

CRN ESSENTIAL

VAR 300



PREVIEW

Welcome to CRN's VAR 300 preview

Welcome to the preview version of our inaugural *VAR 300* report, the full version of which is available exclusively to *CRN Essential* subscribers.

There is an almost dizzying abundance of market data available on all aspects of enterprise IT spending.

If I want to know the size and growth of the UK market for PCs, storage, business applications or video walls, the likes of Gartner, IDC, GfK or Futuresource Consulting will have the answers for me.

But it is a quirk of the industry that the UK IT channel that sells these technologies has not been nearly as well mapped. That is, until now.

Our inaugural *VAR 300* report is – we believe – the most comprehensive attempt ever to map the key protagonists that comprise the UK enterprise and SMB IT channel, and the trends affecting them.

The 300 companies profiled in the full version of the report are the prime influencers of tech spending decisions among UK SMB and enterprise end users. Any vendor wanting to crack the UK market must first win the hearts of the firms featured, from £1.5bn-revenue Computacenter to the sub-£10m revenue, 50-person firms that trail the rankings.

Together, they are the guardians of nearly £20bn of technology spending – equivalent to the GDP of Nepal – and no doubt influence an even greater value of purchasing decisions.

Analysis of their performance at a macro level reveals the UK's top 300 VARs enjoyed another solid year, with collective revenues up double digits and profit levels generally holding firm.

This abbreviated version gives a flavour of the report only, including the first 16 profiles.

Researched over the course of several months

by *CRN's* editorial team, the full, 56-page report is available exclusively to *CRN Essential* subscribers.

We hope it serves as the definitive guide for vendors, distributors, resellers and end users looking for the inside line on the firms that make up the front line of technology provision in the UK.

■ *Doug Woodburn is editor of CRN.*

The full report includes:

- Profiles of the top 300 UK resellers, MSPs and consultancies on CRN's radar, including their revenues, growth, profits, areas of focus, where they are based, and how they fared in their most recently reported financial year
- Analysis of their financial performance at a macro level, including a breakdown of profit margins and growth by company size
- A map showing where each of the 300 resellers are headquartered, and analysis of VAR hotspots and 'hotspots'
- A chart of the most profitable resellers
- Interviews with top executives at VAR 300 resellers
- An analysis of noteworthy bankruptcies during the year
- Quotes of the year
- A-Z of resellers

For more information on *CRN Essential*, see www.channelweb.co.uk/static/subscribe.



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PROFILES EXPLAINED
200 QuantIQ
Revenue: £15.7m (+13%)
Net profit: 4.5% Staff: 121

↑ Net profit expressed as a percentage of revenues
 ↑ Average monthly staff numbers during the year
 ↑ Year-on-year growth

300 European Office Products

Revenue: £2.9m (+7%)
Net profit: 0.1% Staff: 19

This West Sussex-based office products specialist sells everything from stationery to chairs, with its furniture solutions arm having project managed the £1m Brighton and Hove AMEX stadium installation. It's also a managed print reseller, holding Platinum status with HP, hence its inclusion in this report. Revenues for its year to 31 January 2018 rose seven per cent, even as net profits rolled back from £32,000 to £4,000.

299 Deans Computer Services

Revenue: £3.1m (+4%)
Net profit: 12.4% Staff: 46

Founded in 1982, Leeds-based DCS caters for the accounting software and IT support needs of owner-managed businesses. Net profits hiked from £249,000 to £382,000 in its year to 31 December 2017, outpacing the four per cent rise in its top line.

Following its acquisition of Leckhampton during the year, it now has 10 software developers providing add-ons to accounting solutions such as Pegasus Opera.

298 Pinnacle

Revenue: £3.8m (+24%)
Net profit: 13% Staff: 32

Starting life in 1999 as a telecoms specialist, London-based Pinnacle entered the world of IT in 2013 by merging with Mac Consultants. Today it bills itself as a specialist in IT, telephony and mobile solutions, partnering with the likes of Avaya. Revenues rose by nearly a quarter in its year to 30 September 2017, and net profits of £494,000 make it – relatively speaking – one of the most profitable firms in this report.

