh consumption models and yawning lead times.

All channel partners are facing tough choices about where to turn as they strive to navigate through this new and unfamiliar environment.

Should you explore a hybrid or virtual working model? How do you evolve your offering in line with new consumption and technology trends? And is private equity really the best option for owner-managers eyeing hyper-growth?

By digging into the business models of some of the channel's high-performance outfits, *CRN Rising Stars 2022* provides the answers to these questions and explores the formula for post-Covid success.

In this report, we catch up with bosses from each of the six companies to find out what they are doing differently.

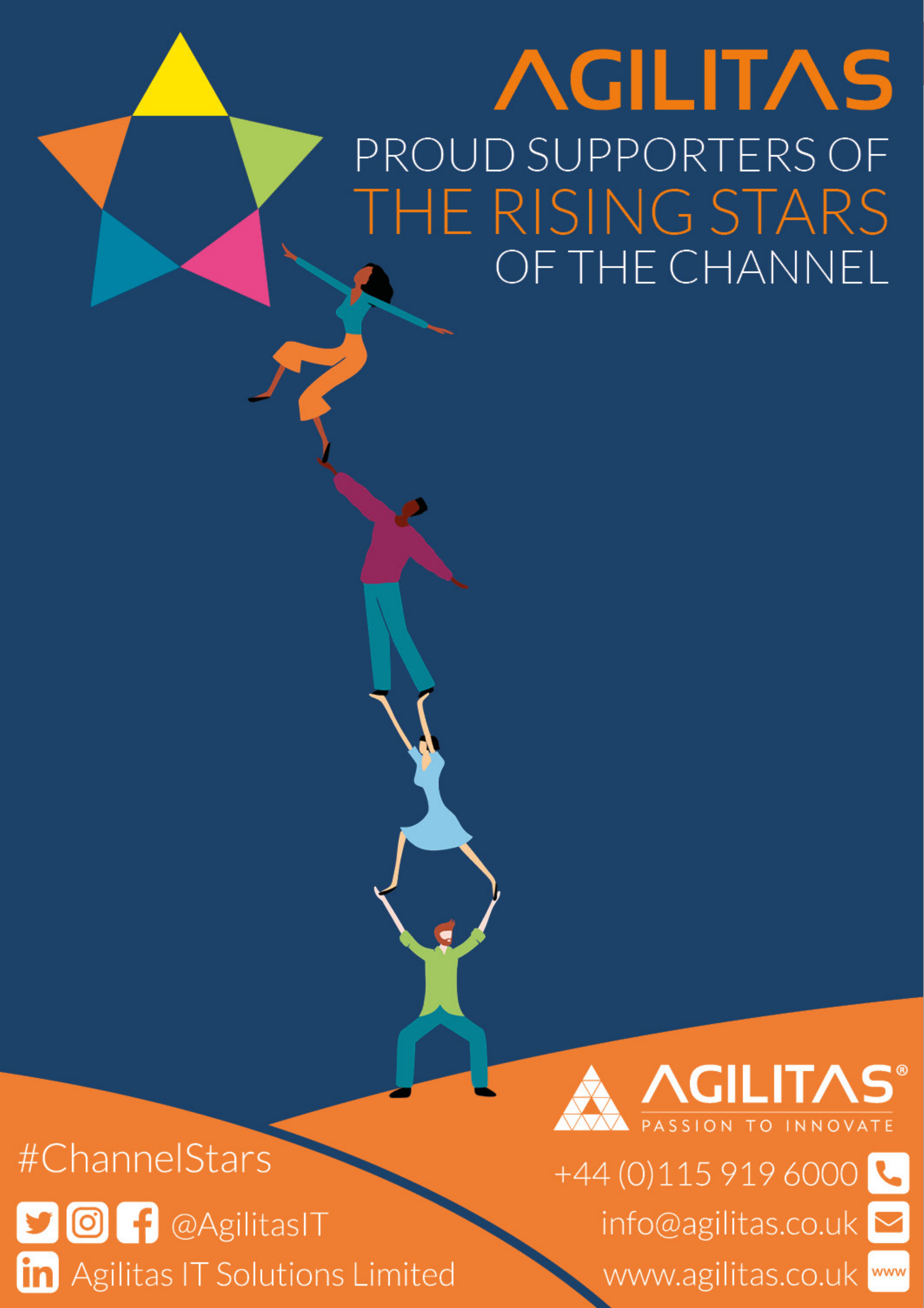
This sextet together added more than £45m to their top lines in their latest years, and boast average net profit margins of over 10 per cent.

We also explore whether a 'work from anywhere' approach can really work in the channel, how channel partners should be responding to the rise of new consumption models, and the pros and cons of taking on private equity.

We hope that the report provides you with some interesting ideas and insight as you plan for the year and decade ahead.

■ *Doug Woodburn is head of channel research at Incisive Media*

"All channel partners are facing tough choices as they navigate through this new and unfamiliar environment"



Focus on your core

We are proud to once again be the associate partner of *CRN Rising Stars 2022*, spotlighting how six of the UK's most highly profitable and fastest-growing channel firms are reinventing themselves for a new era of technology consumption, commercial models and competitive supply chains.

The past couple of years has thrown up numerous challenges for channel businesses, with the chip crisis forcing all front-line tech providers to rethink where their focus needs to be. Those working in the UK technology channel know the market is evolving at dramatic pace due to growing geopolitical and environmental pressures. We've seen this change accelerate beyond comparison – something that is illustrated clearly by how quickly many of the rising stars featured in this report have adapted to this unprecedented change.

> **"A more hybrid working approach in our workplaces has proved valuable in terms of cost and time efficiency"**

At Agilitas, we recognise that alongside advancements in technology, the way we view staff productivity in the workplace is continuously evolving. The definition of a productive workforce is now very different than it was pre-pandemic, with many people now trusted to work more independently and away from their offices and teams. In our recent Channel Confidence Index, Channel partners highlighted the significance of remaining productive, with 79 per cent of respondents placing it high up on their agendas when factoring in the disruption of such an impactful global event.

A more hybrid working approach in our workplaces has proved valuable in terms of cost and time efficiency. It has been met with great results for many in the industry, with a large number of businesses in the sector recording great success in 2020. For example, lockdown saw surges in demand for Leeds-based network transformation specialist Xalient, whose revenues more than doubled in 2020 as customers in both the UK and US spent big on secure access service edge (SASE) solutions in its H2.

But Xalient is not the only company benefiting, with Nottingham-based MSP Littlefish chalking up a 50 per cent revenue hike in its year to 30 September 2020 to new business wins and high customer retention rates Misco, a leading multi-vendor technology provider of IT products, services and solutions, also enjoyed a barnstorming 2020 as it trebled the size of its Wellingborough HQ and launched a sustainable technology hub. This was echoed by Systal, a Glasgow-based Cisco Gold partner which enjoyed an effervescent 2020 as it more than doubled its net profit to £4.4m on revenues that soared by nearly a half. Having scored minority investment from private equity house Inflexion in March 2021, Systal is now building a global presence, recently establishing around 30 overseas entities.

In line with this, Agilitas has also been adapting the way we operate, and to huge success. We continue to strengthen our core channel service offering, due in no small part to the digital and operational transformation we are continually undergoing, which helps us ensure we are remaining relevant to our customers' changing landscape.

It will be clear from reading this report, and the fascinating profiles of the fast-growing businesses within it, that even the impact of a global pandemic is not enough to break the stride of a resilient UK technology channel. Resellers, MSPs and service providers could be forgiven for being sceptical when lockdown struck, but in spite of that many have exceeded more than they thought would be possible. This year's rising stars have used the period as an opportunity to strengthen their 'core' by refining their propositions, upgrading their systems and processes and placing their people at the heart of the business. As a result, they have all experienced great success, building solid foundations that will allow them to flourish as we move towards the next chapter in our industry's evolution.

■ *Shaun Lynn is CEO of Agilitas*

Bucking the trend

The IT sector has fared better than most during the pandemic as all organisations turned to technology to help them transform how they worked. Even so, shuttered customer offices, coupled with the current components crisis, has led to slower growth and constrained profitability for the UK channel.

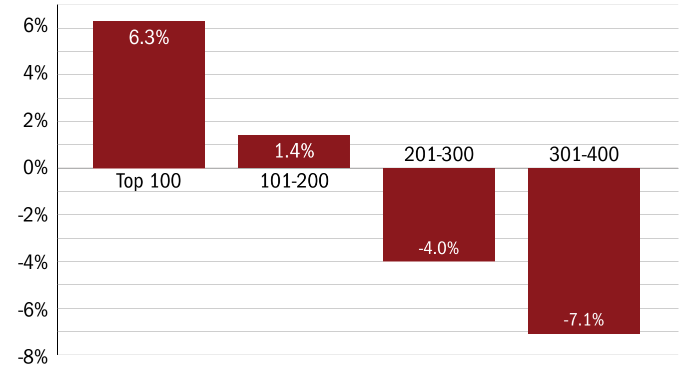
Collective revenue growth posted by the top 400 front-line UK channel partners featured in the recent *VAR 500* hit 4.5 per cent, down from the 7.8 and 12.4 per cent growth registered by the previous two years' cohorts. And that growth was propped up by the report's larger players. While the top 100 grew by 6.3 per cent to £17.9bn, those smaller outfits ranked 201st to 300th and 301st to 400 saw sales shrink by 4.0 and 7.1 per cent, respectively. And in contrast to previous years, almost as many of the top 400 saw sales shrink as grow (192 vs 206).

