CDN TOP 100 SOLUTION PROVIDERS

INDUSTRY BENCHMARK REPORT

2019

SPONSORED BY

Dropsuite
Simply better backup

BROUGHT TO YOU BY

CHANNEL DAILY NEWS

IN PARTNERSHIP WITH

IDC
Analyze the Future

SUPPORTED BY

C4
CANADIAN CHANNEL CHIEFS COUNCIL

MESSAGE FROM OUR SPONSOR

Dropsuite Limited (ASX:DSE) is a channel-focused, global cloud software platform that provides cloud backup, eDiscovery, archiving and recovery solutions delivered at scale to power business defense. Dropsuite's products include Cloud Backup for Office 365 — which effortlessly backs up Exchange Online, OneDrive, SharePoint, Groups and Teams. Other products include Email Archiving, GDPR Responder and Website Backup. Dropsuite's network of preferred reseller partners has a combined customer reach of millions of businesses worldwide.

Dropsuite partners with some of the biggest names in the web hosting, distribution and IT service provider markets such as Pax8, Ingram Micro, UOL, STRATO, GoDaddy and D&H to safeguard businesses from the threat of unexpected data loss.

Founded in 2012, it is headquartered in Singapore with a sales presence in Canada, the US, Europe, Japan, Brazil and Australia. Dropsuite is proud to sponsor the 2019 Benchmark Report as a way to both honour Canada's top solution providers and to provide insights to the companies that aspire to be top players in the future. We hope a detailed examination of the findings will provide readers with actionable opportunities they can apply to their own business.

While data sovereignty is not an issue explored in the report, Dropsuite understands that - by preference or regulation — many Canadian companies seek to keep their data within Canada. As Dropsuite uses Amazon AWS data centres located In Canada, it offers complete compliance with all PIPEDA, IIROC and data sovereignty requirements for government-related businesses.

www.dropsuite.com

In 2018, technology's already-breakneck pace somehow picked up the tempo again. We saw the first $1 billion revenue years from the luminaries at the pinnacle of the CDN Top 100 Solution Providers list. The fact that it wasn't just one firm that broke through that cloud cover, but two, is a signal of great things to come for this list. While the top revenue earners stood out up above the clouds, those just lifting off from the ground also deserve credit, with the list's revenue threshold at $6.5 million, the highest it's ever been.

While the common trait is rising growth on this list, there are many different paths taken to achieve it. Yet there's one thing they all have in common — partnerships. Whether it's bootstrapped startups that see the opportunity to combine forces, a nonconformist franchisee that seeks a new direction with former clients, or a mega-acquisition that propels a new name into the stratosphere with a blast of fire, the channel couldn't grow without forging important partnerships. What should those collaborations look like exactly? Well that's as individual a choice as the colours on your balloon.

The information for this study was drawn from surveys completed by solution providers between January and March 2019, with revenue numbers based on calendar year 2018. The survey information was collected by CDN and verified by IDC, the premier provider of market intelligence and advisory services for the information technology, telecommunications, and consumer technology markets.

IDC EXECUTIVE SUMMARY

Total revenue for the 2018 Top 100 Canadian Solution Providers was $9.7 billion, up 5.5% from $9.2 billion in 2017. The growth was fueled largely by the Top 10, up 14% over the previous year and accounting for about 60% of the total revenue. With both Softchoice and CDW Canada generating over $1 billion, it was necessary to add a new revenue range. At the other end of the spectrum, a new revenue threshold of $6.5 million was established to include the many providers who made the cut.

2018 saw CDW and Softchoice switch places, with Softchoice taking top spot to displace CDW. Compugen, Compucom and OnX once again round out the Top 5. Consolidation among the leading service providers remains unshakeable from year to year. With a few notable exceptions. In 2018 there were two new entrants to the Top 15: Informatique Pro-Contact landed in 12th place, a jump from 26th in 2017, and Convergint Technologies ranked 14th, up from 22nd.

A total of 130 companies participated in the survey this year compared to 126 in 2017. Notably, there are 23 who did so for the first time, doubling the number of new entrants from the previous year, and 8 of these are among the Top 100. *(See our newcomers coverage on channeldailynews.com)*

Last year also saw multiple mergers and acquisitions. CompuCom purchased Grand & Toy; CareWorx purchased Fully Managed, Broadview Networks was purchased by Windstream and CDW purchased Scalar.

M&A activity in the technology space is on the rise and will fundamentally alter the channel landscape. This activity will surge specifically around partnering and channels, with partners buying out other partners and vendors buying partners.

