

The German channel in perspective

Ten years on from the eurozone financial crisis, **Josh Budd** asks how VARs doing business in Europe's largest economy are faring

The European channel is enjoying its best health in years, according to Canalys CEO Steve Brazier, who last October foresaw an average growth rate of five per cent per annum for channel firms over the next five years.

With a GDP of \$3.5tn and a population of more than 82 million, Germany undoubtedly sits at the heart of the European channel and boasts some of the continent's – and the world's – largest channel firms.

But how well are German resellers faring? Historically, resellers have been met with shrinking margins, a declining PC market and pressures stemming from the economic crisis of 2007 and 2008, but Germany's largest resellers have continued to make strides and kept themselves buoyant in what has certainly been a challenging 10 years in the industry.

For example, Neckarsulm-based firm Bechtle's share price has only grown since the hardships of 10 years ago, creeping from a low of €5 per share in October 2008 to a current-day €73 per share.

Cancom, which posted €1bn in revenue recently, has seen its share price follow a similar trend, rising from the ashes of a €1.68 share value in November 2008 to €75.55 today.

Channelnomics Europe has gathered information from 25 resellers operating across Germany – from entities with barely €10m in revenues to established behemoths logging billions in sales every year – in order to provide a snapshot of Germany's reseller community today.

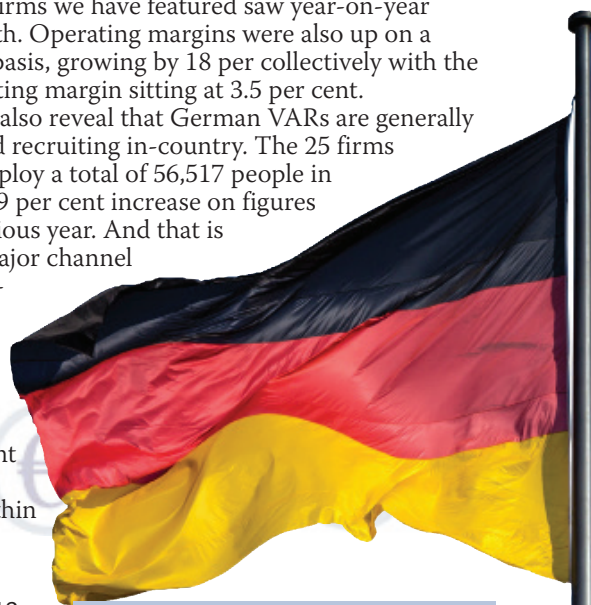
Providing a cross-section of the industry gives a sense of

how profit margins are fluctuating in an increasingly digital and cloud-orientated world, and which resellers have been heavily recruiting in the German market.

We have sourced all figures from each firm's most recent annual report at the time of publication, and have endeavoured to break out German-specific figures for all companies featured.

With combined revenues of €15.13bn, sales for the 25 firms featured grew collectively by 2.2 per cent. Some 23 out of the 25 firms we have featured saw year-on-year revenue growth. Operating margins were also up on a year-on-year basis, growing by 18 per cent collectively with the average operating margin sitting at 3.5 per cent.

Our figures also reveal that German VARs are generally expanding and recruiting in-country. The 25 firms we feature employ a total of 56,517 people in Germany, a 2.9 per cent increase on figures from the previous year. And that is despite one major channel player – €6bn-turnover German player T-Systems – reducing its total headcount by 1,830 employees within a year.



Adesso

Revenue: €214.51m (+40%, €61.77m increase YoY)

Operating margin: 6.4% (+1.6%)

Headcount: 2,174 (26% increase)

This VAR and services house caters for Germany through 12 locations, but also operates across the border in Switzerland and Austria. Group sales hit €260.4m in 2016, with 82 per cent of sales going through its home market. The firm was recruiting heavily throughout the year, adding 449 new staff.

All for One Steeb

Revenue: €257.2m (13%, €30m increase YoY)

Operating margin: 6.7% (up 0.4%)

Headcount: 1,186 in Germany (8% increase)

This Stuttgart-headquartered firm has 13 locations in Germany, and prides itself on being a local hero of SAP's technology and services.

Allgeier

Revenue: €369.96m (+8%, €26.21m increase YoY)

Operating margin: 3.6% (+1%)

Headcount: 4,097 (+3%)

This VAR has been around since the 1970s, with the majority of its €497.5m in annual sales coming from its homeland. Allgeier shelled out €8.25m for the European business of top US firm Ciber in 2017. The deal was essentially a move to tighten its SAP footprint across the continent. Ciber filed for bankruptcy just two months after the transaction was announced.