This makes the performance of the six companies highlighted in this report in their latest financial years all the more exceptional.

They were handpicked from the recently published *CRN VAR 500*, which profiles the 500 largest UK channel partners on our radar by revenue, from £2bn-revenue market giants Computacenter and Softcat down to the sub £10m niche cybersecurity, software, print, AV, UC, cloud networking specialists that tail the rankings. Together they boast annual revenues of £23.1bn.

Spanning a variety of fields including IT managed services, SD-WAN, cybersecurity services and traditional product resale, this year's Rising Stars grew by an average of 49 per cent in their latest years on record, adding more than £45m to their collective top line.

Growth by company size



All sit outside the top 100, who boast revenues of £43.6m and above.

They also represent a highly profitable microcosm of the *VAR 500*, with average net profit margins among our sizzling sextet sitting at 10.2 per cent (compared with the industry median of 2.9 per cent).

One was set up by its CEO in 2015 just a day after her non-compete clause at her previous venture ended, and more than doubled in size in its latest year. One of this year's crop has its sights set on becoming one of the UK's largest MSPs, while another is aiming to resurrect not one but two of the channel's historic brands.

This report digs into each of their business models and examines what they've done differently during this challenging period, while also exploring how leading channel firms should be approaching the WFH vs office debate, the rise of new consumption models and the influx of private equity into the sector.

Vendor agenda

Other than their ability to continue generating growth and solid profits during a global pandemic, what links these six companies?

Very little at first glance, with our sizzling six all targeting very different markets and customer segments.

Digging a little deeper into their business models, however, some common threads emerge.

By throwing one-off project sales into disarray, the pandemic and the current chip shortage have reinforced the 'Holy Grail' status of services and recurring revenues.

It is noteworthy that several of this year's Rising Stars have developed business models that draw more heavily on their own services or intellectual property than those of their vendor partners.

One case in point is Xalient, which developed its own 'MARTINA' network management software in partnership with Bradford University in 2018, and owns the intellectual property.

Although Xalient partners with Silver Peak, Fortinet and ZScaler, it positions itself as being vendor independent, CEO Sherry Vaswani told us.

"We have a head of innovation and an innovation board and we've invested in AI monitoring tools. That really does

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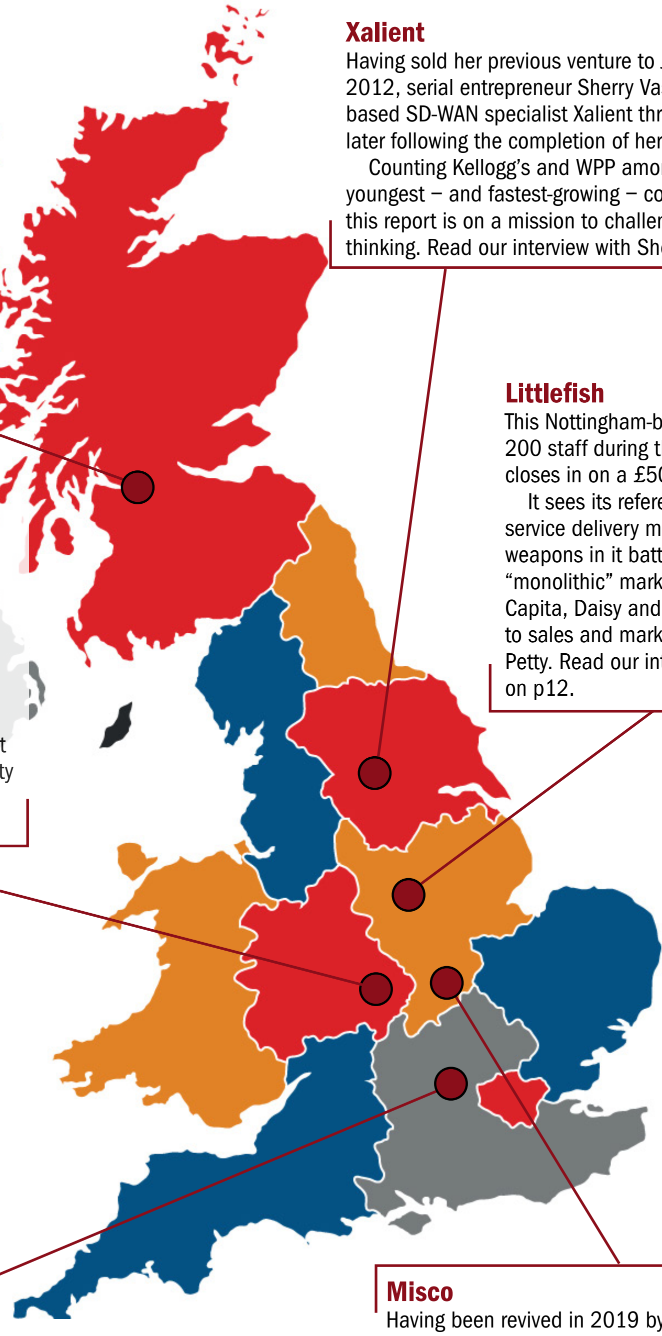
Meet the CRN Rising Stars 2022



Systal
Admitting it has flown under the radar since it was founded in 2008, this highly profitable Cisco Gold partner has taken on 800 technologists around the world in the last six months to support its global expansion.

It snagged minority investment from Inflexion last year. CEO Neil Nicolson runs us through his growth plans for the Glasgow-based outfit on p20.

Xalient
Having sold her previous venture to Jersey Telecom in 2012, serial entrepreneur Sherry Vaswani founded Leeds-based SD-WAN specialist Xalient three years and a day later following the completion of her non-compete clause.

Counting Kellogg's and WPP among its clients, the youngest – and fastest-growing – company featured in this report is on a mission to challenge conventional thinking. Read our interview with Sherry on p10.

Littlefish
This Nottingham-based MSP has hired 200 staff during the pandemic as it closes in on a £50m revenue goal.

It sees its referenceability and service delivery model as its secret weapons in it battle for business with "monolithic" market giants such as Capita, Daisy and Fujitsu, according to sales and marketing director Mark Petty. Read our interview with Mark on p12.

Nettitude
Founded in Leamington Spa in 2003, this fast-growing provider of threat intelligence-led cybersecurity services now has 250 staff in offices across Europe, North America and AsiaPac.

According to CEO Karen Bolton, its emphasis on accreditation and staff training has helped it continue to post lightning growth and strong profitability throughout the pandemic. Read our interview with Karen on p16.

Complete IT
With the backing of new owner Sharp, Buckinghamshire-based Complete IT claims it has the potential to become a "phenomenally large player in the European SME-focused MSP market".

The Microsoft partner's focus on sales and marketing holds the key to its strong financials, according to MD Colin Blumenthal. Read our interview with Colin on p18.

Misco
Having been revived in 2019 by UK Computer Group, this historic brand is bouncing back, with 2020 revenues topping £43m. European expansion is next on its agenda.

But MD Adam Muir stressed that "this isn't the old Misco" with the emphasis no longer on "hitting call stats". Read our interview with Adam on p14.

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> **We have a head of innovation and an innovation board and we've invested in AI monitoring tools. That really does differentiate us in every opportunity we're working on.**
>
> Sherry Vaswani, Xalient

differentiate us in every opportunity we're working on," she explained.

Systal "sits above" its vendors and draws 90 per cent of its business from managed network, cloud and security services, its CEO Neil Nicolson emphasised, meanwhile.

Similarly, cybersecurity focused Nettitude offers customers security software from the likes of LogRhythm only when customers request it, while the two MSPs featured in this report – Complete IT and Littlefish – both generate more than three-quarters of their top lines from recurring revenues.

Indeed, services-focused outfits such as Littlefish may actually be benefiting from the current chip shortage, its director Mark Petty said.

"Honestly, I don't think [the chip shortage] has caused us to rethink our strategy at all," he said.

"If anything, I think it's just affirmed that our existing strategy is working. The chip shortages are affecting those in the traditional VAR space, rather than managed service. Some 80 per cent of our business is recurring services, and probably around seven per cent is hardware or software, so it hasn't impacted us negatively.

"Quite paradoxically, we've been able to put our services to greater use by helping customers identify when end-user devices are authentically becoming problematic. We've helped them to sweat those assets where they've struggled to get newer models to replace them."

Nicolson concurred, arguing that product shortages have had a "negligible effect" on its growth and even spurred demand for its architecture and support services as clients look to sweat assets for longer.