297 Communicate Technology

Revenue: £4m (+101%)
Net profit: -20% Staff: 29

Founded in 2012, this Tees Valley-based VAR said it one day plans to float on the AIM as it unveiled “another incredibly successful year of growth”. Recent acquisitions Touchdown Offices and Landscape Networks helped Communicate double revenues in its year to 31 December 2017, although costs associated with the deals dragged it to a £794,000 loss for the year. In July 2018, it received £500,000 in financing from the Northern Powerhouse Investment Fund.

296 SAGlobal Europe

Revenue: £4m (+7%)
Net profit: 9.1% Staff: 20

Global Microsoft Dynamics giant SAGlobal leapt into the UK in 2017 by snapping up Cardiff-based M4 Systems, which it described at the time as a “mirror image” of its own business. UK arm SAGlobal Europe saw revenues clamber seven per cent to £4m in its year to 31 December 2017, although net profits more than halved to £364,000. Globally, Hong Kong-based SAGlobal employs 600 staff across 26 offices in 19 counties, and claims to have 175,000 Microsoft Dynamics users.

295 Lynx Networks

Revenue: £4m (+35%)
Net profit: 5.5% Staff: 48

This Milton Keynes-based networking specialist enjoyed a barnstorming year to 31 March 2018, as revenues leapt by more than a third and net profits swelled from £8,000 to £224,000. A Cisco Meraki deployment at 3,000-pupil Walton High is among the case studies showcased on its website. It recently formed a partnership with 2FA vendor Duo Security, which was acquired by Cisco in October 2018. Lynx also has an office in Portsmouth.

294 ITRM

Revenue: £4.1m (+15%)
Net profit: 1.8% Staff: 47

Kent-based ITRM specialises in IT support, network cabling,

VARs with interesting sidelines



Scottish MSP **Dacoll**, ranked 156th in this report, moonlights as a designer and manufacturer of automatic number plate recognition systems for the global market.

Godalming-based comms provider and 134th-ranked **Arrow Business Communications** diversified into the energy sector in 2017 by acquiring Pulse Business Energy.

Essex-based system builder and 290th-ranked **Akhter Group** has a side interest in the green energy market, designing and producing commercial solar-powered street lights.



Q&A: Peter Sweetbaum and Tim Wallis, IT Lab

MSP IT Lab, ranked 118th in this report, acquired 235th-ranked Microsoft Sharepoint and Office 365 specialist Content and Code in October 2018 to form a £60m-revenue powerhouse. Their respective CEOs, Peter Sweetbaum and Tim Wallis, explain the logic of the deal

Peter, we've heard you're gunning to build a £100m-revenue business under your new private equity owner [ECI Partners]. The acquisition of Content and Code takes you to a £60m run rate, but just how ambitious is IT Lab?

PS: As an organisation that is private equity-backed we are looking to build to a scale. Those numbers you are talking about are the right sort of target, but the financial performance and scale of the business comes second to delivering what clients need.

Tim, you founded Content and Code in 2001. Why did you feel it was the right time to sell up?

TW: Customers wanted us to digitally transform them – which is where we are strong – but they also wanted someone who can run the solution for them after it has been transformed. That's where we said 'we need to invest in this, and either buy a company or join one'. The best firm we found by far was IT Lab.

When looking at how much of their estate IT departments are entrusting to MSPs, how is that equation changing?

TW: It's definitely moving in favour of MSPs. The one thing IT departments are typically struggling with is

the massive amount of new features and products coming from Microsoft. They used to have to manage only two or three products a year, and now they are managing 40 products every single year and Office 365 and Microsoft 365 have about 200 or 300 new feature enhancements every year. So the skills are changing from patching servers to actually doing change management and user adoption, and those are the things where IT departments are typically weak.

PS: I would echo that, and that's where the depth of understanding – particularly of Office 365 and Microsoft 365 – Content and Code has is valuable to internal IT.

The last accounts IT Lab published on Companies House, for the year to 31 March 2017, show revenues of £34.4m but you're now billing the company as having a £60m-revenue run rate. You have obviously grown a lot since then...