Bechtle

Revenue: €2.17bn (11%, €220m increase YoY)

Operating margin: 4.7% (+0.1%)

Headcount: 5,956 (+6%)

One of the German market's highest performing VARs, Bechtle has set out ambitions to reach €5bn in revenues by 2020. In 2017, the VAR reached €1bn in public sector revenues for the first time, while the firm has made heavy investments to grow its cloud offering and shelled out €60m on such projects throughout last year.

Cancom

Revenue: €914.2m (+8.2%, €69m increase YoY)

Operating margin: 5.0% (+0.6%)

Headcount: 2,657 (-4%)

Cancom celebrated its 25th year in business in 2017. Sales hit €1bn for the first time last year. The firm is also taking steps in new directions, adding digital transformations skills in the shape of Synaix in June last year after buying datacentre firm Antauris earlier that month.

Claranet

Revenue: €12.88m (+7%, €809,000 increase YoY)

Operating margin: 7.0% (+1%)

Headcount: 74 (flat)

A European – and now global – name, this UK-based MSP has a relatively modest German presence. The firm seemed to be acquiring everywhere else in Europe except the country in question, having made expansion moves in the UK, the Netherlands, France, Italy, Portugal and Brazil last year.

Comline

Revenue: €86.43m (+1%, €822,200 increase YoY)

Operating margin: 2.7% (+0.6%)

Headcount: 371 (-1%)

Based in Hamburg, Comline had a slightly mediocre year, only slightly boosting revenues and profit margins while slightly contract its workforce.

Comparex

Revenue: €887.25m (+0.5%, €5.1m increase YoY)

Operating margin: 0.84% (-1%)

Headcount: 2,173 (+5.4%)

This licencing and software specialist saw its margins fall by one percent in its most recent financial year. Operating income fell by 59 per cent year on year globally and 128 per cent in Germany. Its German business posted a €2.58m loss for the year ending March 2016.

Computacenter Deutschland

Revenue: €1.74bn (+8.2%, €56m increase YoY)

Operating margin: 1.2% (-0.8%)

Headcount: 5,014 (+5%)

A mixed 2016 for the firm, although Computacenter's German arm picked itself up in 2017 to outperform its domestic

UK business. Computacenter hired 252 people in Germany in 2016, but saw operating margins slip by almost a whole percentage point to 1.2 per cent.

Conet

Revenue: 101.34m (+14%, €12.45m increase YoY)

Operating margin: 2.7% (+0.2%)

Headcount: 195 (flat)

Another SAP partner in the German market, Conet also provides hardware and software infrastructure. Top SAP partners in Germany have generally performed well over the last few years, and Conet is no exception – posting revenue growth well into the double digits at 14 per cent.

Datagroup

Revenue: €174.92m (+11%, €17.34m increase YoY)

Operating margin: 7.2% (+1%)

Headcount: 1,710 (+21%)

Despite being a relatively small firm with revenues of only €174.92m, Datagroup increased its workforce by more than a fifth in 2016, making it one of the biggest recruiters we have featured. The MSP continued its forward momentum and made a big M&A move in 2017, snapping up €27m firm ikb Data, its third acquisition in a little over a year.

ESG Elektroniksystem – und Logistik

Revenue: €229.62m (+2%, €4.1m increase YoY)

Operating margin: 4.7% (+2.4%)

Headcount: 1,326 (+7%)

This system house mainly provides security solutions to public authorities and the military. Founded in 1967, ESG operates from 13 locations across mainly Germany, but also has outposts Shanghai and Detroit.

Inforsacom Logcalis

Revenue: €138.76m (+1.45%, €1.98m increase YoY)

Operating margin: 2.7% (+0.2%)

Headcount: 229 (+35%)

The German subsidiary of Logcalis, this systems integrator grew its workforce by a third in 2016. The company has big growth

plans, with CEO Christian Werner hoping to break into the top 10 channel players in Germany by reaching revenues of €250m. Inforsacom has been expanding its offices recently with the aim of boosting headcount further and reaching around 300 employees in the coming months.

Insight GmbH

Revenue: €114.99m (+8%, €8.65m increase YoY)

Operating margin: -4.8% (+0.2%)

Headcount: 217 (-5%)

The firm underwent a turbulent €3.2m restructure in the first three months of 2017, which drew a \$1.13m loss for the firm. In 2015, EMEA president Wolfgang Ebermann admitted that Insight is a fair way behind the likes of Bechtle and Cancom in the German market, and catching up won't be easy.

IT-Haus

Revenue: €94.8m (+2%, €2.2m increase YoY)

Operating margin: 3.3% (+1%)

Headcount: 208 (+11%)

This firm sells IT products from around 80 manufacturers. Revenues grew slightly, but profits boomed by 44.7 per cent in 2016, bringing margins up a whole percentage point to 3.3 per cent.