As a cybersecurity services specialist, Nettitude is seeing the current supply chain crisis through the lens of increased risks for its clients rather than potential shortages in the products it sells, Bolton added.

"It presents opportunity for threat actors. Now you're trying to source through an alternative supply chain, do you end up in a compromising situation? What's important to us is being able to support clients to make sure the cyber integrity of their supply chains is effective," she said.

As the only traditional reseller in this report, Misco has also adapted its model to fit the new trading environment, MD Adam Muir said, with the emphasis having shifted from hitting traditional call targets to meeting customers face to face.

"Now the restrictions have gone, we're heavily promoting our guys to go out and visit customers, to really understand their needs. We run our own golf event. We're looking to run a similar one again this year, as well as a couple of other events throughout the year. Customer engagement is the big focus for us as a business this year," he said.

Covid customisation

Several of this year's Rising Stars admit they've benefited from having relatively "Covid-proof" business models.

While other companies in the VAR 500 have been cutting costs and furloughing staff, the firms featured in this report have generally been in hiring mode, with Littlefish, for example, adding over 200 staff during the pandemic period.

All have had to subtlety adapt during the pandemic, however, with Vaswani at Xalient revealing that the SD-WAN specialist is now leading on zero-trust security following a change in customer buying patterns.

"[Before], we were often leading on that need to transform a company's network to support digital transformation. Now it's more about cybersecurity threats and the fact they are getting more frequent and sophisticated," she explained.

"Quite often, the first conversation we're having with prospective customers is how we address and protect that, so we've doubled down on our cyber practice in the last couple of years. We are now that leading authority on zero trust networking, not just SD-WAN."

Nettitude has been busy building new services to reflect the growth of cloud, meanwhile, CEO Karen Bolton explained.

"We've just created a SOC offering around Microsoft Sentinel for clients who are using that environment," she explained.

They have also had to grapple with how best to maintain company culture in the new hybrid working era. Although this debate is polarising the industry, as we explore on p22, several of the Rising Stars' leadership teams continue to see the office as the cornerstone of their business.

"The team at Littlefish are huge believers in the importance of human interaction, for people's wellbeing and the greater good of the economy," said Petty. "In time, we feel that remote working will continue to dwindle, and more people will move back into working from offices."

Niche knowledge

All channel partners are facing tough choices about where to turn as they strive to navigate through a new and unfamiliar trading environment characterised by half-empty customer offices, yawning product lead times and shifting consumption models (see p24).

The extent to which our six Rising Stars have found a niche and worked out 'what they want to be famous for' in this new world is another striking pattern.

Serving customers with 800 to 10,000 heads, Littlefish marks itself out with a laser focus on service delivery.

Petty claimed the Nottingham-based MSP came top in several metrics when it recently undertook a benchmarking exercise against 29 of its peers. This includes responsiveness, levels of call abandonment and customer satisfaction, where it scored 94 per cent (versus a benchmark of 83 per cent).

Focusing on smaller firms with 10-100 heads, Complete IT regards its investment in marketing and sales as its "defining difference" from its peer group, MD Colin Blumenthal explained.

"A lot of technology businesses are owned or run by technology people, who aren't necessarily salespeople, and they just hit a limit. And the only way out of that circle is to grow by investing in sales and marketing," he said.

Nettitude has a strong focus on CREST accreditations, Misco counts its website as one of its key differentiators alongside its focus on face-to-face customer meetings and events, while Xalient's raison d'etre is to challenge the kind of conventional thinking it claims characterises its larger, more established rivals in the networking space.

Neither do our six Rising Stars lack ambition.

Having grown Misco's unaudited revenues to over £60m in 2021, the new team behind the reseller are now looking to expand the brand into Europe and resurrect another of the IT market's fallen brands in the shape of Comet (the naming rights to which it also acquired in 2019).

"Comet will ultimately be our consumer arm," Muir explained. "We're building out a new website and that should be live around July time."

Having more than doubled revenues in 2020, Xalient is looking to double down on investment in its own tools and technology, and continue to expand in the US (where it already generates around half its business).

"We're looking around 30 per cent growth year on year – the market is big enough for that," Vaswani said. "We see the US opportunity as significant, and we will try to grow market share there."

Systal has also expanded globally – taking on 800 additional heads in the last six months.

Littlefish is gearing up for a new five-year plan as it closes in on its previously set goal of £50m, while Complete IT has its sights set on UK dominance in its SMB stronghold as it cross-sells into new parent Sharp's customer base, meanwhile.

Nettitude has grown its headcount to 250 during the pandemic and is continuing to hire as it expands internationally in partnership with parent LRQA and new backer Goldman Sachs Asset Management.

"We are rapidly hiring here. We've got a number of open roles," Bolton confirmed.

Despite their numerous differences, a strong sense of identity and ambition and ability to subtly adapt are the common hallmarks of the companies featured in this report.

In the next section, we meet their CEOs.

> **Customer engagement is the big focus for us as a business this year.**
>
> Adam Muir, Misco

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XALIENT

With a raison d'etre of challenging conventional thinking, Leeds-based SD-WAN specialist Xalient broke the £20m revenue barrier in 2020, just five years after it was founded. Founder, owner and CEO Sherry Vaswani talks us through its growth plans

Revenues: £23.5m (+123%)
EBITDA: £2m
Headcount: 150
HQ: Leeds
Specialism: SD-WAN and security

Xalient was only founded in 2015. What was the genesis of the company?
My previous business, Worldstone, was acquired in 2012 and I had a three-year non-compete. Three years and one day later, Xalient was born. I had the opportunity to be ahead of one of the biggest mega trends I'll probably see in my lifetime – the whole transformation around networking, security and SASE.

I'd worked for a year in the US in 2014, and spotted a trend of companies moving their applications to the cloud, and of people working more remotely. I felt that the old world of networks and security was out of date. New technology like SD-WAN was emerging at the time.

A basic managed network can be easy to provide – you check if circuits are up or down, and whether jitter, packet loss or latency thresholds are being breached. But in the world of SASE technologies, there's a lot of intelligence in the tools that allows you to be much more proactive about monitoring and managing those environments. I saw an opportunity to differentiate by building a business that's able to get the best of these technologies and that invents its own tools that make the most of those technologies – and is therefore able to offer a much more intelligent service to customers.

Seven years on, we've got huge customers like Kellogg's, WPP, Keurig Dr Pepper and Avis. I hope they would say the same thing about Xalient, and that these are the reasons they pick us.

What size are you now?
Roughly 150 people, but growing every week, and about 50 customers. Just over half of our revenues are US based, which I think is interesting given that we're a British-born business. We've got operational centres in Leeds, London, USA, Romania and India.

The SD-WAN market has commoditised. How have you adapted?
When we started, people didn't know what SD-WAN meant. Now a lot of companies have decided to specialise in it. We have the advantage of seven years of experience. We've expanded hugely on our cyber practice in the last couple of years. Now our market message is that we're very much that leading authority on zero trust networking, not just SD-WAN. Also, whilst we've invested in innovation from the beginning, we've doubled down on our investment in MARTINA [Monitoring through Artificial Intelligence and Analytics], which is our AI-based monitoring tool. It's now across the whole zero-trust piece, so it's not just network fault monitoring and prediction of network faults.

You more than doubled revenues in 2020. Where's the growth coming from?
What customers are now seeing of course, is that getting these foundations right, is so critical to digital transformation. Our business model is very much targeted at large companies and multinationals. But we'll start with a consulting engagement and prove our worth. Then we go into solution design and deploy, and then into managed services. The business model lends itself to fast growth, providing you can retain the customers and deliver good customer satisfaction. We've had 95 per cent customer retention since day one, six years ago, and a net promoter score of at least 80 in the last year across all our services.

How have you funded the business?
I funded the business myself. We've also had the advantage of government funding and grants. Investing in Leeds was a factor, rightly I think, because we have created a lot of jobs there, including during the pandemic, with 30 or 40 new hires in and around Leeds.

Going forward, we can grow and get to our ambitions organically, but we may want to accelerate that with acquisitions. And to do that we might need to get some funding in.

How are you handling the skill shortage?
Our HR team is a team of five. We have a talent and development manager who's just joined us. But there's no doubt about it – we are having to spend double the amount of time recruiting for roles.

One of our core values is challenging conventional thinking. We look for people who can do that, who have an interest in newer technologies and for the right individuals, Xalient has an attractive offering, which is a differentiator when looking for great talent. To me that will always be the headline about what Xalient does differently.

Has the chip shortage prompted you to modify your focus?
We focus on software defined technology by nature, so it hasn't really impacted us. There's not a lot of hardware in our world. But wherever there is, we just manage it. It's not on our risk register, because it's quite insignificant.

"One of our core values is challenging conventional thinking. That will always be the headline about what Xalient does differently."