PS: Our accounts to March 2018 showed £40.2m revenue, so yes, we grew significantly – both organically and through an acquisition of a cybersecurity business called Perspective Risk in May 2017 – which was a circa £1.2m-revenue business.



voice and data, website design and IT consultancy, counting Avaya, Microsoft and Symantec as its key vendors. Its top and bottom lines went in opposite directions in its year to 31 March 2017, with revenues up 15 per cent and net profits shrinking from £103,000 to £75,000. In July 2018 it was named Bexley's Business of the Year.

293 Nolan Business Solutions

Revenue: £4.1m (+9%)

Net profit: 7.4% Staff: 50

Despite turning 30 last year, this Netsuite and Microsoft

Dynamics partner is to this day run by its founder, Tim Nolan. In its year to 30 June 2017, Nolan saw revenues swell nine per cent. Despite complaining of increased staff costs, net profits doubled to £304,000. The Fleet-based firm, which also has offices in Edinburgh, Birmingham, Colorado and Sydney, claims to have more than 15 custom-developed applications.

292 Capito

Revenue: £4.2m (-11%)

Net profit: 4.2% Staff: 41

This Livingston-based VAR is

Pure Storage's reigning Scottish Partner of the Year, and also works with the likes of Veeam, NetApp and Citrix. Net profits doubled to £176,000 in its year to 31 December 2017, defying an 11 per cent revenue drop. In October 2018, Capito made the cut for the Digital Outcomes and Specialists 3 framework. It also has offices in Aberdeen and Reading.

291 Eurotech Computer Services

Revenue: £4.7m (-21%)

Net profit: 4.2% Staff: 13

As an oil and gas specialist, this

storage VAR has offices not only in its native Surrey but also Aberdeen, Norway and South Africa. The Nutanix, NetApp and Veeam partner succeeded in nearly doubling net profits to £195,000 in its year to 30 April 2018, despite revenues contracting by a fifth. Its core skills span HPC, high-throughput storage, VM-aware storage, hyperconverged infrastructure, NAS optimisation and cloud storage.

290 Akhter Group

Revenue: £4.8m (-15%)

Net profit: 17.8% Staff: 41

This Essex-based OEM and reseller's website showcases a number of defence and education

case studies, including a deal to supply 820 Acer tablets to RMAS Sandhurst. Its most recent accounts, covering the 18 months to 31 December 2017, showed revenue of £7.2m, down 15 per cent on an annualised basis. The future of public sector IT investment is becoming "increasingly uncertain", Akhter said, adding that it is investing in developing "green technology" such as solar street lights.

289 OnePLM

Revenue: £5.1m (-12%)

Net profit: 10.7% Staff: 32

The OnePLM brand was created in July 2018 when Siemens software resellers Cutting Edge

Solutions and Majenta PLM merged. The duo claim the union created the largest UK and Ireland consultancy and technical support organisation for Siemens' design, simulation, manufacturing and PLM software. For the purposes of this profile, we have used Cutting Edge's results for its year to 31 August 2017, which show net profits of £547,000 on revenues of £5.1m.

288 Absoft

Revenue: £5.2m (-9%)

Net profit: 3.7% Staff: 55

This SAP Silver partner claims to be seeing the fruits of a recent restructuring drive after returning to profit in its year to 30 April

VAR density

The UK channel has always had an undeniable southern bias, with a disproportionate number of VARs congregated around London and the South East.

Unsurprisingly, Berkshire and Buckinghamshire have the highest concentration of Top 300 VARs per million inhabitants of any county (21 and 17 respectively), based as they are in the heart of the Thames Valley where many of the world's largest technology vendors have their UK HQs.