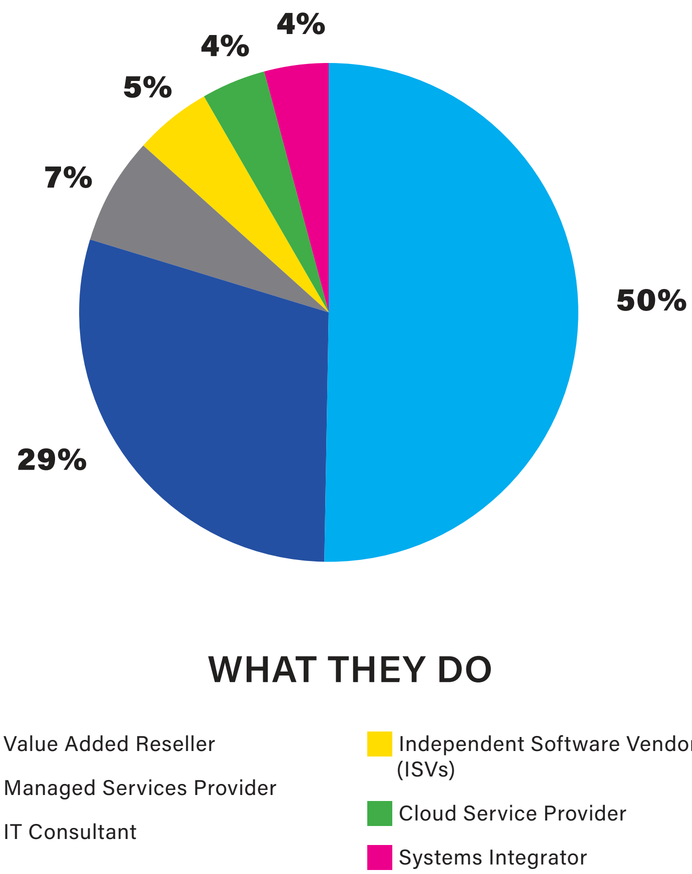
According to Steve White, IDC's program vice-president, channels and alliances, "IDC expects to see more vendors begin to acquire partner organizations. Vendors are increasingly looking to become more specialized, in line with customer demand, so highly skilled and focused partners become a compelling option. Many partners have niche technology, customer, or market focus, and because they are already a partner, they are embedded in their ecosystem and have a strong understanding of how it works."

The mix of technology solutions is consistent and reveals a reluctance to limit the solutions being offered. Cloud solutions became a new focus for solution providers in 2018. The top solutions offered by Canadian service providers are as follows:

IT Consulting Services	Managed Services/MPS	Cloud (public, private, hybrid)
80%	**76%**	**69%**

CHANNEL PROFILE

The makeup of Canada's channel community in 2018 continued to shift, but not all change is fast. Value added resellers made up almost 50% of the Top 100 survey respondents.



HIRING INTENTIONS

As in previous years, the vast majority (94%) of participants in the 2018 Top 100 survey indicated they will be looking to hire over the next 12 months. Solution providers plan to increase staff by 6-10%.

Partners are focused on hiring talent that can help get their solutions to the market, with 67.7% saying they were most likely to hire for a Sales/Marketing/Business development role, and 57.42% saying they are likely to hire a Business Development/Sales role. These go-to-market priorities were followed closely by intention to hire in a couple of hot technology areas: just more than half of partners say they will hire cloud talent, and just under half say they will hire security talent. This follows the same pattern we saw in last year's survey.

We also asked solution providers what technical certification they deemed most important to their business. Here are the top five most important certifications in the eyes of survey participants:

- Security **(73.7%)**
- Cloud **(70.51%)**
- Networking & Project Management (tie) **(57.7%)**
- Certified Systems Engineer **(53.8%)**
- Virtualization **(44.23%)**

With data breaches being in the headlines every day, every organization faces great risk of both financial and reputational harm from hackers. It's no wonder security talent is so sought after. We'll see the trend of solution providers boosting efforts to provide improved security services continue later in this report.

SOLUTIONS PROFILE

While most firms don't describe themselves as consultants first and foremost, a majority of them are at least dabbling in it. 104 out of 130 say it generates an average of 23% of their revenue. Other popular solutions offered are managed services, sold by 99 firms and generating an average of 26.2% of revenue.

Cloud services (either public, hybrid, or private flavour) are sold by 90 firms, generating 16% of revenue on average. Infrastructure solutions such as servers, storage, or networking were sold by 84 firms, accounting for an average of 22% of revenue. Client solutions such as PC, printers, and mobile devices are sold by 70 firms and generate an average of 22% of revenue.

Cloud services (either public, hybrid, or private flavour) are sold by 90 firms, generating 16% of revenue on average. Infrastructure solutions such as servers, storage, or networking were sold by 84 firms, accounting for an average of 22% of revenue. Client solutions such as PC, printers, and mobile devices are sold by 70 firms and generate an average of 22% of revenue.