LITTLEFISH

This fast-growing Nottingham-based MSP's sales and marketing director Mark Petty says its service delivery model is enabling it to take marketshare from "monolithic" rivals such as Capita and Fujitsu

Revenues: £28.3m (+50%)
Net profit: £3.6m
Headcount: 500
HQ: Nottingham
Specialism: Managed services for organisations with 800-10,000 users

What is Littlefish's size and focus?
We are a managed service provider whose sweet spot is 800 to 10,000 users. The vast majority of our business is recurring services. Our forte is end-user services – so service desk and modern workplace, supplemented with cybersecurity. We are taking business not from the many SME MSPs and local providers, but from the multibillion-pound multi-national providers of outsourced services such as Capita, Fujitsu, CGI, and Computacenter.

You'll see strong, double-digit growth in the [2021] accounts, with revenues at £33m-£34m. We've got nearly 500 people and around 200 customers.

How are you wresting business from these big names?
Referenceability is critical. You wouldn't see us using mass-market messaging approaches. This is my sixth year here, and I've been bowled over by the number of customers who love the service we deliver and either recommend us to their peers or move to other organisations and then bring us in. The business is stacked full of experience. If you look at the senior leadership team that [CEO] Steve [Robinson] has built, we're all coming in with vast amounts of experience. All of us have worked in those multi-billion-pound organisations. By interweaving our collective experiences from each of our areas of expertise, we've created a service delivery model that delivers truly market-leading service outcomes. We undertook benchmarking recently where the statistics demonstrated that in eight of the 15-16 areas we're number one in the UK. Customers see those stats, and want to work with Littlefish.

You were one of just 18 companies in VAR 500 to explicitly state that you didn't use the furlough scheme in your latest year. In fact, you onboarded 100 staff. To what extent do you think your business model is Covid-proof?
I think it was as Covid-proof as it could be. We had over 200 colleagues join the business during that Covid period of two years. What Covid taught us, or taught our customers and prospective customers, is that the implementation and effective support of remote-working capabilities is paramount to stable operations in highly changeable times. I genuinely believe we are benefiting as a result of the changing ways of working.

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Has the strategy changed since you took on LDC as a minority backer in 2019?
No, not at all. When they came on board, we had already identified the strategy that's in place. They bought into that strategy. They've complemented, rather than redirected, what we're doing, and supported us wholeheartedly.

What trends do you see coming through the pipeline in the managed services space?
I think automation is going to come at us really quickly. People talk a good story around robotic process automation, chatbots and AI, but it hasn't really got going yet. But the cost of living is going up and people are going to be looking for efficiencies, and as a result automation will continue to come to the fore. We work very closely with Blue Prism. And we started to pilot some technology based on IPSoft and the Amelia platform, which is a fantastic piece of technology that all the leading commentators agree is number one in the world.

What are the long-term ambitions for the business?
We've always said 'let's get to £50m'. We're on track to do that within the next year or so. That will be our five-year strategy delivered. And then we're in the process of creating that new five-year strategy. We've had some great wins already this year, and are already back to pre-pandemic levels of a new business.

"By interweaving our collective experiences, we've created a service delivery model that delivers market-leading service outcomes."

MISCO

Having gone out of business in 2017, the Misco brand was revived in 2019 by Adam Muir and the UK Computer Group team. Muir opens up on its lightning growth and what lies ahead

Revenues: £43.5m (+69%)
Net profit: £3.2m
Headcount: 100
HQ: Wellingborough
Specialism: Corporate and public sector reseller

UK Computer Group acquired the Misco brand in 2019. How did that come about?
I joined UKCG back in December 2017, shortly after Misco's demise. I'd had 14 years at Misco, so I knew how well received the brand was in the marketplace and how customers felt about it.

UKCG was predominantly a sales organisation built by salespeople, trading at around £15m a year. My background was business management. In year one, we grew to around £23m. But as that was happening, I was contacted by Misco's administrators, who said they were looking to partner with the brand and asked whether we'd be interested? It was a no brainer for us. We decided to move forward, and then rebranded as Misco.

How large are you now?
We've grown from around 30 staff in 2017 to just under 100. As a rough indication, 2021 revenue will be around £61m.

To what extent do you draw on the more traditional sales and marketing techniques associated with the historic Misco business?
We've got around 50 experienced salespeople who absolutely work on the phones. But that model has changed, with people also working on WhatsApp and email. It's not about hitting call stats anymore. It's about visiting top customers and really having a great relationship with them. We're predominantly corporate and public sector, and we're pushing the guys to spend as much time with customers as much as possible.

You grew 69 per cent in fiscal 2020. What would you attribute that to?
The website has the ability for customers to log in, set specific prices for customers and see various things they probably can't see on other websites. We've got a great management team. And we've got a great enterprise team. The list goes on.

Misco in its previous incarnation went into administration in 2017. And yet, Misco 2.0 is one of the most profitable resellers in VAR 500, with net profit margins hitting nearly six per cent in calendar 2020? What would you attribute that to?
This isn't the old Misco; it's something new, with the brand of Misco behind it. There is a focus on the business at a profit level, but we're also willing to spend money to invest and take the company forward.

The pandemic, Brexit and product shortages have made for an unfamiliar trading environment. How have you coped?
The shortages have certainly affected our business. But we've controlled it well. Communication to customers has been key. We have a very strong business management team, and good relationships with our partners and distribution. So if we need to commit to deals for a set period, be it three, six, nine, 12 months, we can do that. Our sales team are also extremely good at cross selling with customers.

Where do you stand on the WFH vs office debate?
A majority of our sales floor do four days in the office and one at home. We've found they prefer the environment of being in the office with their peers. What the pandemic has brought up is mental health, and we've tried our best to help people from that side. We offer the ability for everybody to take an extended two-hour lunch every week. We've got quite a few guys who I rarely see leave their desk, but they'll make sure they go out, and as a group, they go cycling.

What lies ahead for Misco?
There are a lot of things we want to do this year. We're going to start working on frameworks. In late 2021, we built out a plan to our customers and for ourselves around sustainability, and we've got a really good function for our customers now to help them dispose of redundant IT. And we're potentially going to look at some expansion to Europe.

You also acquired the Comet brand in 2019. What are your plans for that?
We've got a massive brand in Comet – I think it was something like £1.3bn (sales) when it went down. We just need to give it the respect it deserves. We're currently building out a new website and that should be live around July time.

Comet is predominantly an online business. We won't be looking to set up stores. Right now, we're looking at a drop-ship model. We're still very early doors with Comet because Misco has grown so quickly and it's hard to move focus to both.

> **"It's not about hitting call stats anymore. It's about visiting top customers and really having a great relationship with them."**

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NETTITUDE

Securing a full house of accreditations with industry body CREST has helped underpin the rapid growth enjoyed by this Leamington Spa-based cybersecurity services specialist, according to its CEO Karen Bolton

Revenues: £19.4m (+23%)
Net profit: £2.3m
Headcount: 250
HQ: Leamington Spa
Specialism: Threat intelligence-led cybersecurity services

What's Nettitude's sweet spot?
We want to be a leading global provider of threat intelligence-led cybersecurity services. Those services span technical assurance, governance, risk and compliance, consulting services, managed detection and incident response. We also do a little bit of training.

We are owned by LRQA, who have a broad office space around the globe that allows us to operate in a number of jurisdictions. We're serving at any time anywhere between 800 and 1,000 clients around the globe.

You grew by nearly a quarter in your last filed accounts. What would you attribute that to?
Our people are our organisation, and we invest a lot into that. We certainly invest into our accreditations. There's a non-profit organisation called CREST, whose responsibility is to bring a level of standard and capability across the cybersecurity disciplines in the market. Our team of consultants have achieved the highest degree of those certifications in the industry. We carry all of those accreditations, including being the first organisation to be accredited for our security operation centre.

It also comes from having a client-first position. That's been a big driver of our success and we see that through our retention rates, which are over 90 per cent.

Who do you regard as your peers?
We see the Big Four in some of the work we do. We see specialists in pen testing, red teaming and incident response. We see the likes of NCC and F-Secure, who have a broad set of services like we do. We'll see the market disruptors like the bug bounty providers. It's really broad.

You had an ownership change late last year, just over a year after you became CEO. Has this led to any change in your strategy as the CEO, or where Nettitude is headed?
Nettitude had grown as its own organisation until 2018, when we were acquired by Lloyds Register. At the time, we were excited about it. But we quickly came to understand that Lloyds Register's main focus was marine and offshore. When the decision was made to sell what is now known as LRQA – which comprises a business assurance and certification business, an inspection business and a cybersecurity business [Nettitude] – to private equity and it was acquired by Goldman Sachs Asset Management, we were incredibly excited about that. We saw that it was the opportunity to invest in the cybersecurity business.

We are a core part of LRQA's growth strategy. [LRQA] see [its] growth coming from cybersecurity services and from the ESG marketplace. We've made the decision to maintain the Nettitude brand. It has a very coveted reputation within the cybersecurity space.