Itelligence

DACH revenue: €364.6m (+14%, €43.36m increase YoY)

Operating margin: 4.5% (-1%)

Germany headcount: 2,653 (+30%)

SAP partner Itelligence doesn't break out German revenues and profits, but DACH revenues rocketed by 14 per cent year on year in 2016. The firm's success continued into 2017 as recent preliminary figures marked its tenth consecutive year of double-digit revenue growth.

Kumavision

Revenue: €39.18m (+12%, €4.14m increase YoY)

Operating margin: 3.8% (-1%)

Headcount: 307 (+17%)

This moderately-sized Microsoft Dynamics partner saw margins dwindle in 2016, but revenues grew by double digits.

Materna

Revenue: €132.52m (+0.6%, €741,000 increase YoY)
Operating margin: 7.9% (-1%)
Headcount: 1,132 (-1%)

A Microsoft, IBM, Oracle and HP partner, Materna's margins drooped in 2016 while revenues grew marginally.

MR Datentechnik

Revenue: €137.24m (-1%, €1.35m decrease YoY)
Operating margin: 2% (-0.3%)
Headcount: 350 (+2%)

This firm has been in business since 1994 and has seven locations in Germany including its Nuremberg headquarters. The firm provides client management, managed print services and other professional services.

NTT Data

Revenue: €281.51m
Operating margin: 3%
Headcount: 1,575

No year-on-year comparison is available for NTT Data, since the firm changed its reporting period to end on 31 March in line with its parent company NTT.

NTT Security

Revenue: €76.81m (-10%, €8.39m decrease YoY)
Operating margin: -10%
Headcount: 166 (-11%)

Sales and profits understandably plummeted for NTT Security, as a recent restructure means that the MSSP no longer has a salesforce, and instead pushes business through sister companies Dimension Data, NTT Data and NTT Communications.

Proact

Revenue: €37.07m (+37%, €1m increase YoY)
Operating margin: 6.9% (+1.5%)
Headcount: 69 (+4%)

The company only recently announced the resignation of its CEO Jason Clark, who took Proact through a series of acquisitions, and took group operating margins to five per cent for the first time.

Profi Engineering Systems

Revenue: €148.36m (+17%, €21.45m increase YoY)
Operating margin: 1.8% (+0.5%)
Headcount: 328 (+8%)

This Darmstadt-based VAR has built a portfolio of emerging tech over the last few years, across big data, cloud and 'Industry 4.0'. Profits boomed by 63 per cent in 2016.

SVA

Revenue: €399.59m (+34%, €102.09m increase YoY)
Operating margin: 3.3% (+0.8%)
Headcount: 528 (+25%)

SVA added around 100 employees to its workforce within a year. The company is one of Germany's largest systems integration specialists, with revenues growing by more than a third in 2016.

T-Systems

Revenue: €6.01bn (-6%, €358m decrease YoY)
Operating margin: -11% (-0.6%)
Headcount: 18,261 (-9%)

Arguably Germany's largest VAR and a subsidiary of the former state-owned carrier Deutsche Telekom, T-Systems is a formidable force in the German market. But profits have been falling for some years. German operating income went €662m into the red in 2016 as headcount diminished by 1,830 staff in Germany alone. 2018 has failed to bring any semblance of stability to the firm, as long-standing CEO Reinhard Clemens stepped down on 1 January, with new boss Adel Al-Saleh reportedly considering splitting the business into two units: IT services and consulting.

Into a new era

Commenting on the health of the German IT channel, Amanuel Dag, country manager of the DACH region at analyst Context, claimed that the fact the country's largest firms are in such rude health paints an encouraging picture for the overall industry.

"A lot of the large value-added resellers have gained knowledge, services and consulting in this

Industry 4.0 area. Many of these SMB companies do not have that knowledge and those VARs are getting away from box-moving to providing solutions and are making a huge step forward in becoming the right solution partner for this Industry 4.0 industry," he said.

"We see strong competition on the hardware side, but also a high-margin business on the solution side."

Dag said T-Systems' continued losses stem from the firm's inability to pivot towards growing areas like cloud.

"Their share in new topics such as cloud computing is poor. They have very little cloud business and their IP infrastructure business, which used to gain lots of profit, they're still holding up that business instead of looking for new opportunities," he said.

■ Visit www.channelnomics.eu for daily analysis of the IT channel across Europe



Top recruiters

Intelligent: 613 new hires
Adesso: 449 new hires
Bechtle: 323 new hires

Biggest revenue jumps

Bechtle: €220m
SVA: €102m
Cancom: €69m

Top employers

T-Systems: 18,261
Bechtle: 5,956
Computacenter: 5,014