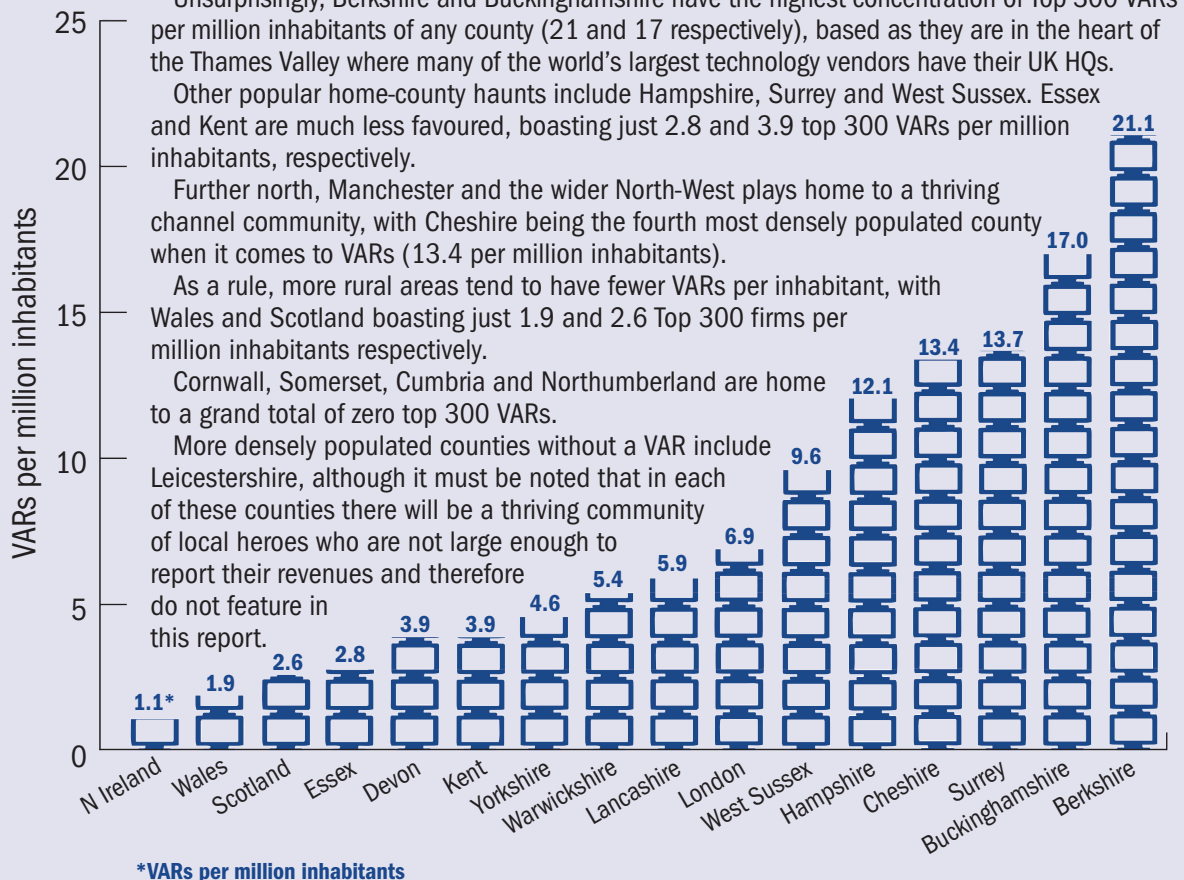
Other popular home-county haunts include Hampshire, Surrey and West Sussex. Essex and Kent are much less favoured, boasting just 2.8 and 3.9 top 300 VARs per million inhabitants, respectively.

Further north, Manchester and the wider North-West plays home to a thriving channel community, with Cheshire being the fourth most densely populated county when it comes to VARs (13.4 per million inhabitants).

As a rule, more rural areas tend to have fewer VARs per inhabitant, with Wales and Scotland boasting just 1.9 and 2.6 Top 300 firms per million inhabitants respectively.

Cornwall, Somerset, Cumbria and Northumberland are home to a grand total of zero top 300 VARs.

More densely populated counties without a VAR include Leicestershire, although it must be noted that in each of these counties there will be a thriving community of local heroes who are not large enough to report their revenues and therefore do not feature in this report.



2017. But revenue for the period fell nine per cent, unaudited figures show. Based in Aberdeen, Absoft showcases numerous oil and gas references on its website, but stressed that its “previous dependence in any one sector has significantly been reduced”. It has built an ERP solution, Absoft Adima, tailored to SME manufacturers.