You count Check Point, LogRhythm and Cisco among your vendor partners, but how much product do you actually touch?
If you take our managed security service offering, we've got third-party products such as LogRhythm and Crowdstrike wrapped into our solution. Then we'll also resell some services and some product. When clients need to place product orders we can do that seamlessly for them, but that's not the main driver of our business.

You're one of a minority of companies we track that boasts a double-digit net profit margin. How have you remained profitable during this challenging period?
We have a relatively flat organisational structure because we want to be agile and innovative. We really push against bureaucracy. We don't want to build bureaucracy into our systems and our services. And that benefits the end clients and our employees as well as our bottom line.

The office vs WFH debate has polarised the industry. Are you an advocate for one approach over the other?
As in any crisis, there are some positives that come out of it. One thing we've learned from Covid is that we can do things differently. We can bring the best of what we had before, and what we have now, including the ability to provide flexibility for people – particularly women, who are not well represented in the cybersecurity industry. Those with a disability are not well represented either. Having a flexible working environment presents an opportunity for a more diverse population to be able to enter and be successful in the workforce.

"Our team of consultants have achieved the highest degree of CREST certifications in the industry."

COMPLETE IT

Having been acquired by Sharp in 2019, this High Wycombe-based MSP has its sights set on UK and European expansion. Its CEO Colin Blumenthal lifts the lid on its plans

Revenues: £22m (+6%)
Net profit: £3.2m
Headcount: 200
HQ: High Wycombe
Specialism: IT support for organisations with 10-100 seats

What was the genesis of the company?
It was founded by me and my co-founder in November 1992, so we're coming up to 30 years. I met him through my previous job, which was working for a car leasing company. We set up Complete IT initially to sell what we had, which was this car body shop management system.

Over a period of time, a lot of the businesses we were speaking to wanted general IT support. And that was my background. So the business morphed into the business you'd recognise today, of providing IT support.

What's your sweet spot?
It's very much SME – 95 per cent, if not higher, is between 10 and 100 [seats]. We were one of the first adopters in the UK of the monthly billing model, so we have a very mature support offering around unlimited helpdesk and pre-bought technical consultancy time. We have seven Microsoft Gold competencies, so we're having the conversations with our clients and prospects maybe earlier than our competitors, and that maybe gives us a little bit of a competitive edge as well.

How large are you now?
We're approaching 200 team members across seven locations. For the year that ends this month, we will be around £24m turnover. We have about 550 IT support clients. But we also have 200 ERP clients, because we acquired a couple of ERP businesses a few years ago.

There are hundreds of MSPs, and dozens your size. What makes you different?
Yes, there are a lot of MSPs that turn over £1m and have 10 team members. I think where we've bucked that trend is investing in marketing and sales. A lot of technology businesses are owned or run by technology people who aren't necessarily salespeople, and they just hit a limit. And the only way out of that circle is to grow by investing in sales and marketing.

Did you hit a limit in your business at any point?
No, we made sure that the most senior people in the business focused on growth. Even though I'm an IT technology person, over the years I've won a lot of business because I'm evangelical about the great things it can do for our prospects and clients. I really enjoy winning new clients and growing the business.

Rising Stars 2022

You sold up to Sharp in 2019. Is private equity not a quicker route to accelerate growth?
It can be, as we've seen with buy and builds. But the offer we had from Sharp delivered the best career opportunities for our team. Sharp has 14,000 clients in the UK, including 7,000 SME businesses, and we had 750. So you can see the opportunity for huge growth. The other 7,000 are educational businesses, which historically we haven't focused on, but we are going to now. If we're successful, and a big part of that 14,000 client base becomes IT service clients, we could well become one of the biggest MSPs in the UK.

I wear two hats now. I'm also vice president of Sharp's IT services in Europe. We need to replicate the IT services that we're achieving in the UK throughout Europe. IT services within Sharp could become a phenomenally large player in the European MSP market in the future. So it's an exciting time.

You are in a minority of companies in the VAR 500 making double-digit net profit margins. What would you attribute that to?
A lot of our competitors offer unlimited reactive break-fix on-site time, so if anything goes wrong you can end up delivering a lot of on-site labour for no cost. Because we're pre-selling proactive days, if a client needs more days then they buy more days (at a reduced rate if it's within the agreement). I think that's helped.

I think identifying projects that the clients are going to find valuable – whether that's migrating them to the cloud, Cyber Essentials, training, or a better business continuity solution – has also helped us create good project work, hence good profitability.

Do you feel your business has been Covid proof?
IT support has been a bit of a utility and essential item, so we have been insulated from the worst of Covid. But we provided support to our clients, certainly in sectors that were struggling, not just with great technology support, but with financial support as well.

That has had a knock-on effect our numbers. But as those businesses are beginning to recover, we will reap the benefit of them looking upon us as a very trusted partner.

Rising Stars 2022

SYSTAL

Having only been founded in 2008, this fast-growing Cisco Gold partner signed $400m in new managed services contracts in its fiscal 2021, according to CEO Neil Nicolson

Revenues: £28m (+49%)
Net profit: £4.4m
Headcount: 2,000
HQ: Glasgow
Specialism: Enterprise networking, cloud and security managed services

Systal has grown from a standing start in 2008 to hit £28m revenues in your fiscal 2020. Is it fair to say you've flown under the radar?
Yes, we have flown under the radar. We've continually reinvested EBITDA in our delivery capabilities and foundations for scaling. Our investment model has been strategically placed around the quality of service and our long-term customer partnerships, not sales and marketing. This has allowed us to build the foundations that transformed the company with a base run rate globally of over seven times the revenue number in 19/20 and importantly long-term managed service customer partnerships.

You're known as a Cisco Gold partner. But how would you summarise Systal's focus and business model, and what makes you different?
We're not a VAR. We deliver complex network, cloud and security managed services to the enterprise space and sit above the vendors alongside our customers. Our Cisco relationship is hugely valued but we do not lead with any vendor. We do what's right for our customer and aren't wedded to any current technology sale. We help optimise where possible their existing IT infrastructures to realise their IT objectives. Over 90 per cent of Systal's business is managed network, cloud, and security services.

You grew by almost 50 per cent in 2020. Did the business grow last year, and do you expect it to grow in 2022?
Yes. We signed over $400m in new managed service contracts and this organic growth will continue.

You're one of the VAR 500's fastest-growing and most profitable companies. What would you attribute that to?
We are a technology business, but in a world of increasing automation and complexity,# success is still fundamentally about the quality of your people and their culture. In the last six months we have brought into Systal across 21 countries around 800 highly trained technologists to support our global expansion and have continued that significant investment in our culture and training.

Why did you opt to take on minority backing from Inflexion last March?
We liked the value proposition from Inflexion to support our global scaling and they underpinned the continued financial credibility of Systal as we look to build the world's leading global network and security MSP.

How has Inflexion's involvement changed Systal's strategy or outlook?
It hasn't. They have complemented our existing strategy and empowered the ambitions of the management team further.

The rise of cloud and as-a-service has shaken up the market over the last 10 years. How do you see different consumption models playing out over the next 12-24 months in the networking space, particularly in light of the current chip shortage?
Certainly, we see the adoption of cloud-like commercial models for networking. In response to this trend, Systal has been using for the last four years a reflective commercial approach to its project and managed services.

The other trend we see is a switch away from traditional network provisioning models using ISPs. Not just by switching from MPLS to internet services with SDN technologies, but also using cross-connect networks with cloud providers to replace traditional network services. Systal has been well placed to help our clients take advantage of these opportunities to save cost and integrate the overlay services of network, compute, and storage with classic IT services. We can do this flexibly with our clients. This means that commercially we do not have to "prime" these to still offer an end-to-end service.

You mentioned in your recent annual accounts that you are building a global presence. Can you tell us more about your long-term ambitions for Systal?
19/20 seems like a long time ago. We have achieved that. We have operation centres and teams in every major country in the globe servicing our customers in Australia, Malaysia, Singapore, Italy, Germany France, Spain, Benelux, the Nordics to the Americas. We have over 300 engineers servicing our EU customers in Czech and Slovakia complemented by our in-country service management, architects and engineers. We have gone through a hugely controlled scaling programme supporting our customers around the world. It's been one of the great success stories in our industry. I hope this year we'll start to tell more people about it.

"We're a great industry success story. I hope this year we'll start to tell more people about it."

Why life's a beach for some channel partners in 2022

"I think a lot of the challenges people put around why remote working wouldn't work aren't even based on their experiences, but on their misconceptions."

That's the view of Bob Sahota, sales director at Highgate Solutions, a fast-growing Cisco, Lenovo and Microsoft partner that has operated a 'work from anywhere' model since its inception in 2010 and is currently trialling a four-day week.

WFH vs the office is perhaps the biggest riddle facing channel partner bosses as they grapple with staff and customer satisfaction levels in a post-Covid world. Are staff as productive working from home? Are they as engaged and happy? Will they move to competitors who offer them more flexibility? Do clients expect their suppliers to have a physical office?

These are all questions exec teams will have asked themselves a thousand times over the last two years.

Some have chosen to double down on revamped office space, with CAE, for instance, recently investing in a new multi-million pound HQ complete with recording studio, prayer room, wellness space, games room and a staircase-based amphitheatre for company meetings. It will "reinforce the culture, inclusivity and positivity that is at the heart of CAE," according to CEO Justin Harling.

Most have settled on a hybrid model, encouraging staff to commute to the office typically three days a week but also offering them flexibility. In some cases, satellite offices have been shuttered or mothballed.

But can a 100 per cent remote working model really work in our sector?

One company claiming it can is Highgate, a reseller that has grown from zero to approaching 20 staff and £15m turnover in the space of a little over a decade.

It is also trialling a four-day week for three months from April, with the aim of adopting the policy permanently if it proves a success.

Founder and MD Stuart Marginson had become frustrated with the rigid working patterns that characterised UK companies at the time, and was adamant that an office-less model could work, Sahota explained.

"It's been 100 per cent work from anywhere from day dot," Sahota said.

"Working from anywhere wasn't very common back then, so he pretty much created the business model to see if he could make it work. It drew other people to him that wanted to be able to do what he was doing for their clients."

Marginson is based in the Canary Islands, while Sahota himself is preparing to move to the Scottish Highlands.

One big misconception over remote working is that it won't work for junior staff, Sahota said.

"I hear a lot people saying this will work with the veterans, as they know what they're doing and don't need supervision. But when you look at juniors or graduate schemes, everyone assumes they can't work in a remote environment and have to work in a team, and that you have to be monitoring and watching them. There are lots of assumptions. But there's no reason why it has to be that way moving forward, just because it's always been that way," he said.

"I think we have a duty to look at new and different ways of working. You can certainly find [junior] staff who actually say 'you know what, I work better when I'm on my own, rather than in a bustling office'. They may even thrive in that environment."

Anxiety around proximity to customers may also be misplaced, according to Sahota, who said that some clients relish meeting over a 45-minute video call rather than having to lose half a day commuting into the city.

The work-from-anywhere approach won't work for all companies and personas, Sahota conceded, adding that Highgate has one important advantage over peers looking to tilt towards remote working.

"Because it's always been what we've done, everyone is here out of choice. It's not something that has gradually changed over time and which feels like a compromise to how they want to do things," he said.

The rise in flexible working sparked by the pandemic could be a boon for diversity in what remains a male-dominated industry, according to the CEO of one of this year's Rising Stars in the form of Nettitude's Karen Bolton.

"[The pandemic has meant] we can bring the best of what we had before, and what we have now, including the ability to provide flexibility for people – particularly women, who are not well represented in the cybersecurity industry. Those with disabilities are not well represented either. Having a flexible working environment presents an opportunity for a more diverse population to be able to enter and be successful in the workforce," she said.

The WFH vs office debate is polarising the industry, with Telefónica Tech UK boss Martin Hess recently arguing that a company "loses its soul" if people work from home "all of the time".

"I think it's important to have a sense of place for a business – that's where the ideas come from, where the energy comes from and where the spark comes from," Hess told *CRN*.

Looking at this year's Rising Stars, Misco MD Adam Muir said his sales team have gravitated towards working four days in the office, while Complete IT is currently trialling a hybrid approach of three days in the office and two from home.

"Other people may feel they can create the same relationship using technology in a video conference meeting, but I'm not so sure, personally," Complete IT Colin Blumenthal remarked.

Sahota conceded that there are "many advantages to having an office".

"I'm a big fan of working in the office and I love the environment. But that's not to say that just because we've always done it this way that it's necessarily the only way, or the right way. I think there are many ways," he said.

Sahota advised resellers weighing up which way to turn to talk to their employees and to keep an open mind.

"Don't have any preconceptions around what's going to happen. I think if you can go into it with a very open mind around what the possibilities are, you could open up so many new avenues around things like employee wellbeing and mental health," he said.

"I'm not saying that this is the only way to work. But you can certainly make working from anywhere work for you if you want to."

I'm not saying that this is the only way to work. But you can certainly make working from anywhere work for you if you want to.

Bob Sahota, Highgate Solutions

Consumption assumptions

With the industry's obsession with IT-as-a-service set to intensify, Canalys' Sheena Wee explores how channel partners can best exploit rising demand for new consumption models

Going into 2022, the IT industry will move further towards as-a-service models because of vendors' marketing pushes and business customers' increasing preference for subscriptions. The ongoing COVID-19 pandemic plays a role in driving as-a-service adoption as uncertainties and disruptions mean customers value the versatility and flexibility of IT solutions. The rapid shift to public cloud is helping transform customer purchasing behaviour, with greater acceptance of as-a-service and pay-per-use consumption models. Customers are also attracted by the opportunity to manage cashflow and mitigate financial risks through OpEx IT investments instead of capital expenditure.

In the last two years, governments and enterprises saw their IT needs evolve rapidly, with most forced to digitally transform at a pace beyond their capabilities. Many turned to external IT support to cope with IT complexities and cybersecurity challenges, and reliance on the channel became greater than ever.

ITaaS has become a top strategic priority for leading infrastructure vendors, particularly as they face ever stronger competition from public cloud hyperscalers.

With the growth in as-a-service offers, vendors are recognising the importance of channel partners to drive customer adoption. Partners play a core role in articulating the benefits of ITaaS models to customers and delivering technical consulting, and will be essential to support customer experiences, increase contract values and drive renewals. With an increasing reliance on the channel, vendors are developing partner strategies and building new partner programmes and incentive models to recruit, train and reward partners.

But many in the channel still have reservations about the attractiveness of vendor ITaaS offers. That's in part due to fears of conflict with vendors' direct sales, along with a lack of maturity in as-a-service channel strategies and programmes. Profitability for partners is one of the biggest concerns, especially given the level of upfront consultative effort that is typically needed to position and sell ITaaS. This can eat into the fixed rebate models that HPE and Dell, among others, are offering the channel.

Partners frequently voice concerns about the level of financial risk being passed on to them by vendors in the event of customer non-payment or collapse. This can be a particular issue for distributors when distributors are expected to take on financial liabilities in the channel.

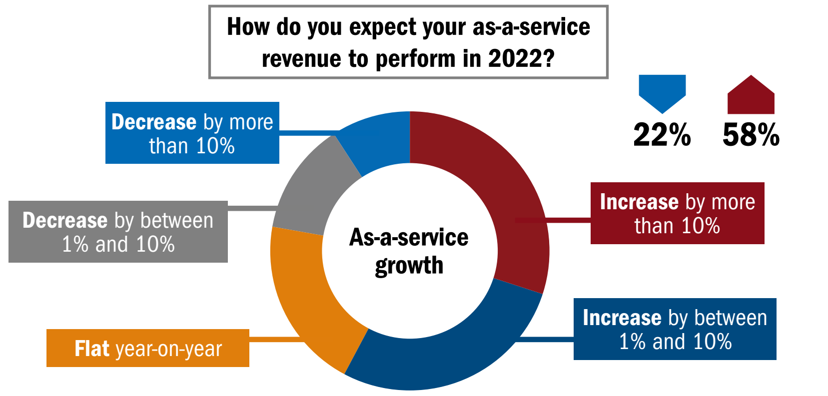
Another issue, when compared with the public cloud, can be a lack of flexibility of vendor ITaaS offers, which tend to be OpEx or alternative financing solutions for on-premises hardware and software. The ability to flex up, but not down, is a common customer complaint. With most vendor ITaaS models requiring a minimum capacity commitment from customers, a detailed understanding of customer workloads and use cases, and complex configurations, the value proposition can be very different to the rapid provisioning and flexibility offered by pure public cloud. Vendors need to focus more on their differentiation from cloud (such as on-premises sovereignty, compliance, security, supporting multicloud and hybrid solutions) rather than competing directly.

Worldwide, most channel partners now provide some form of as-a-service offering to their customers. Only 16 per cent of partners surveyed by Canalys at the end of 2021 do not sell any as-a-service offerings. For most, this is still a small share of business. For over half of channel partners, as-a-service offerings contribute 20 per cent or less of total revenue. Only a third generate more than 20 per cent of revenue from as-a-service. But partners also recognise the growing level of interest among

customers. 58 per cent of channel companies forecast growth in ITaaS revenue this year.

Almost a third predict double-digit growth. But ITaaS spans a wide range of business models and offers, from partners' own managed and hosted services, to subscription-based pricing models and public cloud services, through to vendors' own ITaaS solutions. Growth rates across these areas can be quite different. And it's worth noting that more than a fifth of partners surveyed expect ITaaS revenue to decline in 2022 compared with 2021.