287 Microtech Group

Revenue: £5.3m (-5%)

Net profit: 14% Staff: 63

This highly profitable Kilmarnock-based tech support outfit counts NHS Scotland among its clients. Today, it boasts a diverse range of interests spanning not only IT and telecoms but also digital marketing and telehealth, and claims to harbour “European ambitions”. Net profits in its year to 30 April 2017 fell slightly to £749,000, equal to 14 per cent of its £5.3m revenues. It cited further expansion in the health and social care sectors as a priority in its annual accounts.

286 KRCS

Revenue: £5.3m (+79%)

Net profit: 1.2% Staff: 20

Having opened its first AppleCentre in 1986, this Apple Premium Reseller has been providing Apple solutions since the days of the Apple II. Today KRCS operates stores in Hull, Derby and its native Nottingham. It also sells to education and businesses, and has a sideline in wide-format printing from demonstration facilities at its head office. Its revenues weren't far off doubling in its year to 30 June 2017, although net profits were a fairly paltry £64,000.

285 BSI Cybersecurity and Information Resilience

Revenue: £5.4m (+14%)

Net profit: -10.7% Staff: 51

The British Standards Institute (BSI) created this business in August 2017 off the back of its acquisition of Farnborough-based

Profit analysis: 1-100

The UK's 100 largest VARs suffered a margin crunch in their most recent financial years on record, with average profit margins tumbling from 3.1 to 1.8 per cent.

The 92 firms in the top 100 that qualified for this analysis banked collective net profits of £309m, equivalent to 2.4 per cent of their total £12.7bn revenues. That's down from the £322m collective net profits they generated a year earlier, equal to 2.9 per cent of their £11.2bn revenues.

Of the 92, 19 made a net loss and 74 a net profit. Only five (see right) achieved a double-digit margin, compared with 14 firms ranked 101st to 200th and 13 firms ranked 201st to 300th. Some 42

grew their profit margins year on year, while 50 suffered a contraction.

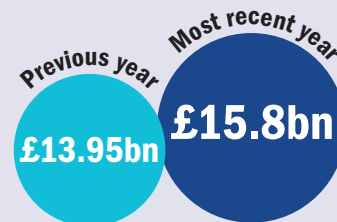
Although the top 100 firms in this report are responsible for a whopping 69 per cent of net profits of £449m, they also hold the dubious distinction of having the lowest profit margins of the three groupings. Additionally, they are the only one of the three groups that saw margins and absolute profits fall in their latest financial year.

As for the top line, the top 100 grew collective revenues by a whopping 13.3 per cent to £15.8bn, equating to 82 per cent of the top 300's total.

**Firms not qualifying for profit analysis: WWT, SHI, BT, KCOM, Capita, PCM, Daisy, Six Degrees*

	Net profit margin
BJSS	19.5%
ANS	14.2%
EOS IT Solutions	11.7%
Ampito Group	11.2%
Avanade	10.2%

1-100: Total revenue



cybersecurity provider Info-Assure the previous year. It is now the BSI's centre of excellence for managing and securing corporate information. Revenues for its year to 31 December 2017 hit £5.4m, a 14 per cent rise on a pro-rated basis, while net losses stood at £577,000. The BSI also acquired Irish cybersecurity provider Espion in 2016.

284 Consilium

Revenue: £5.8m (+31%)

Net profit: 11.8% Staff: 26

Glasgow-based Consilium bills itself as an IT and cloud infrastructure and security specialist certified by Microsoft,

Palo Alto Networks, Veritas, Citrix and VMware. For its year to 31 October 2017, revenues powered up by nearly a third, while net profits of £683,000 make it one of the more profitable firms in this report. The IT manager of Celtic Football club is among those singing Consilium's praises in the testimonials section of its website.

For details of how to purchase VAR 300 or become a CRN Essential subscriber, please email Jessica Richards at jessica.richards@incisivemedia.com or visit www.channelweb.co.uk/static/subscribe