Channel optimistic for as-a-service growth in 2022



Source: Canalys quick poll, 278 global responses, December 2021

Channel models for as-a-service need more development

The industry's obsession with ITaaS models is set to increase in 2022. As more vendors enter the fray, the battle for visibility, awareness and market share will intensify. The relentless momentum of AWS, Azure and other public cloud providers is fuelling the sense of urgency for legacy hardware vendors. But ITaaS hype needs to be balanced with a healthy dose of reality. Customer interest in ITaaS is helping to initiate sales discussions and open doors, but adoption rates are still far from aligning with expectations. Multiple customer stakeholders can be involved in any opportunity, complicating the sales process.

Positioning ITaaS solutions to deliver specific business outcomes or workloads can require lengthy and detailed consulting efforts. ITaaS deals tapping into OpEx budgets attract scrutiny from customers' financial controllers. In many cases, initial ITaaS opportunities end up being converted to traditional financing, or even upfront CapEx transactions. Many customers are waiting for others to take the first step and are looking to see more real-life case studies.

But without ITaaS offerings, channel partners risk missing those initial sales opportunities, and losing relevance to customers that do want to adopt ITaaS. Partners need to add vendor ITaaS solutions to their portfolios to give customers choice. Canalys believes the majority of ITaaS sales will eventually be done through or with channel partners. The sophistication of partnering models for ITaaS is set to develop significantly in 2022. The creation of service provider and managed services strategies is one example: many partners are seeking to build their own as-a-service offers by using products and solutions from different vendors, instead of taking vendors' as-a-service offers wholesale.

This allows for more customisation by channel partners to their customers' needs (usually multivendor) and gives choice to their customers. In these scenarios, they seek to hedge financial risks with local financial partners. For vendors to succeed, they need to ensure both a commitment to supporting partners as a route to market, along with flexibility to support multiple partner business models.

This analysis is drawn from an article published in: Channels Analysis EMEA (CHAE), Channels Analysis APAC (CHAA), Channels Analysis North America (CHAN) on 1 February 2022

Canalys' top takeaways on what lies ahead for ITaaS

- Moves toward as-a-service are accelerating as IT needs continue to evolve and a growing proportion of customers assess consumption-based models
- Leading vendors are prioritizing as-a-service offers, though progress and adoption varies
- Channel partners can be sceptical of the real level of as-a-service demand around the world, but most believe adoption will grow
- Partners will play a vital role in driving IT-as-a-service adoption for vendors, but channel models remain in their infancy

Rising Stars 2022

Is private equity the perfect path to peak performance?

Drawn by the allure of recurring revenues, market fragmentation and robust growth, private equity investors continue to pour into the UK channel.

But is it the surest route to accelerated growth for ambitious channel partners?

According to recent *CRN* research, some 83 of the UK's top 400 resellers, MSPs and consultancies are now private equity backed. Of the 317 of those that are UK headquartered, that's a quarter of the total, with ANS' acquisition by Inflexion among the latest platform deals.

Some 43 different PE firms now back at least one of these 317 companies, with 14 backing at least two and seven backing at least three (see right).

Clearly, more and more channel partners are choosing to sell a stake to PE. But is it the right move? And how does it change the character of a business?

Talking to *CRN* for the recent *Private Equity Report*, Glen Williams, CEO of IoT specialist North, argued that PE is good for the industry "because there is a requirement for it".

While bank debt remains a popular source of funding, it doesn't allow owners to take money off the table and de-risk their business, and may not extend to large enough sums to match the owner's ambitions, Williams explained.

"A lot of channel businesses have been run as lifestyle businesses and do need investment, so in that sense a private equity house will act as a catalyst for change," he said.

"You can either go to a bank, private equity house, or you can IPO – but most companies are too small to IPO. [With a bank loan] you're just putting debt in the business. And there's only so much debt any lender will put into a business. Normally it's four to five times' EBITDA, so if you wanted to borrow £30m your EBITDA has to be at least £6m before they would even consider lending to you.

"With a PE investor, if your enterprise value is £100m, they'll probably put £60m of equity into that and £40m of debt. To fund it yourself out of debt you'd have had to find £100m of debt. PE taking a slice de-risks it for the business owner, brings skills to the organisation that might not have been there and enables the owner to take some money off the table after all their hard work."

Williams cautioned against accepting a higher offer from a PE house lacking sector expertise.

"If you're going through a sale process you typically get down to three or four companies, and as much as they want to interview you, you also need to interview them," he said.

"The generalists invest in anything from tech to teacups. They might pay a bit more for your business but their understanding of your business sector could be less."

Generalist PE firms offer one clear advantage, Jigsaw24 CEO Roger Whittle argued, however, stressing that Jigsaw24 has benefited from the outsider's perspective of its two PE partners – NorthEdge (2013-2018) and Alcuin (2018 onwards).

"It helps to have people who've worked in other sectors," he said. "I've spent most of my professional life in [in B2B tech], and maybe haven't spent enough time in other sectors. I haven't had much B2C experience, and it's useful to have different backgrounds around the board table so that you can learn from them and benefit from the variety of experiences."

Although Whittle branded working with PE a "positive, enjoyable performance", the model has always attracted a degree of scepticism, particularly in the wake of 2e2's collapse in 2013.

Critics argue it favours short-term gains over long-term value and can overload companies with debt.

Talking at the Canalys Channels Forum in 2020, Computacenter CEO Mike Norris questioned whether PE involvement had held back some of his North American peers. "Why have Presidio or Pomeroy not stepped up to be an international peer?" he asked. "I think some of them have been screwed around and milked by PE firms."

Having been a vocal sceptic of the private equity model, Stuart Fenton opted to sell his Microsoft Dynamics partner, Quantiq (which was one of last year's Rising Stars), to Avanade in October 2021.

Talking to *CRN* for this report, Fenton revealed that he had received "significant interest" from PE, but felt that a focused trade buyer would give "a more caring and understanding home to the employees and clients of my business".

"Any sale will have some likely fallout, but this would be far more limited than a PE buyer," he said.

"Some [PE houses] take an approach where the purchase price is immediately added to the balance sheet as debt, so the business has to buy itself out of debt. This buyout is accelerated by an aggressive oversight model that intensely challenges the management team to cut costs, cut services. I have seen many friends live in this environment, and for many execs, it's no fun at all, often destroying culture on the way.

"PE often sells a dream and offers an owner manager a decent chunk of money upfront – not the total value, with an incentive to double or perhaps triple their money through aggressive strategies. Many owner managers are wide-eyed with the potential riches. However, this outcome is common only for a subset of sellers – many don't get this massive benefit. What they experience is a far more intensely challenging owner focused on financial metrics at the cost of anything else."

Offloading only a minority stake to a private equity house can enable owner-managers to retain more control over the company's strategic direction, according to Mark Petty, sales and marketing director at one of this year's Rising Stars, Littlefish.

Although Littlefish sold a minority stake to LDC in 2019, its strategy has remained unchanged, Petty claimed.

"It was just right for the business at the time," he said. "We believed we could grow the business significantly and we believed in the business model. We weren't looking to grow faster than we were already. So we felt that minority investment would give us the backing we needed to continue the growth, and at the same time be able to have complete control."

Not all PE firms are the same, Fenton added, noting that he had seen some "great success stories by PE firms and disasters from trade sales".

"The matter is not back and white; there are significant nuances between both options," he said.

Top PE investors

PE houses	No of top 400 backed
BGF	7
LDC	5
Horizon Capital	5
August Equity	3
Beech Tree	3
Livingbridge	3
Inflexion	3
Maven	2
MML	2
FPE	2
Abry	2
Palatine	2
NVM	2
YFM	2

Rising Stars on the merits of private equity

Of this year's Rising Stars, two (Xalient and Misco) are privately held, one is part of a large trade entity (Complete IT) and three (Nettitude, Systal and Littlefish) are private equity backed. Here's what they had to say on the merits of private equity...

Colin Blumenthal, Complete IT: "Private equity can be [the fastest route to growth], and we've seen that with buy and builds. But the offer we had from Sharp delivered the best career opportunities for our team. Sharp has 14,000 clients in the UK, including 7,000 SME businesses, and we had 700. So you can see the opportunity for huge growth."

Sherry Vaswani, Xalient: "Going forward, we can grow and reach our ambitions organically, but we may want to accelerate that with acquisitions. And to do that we might need to get some funding in."

Adam Muir, Misco: "Right now, there's no reason for us to look at anything like that. We're growing phenomenally year over year and have funds to invest."

Mark Petty, Littlefish: "We felt that minority investment would give us the backing to continue the growth, and at the same time enable us to have complete control."

Rising Stars 2022

Southern slant?

In line with many sectors, the UK channel has a distinct south-eastern bias. But how pronounced is it, exactly, and is that changing?

Despite London and the South East housing just 27 per cent of the UK population, together they play host to the HQs of a whopping 47 per cent of *CRN*'s VAR 500, with Berkshire, Buckinghamshire and Hampshire alone called home by 70 VAR 500 firms.

The channel's south-eastern tilt is even starker when looking at average salaries, with London-headquartered channel partners paying their staff on average over £12,000 more than anywhere else in the UK. Salaries in the capital hiked 3.7 per cent to £62,382 in the latest annual periods, with London-based outfits making up eight of the top 10 highest payers, and 14 of the top 20.

The lure of international travel links and the tech hub of the M4 corridor remain a big draw, with six of the seven counties with the highest density of VAR 500 firms per capita (Berkshire, Surrey, Buckinghamshire, Greater London, Hampshire and West Sussex) situated in the prosperous South East.

And the capital's allure shows no sign of waning, with the 9.6 per cent jump in staff employed by VARs with a London HQ representing one of the steepest increases (behind only the South West, Scotland and Northern Ireland).

That's not to say no VAR 500 hotspots exist outside London and the leafy home counties, with Cheshire ranked ninth for VAR density per capita (the only northern county to make the top 10).

West Yorkshire is another magnet for VAR HQs with 22 of the top 500 based in Leeds, Wakefield, Bradford, Wetherby and elsewhere in the county. And a relatively high 16 of the VAR 500 – including NCC Group, Sync, ANS, K3, Cloud Technology Solutions, FourNet and BCN – are headquartered in Manchester.

One of this year's Rising Stars, Xalient, chose Leeds as the backdrop for its HQ, with CEO Sherry Vaswani saying government funding had helped it to create dozens of jobs in the area.

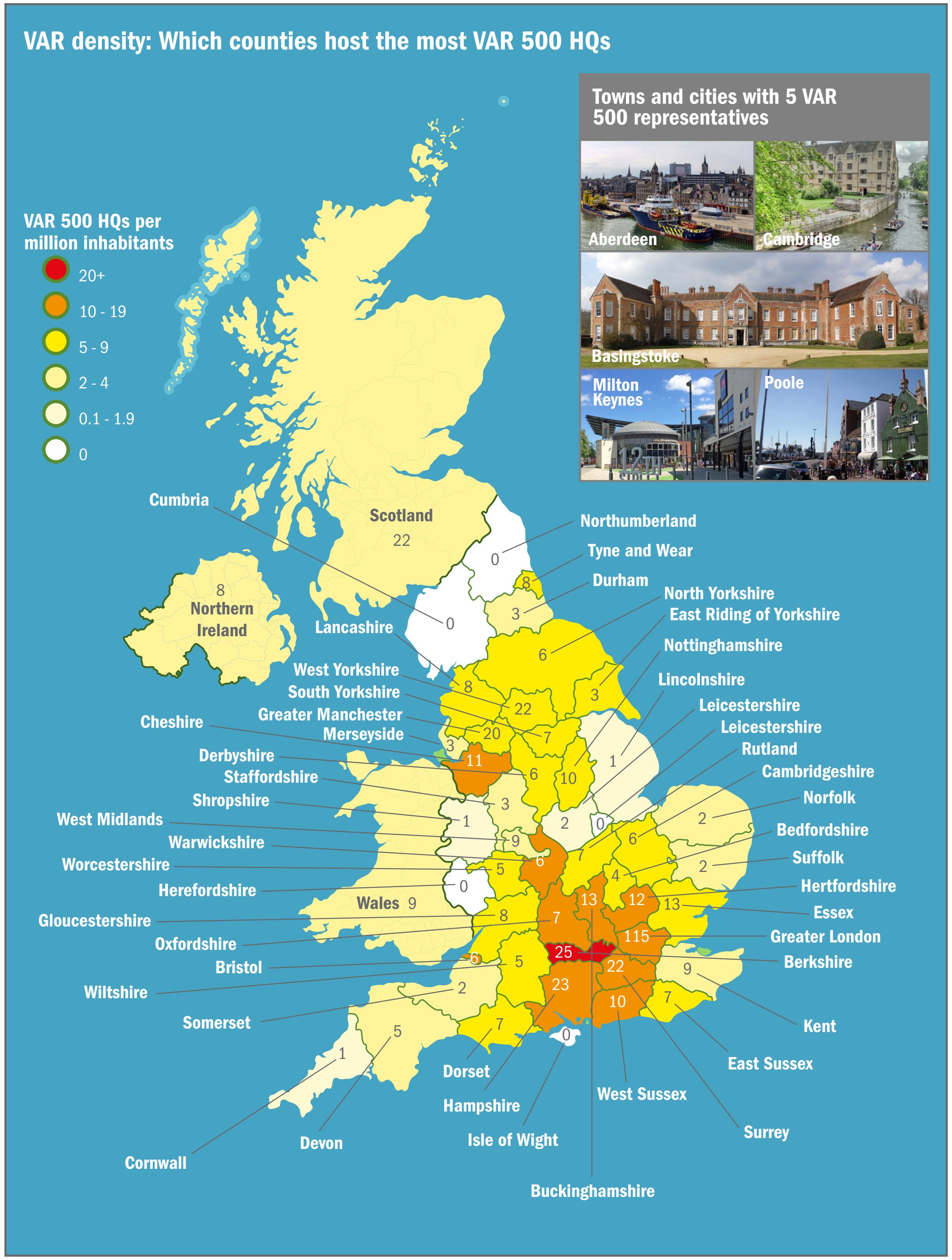
"We've chosen to be to invest outside of London. I think it's important," she said.

"We've had the advantage of government funding and grants. Investing in Leeds was a factor, rightly I think, because we have created a lot of jobs there, including during the pandemic – with 30 or 40 new hires in and around Leeds."

In fact, out of this year's six Rising Stars, just one – Buckinghamshire-based Complete IT – has its headquarters in the south. One is based in the north (Xalient), one in Scotland (Systal) and three in the Midlands (Misco, Littlefish and Nettitude).

Scotland, Wales and Northern Ireland play host to the HQs of 22, nine and eight VAR 500 firms, respectively, with the former seeing the headcount of its resident VARs hike by an impressive 10.9 per cent to hit 2,473.

In contrast, the North East is something of a VAR notspot, with just 12 VAR 500 representatives. Alongside Herefordshire, Rutland, the Isle of Wight and Cumbria, Northumberland is the only English county to house no VAR 500 head offices.



Rising Stars 2022

Five key takeaways

1 Rising Stars defy industry slowdown

The pandemic and chip shortage has led to stalled growth among the *CRN VAR 500*, with the majority of those outside the top 100 actually seeing revenues contract in their latest years.

Against a backdrop of half-empty customer offices, shifting employee expectations and yawning lead times, not all tech suppliers know where to turn.

The six channel partners profiled in this report have bucked the wider trend by generating strong growth and profits during this difficult period. While serving contrasting technology and customer segments, they are united by their relative independence from vendors, adaptability and strong sense of identity.

2 Keep an open mind on office culture

Should you really be allowing your management team and staff to close deals and resolve technical faults all year round from a hammock in Kauai?

When it comes to the WFH vs office debate, no way is the right way. But as the case study on p22 shows, the virtual, office-less model that has taken off since the pandemic can work in the channel in the right circumstances and with the appropriate company demographics.

For any partner boss, staff communication and open mindedness are the keys to determining what the workplace culture of your organisation needs to look like in the post-pandemic world.

3 IT-as-a-Service is coming

Like the wider channel, those of this year's Rising Stars with a foot in the hardware world are grappling with the rise of new consumption models.

As Canalys observes, the industry's "obsession" with IT-as-a-Service is set to intensify in 2022, meaning channel partners must build or hone their ITaaS offerings or risk missing out on potential new sales opportunities.

The model certainly has its flaws, with adoption rates still far from aligning with expectations. But channel partners who do not take the plunge could "lose their relevance" to customers who want to adopt ITaaS rather than public cloud or traditional on-premises alternatives, Canalys warned.

4 Rising Stars are bucking the channel's southern bias

The channel has a distinct southern bias, with six of the seven counties with the highest density of VAR 500 firms per capita (Berkshire, Surrey, Buckinghamshire, Greater London, Hampshire and West Sussex) situated in the south east.

It is noteworthy, however, that just one of this year's Rising Stars is based in the south, with three based in the Midlands (Littlefish in Nottingham, Nettitude in Leamington Spa and Misco in Wellingborough), one in the north and one in Scotland. Cheshire, Manchester and West Yorkshire are emerging as alternative channel partner hotspots, with Xalient among the next-generation channel partners to select Leeds as the backdrop for its HQ in 2015 – partly on the strength of government grants and funding support.

5 Private equity doesn't guarantee success

A private equity influx has changed the face of the channel in recent years, with a quarter of the 317 UK-headquartered channel partners whose revenue we track now private equity owned or backed.

The fact that an even larger proportion – namely half – of this year's Rising Stars have recently taken on a private equity backer speaks to the ambitious, growth mindset that often accompanies such partnerships.

Private equity deals can turn sour by overloading companies with debt, destroying their culture or forcing them to make swingeing cost cuts, however.

Although PE has helped countless channel partners accelerate their expansion, deals where owner managers have rushed into a decision and aren't clear on their investor's intentions are doomed to failure. They should therefore review the market over a number of months or even years – a process that will teach them more about the strengths and weaknesses in their own business even in the event they ultimately opt against taking on a PE partner.

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