We delved further into the composition of our survey participants by asking them to breakdown their revenue into percentage by solution category. As a result, we know what areas show the highest average portion of revenue earned by channel partners. Here's what the top solutions look like:

- Managed Services **(26%)**
- Consulting/Professional Services **(23%)**
- nfrastructure Solutions (servers, storage, networking, etc.) **(23%)**
- Client Solutions **(22%)**

SOLUTIONS PROFILE

We also asked for a revenue breakdown by sources. This reveals a slightly different picture of channel activities, showing that while managed services are indeed an important factor, hardware and software resale still account for a big portion of revenue. Here, we also see that reselling public cloud services is an up and coming area of revenue generation.

- Hardware and software resale **(47%)**
- Managed services **(26%)**
- Professional and support services **(24%)**
- Software built by your firm **(19%)**
- Public cloud resale **(10%)**

We also asked solution providers what segments they offered in which they expected to see an increase or decrease over the next 12 months. When predicting which segment would see the largest increase, the most popular answer was some variety of cloud computing, with 60 responses for hybrid, public, infrastructure, or private cloud reported. Second most popular was security with 29 selections. Managed services or hosting was third with 22.

When it came to predicting the largest decrease, there’s good news for proponents of the paperless office. Printing and imaging was the most popular choice to see the largest decrease, with 14 selections. Data centres were second, likely being replaced by all that cloud computing activity, with 10 responses. Storage rounded out the top three with eight responses.

CLOUD PARTNERSHIPS

Microsoft's partner network in Canada is vast, numbering many thousands of solution providers with some level of certification. That network has lead to success in spreading its Azure public cloud platform through the channel as well. Perhaps another advantage to consider is that Microsoft was early with its Canadian data centres, opening two in Montreal in May 2016, well ahead of Amazon Web Services or Google Cloud Platform. Being able to provide data sovereignty translated into a jump on relationships with the public sector. Here's the top five cloud infrastructure and platform providers sold through the channel in 2018:

TOP CLOUD INFRASTRUCTURE/ PLATFORM PROVIDERS

It's worth noting that Google wasn't included on the list of providers in 2017's survey. It only added its first Canadian data centre in February 2018. So its ascendancy up the rankings has happened in short order. In 2019, it looks like the public cloud presence in Canada is a mirror of global trends as well.

CUSTOMER PROFILE

This year we made efforts to better understand who channel partners are serving as their customers. We asked what industries partners sell to. Here's a list of the top five verticals:

Government	Financial	Professional / Business services	Healthcare	Manufacturing
36%	**35%**	**30%**	**22%**	**22%**

No surprise that the public sector is important to the channel in Canada, with partners becoming adept at navigating the procurement process in order to land deals. As we saw the government migrate some of its operations to public cloud, that effort is being lead by channel partners specializing on Azure, AWS, Google Cloud, and other cloud vendors.

Most channel partners have a fairly diverse set of customers spanning different industries. When we asked partners if half of their revenue was from one industry alone, **more than three quarters answered "no."**

When it comes to the key buyer or decision maker that channel partners deal with at their customers, about 17% said it was the business owner or line of business lead. Almost one-quarter said it was the CIO or IT department lead. More than half, or 60%, said they were dealing with both.

COMPUTING BRANDS

We asked channel partners what the top three computing brands they offered were. In 2018, here is what the top five brands looked like, based on the number of partners selling them:

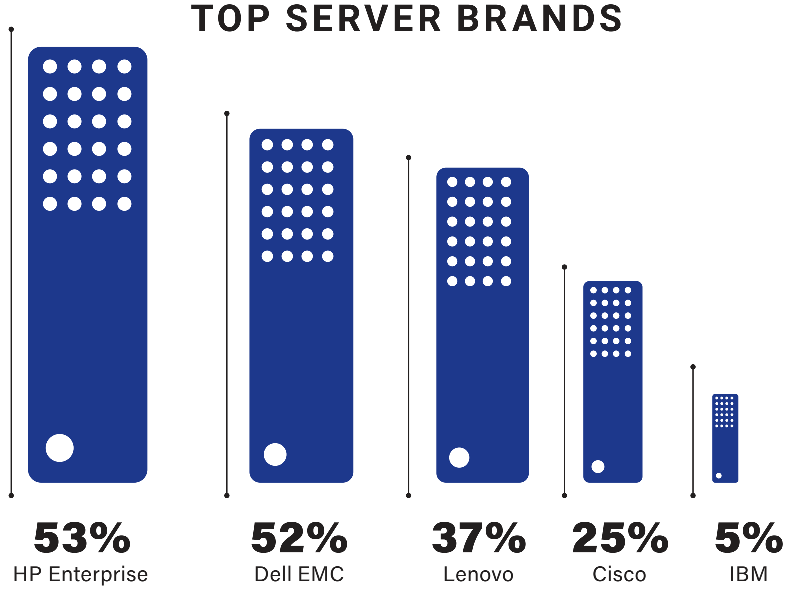
TOP COMPUTING BRANDS

The top three brands we saw in 2018 are consistent with the year prior. But they all had a reduced share of firms reporting sales. Last year, Lenovo was sold by 58.1% of respondents, HP Inc. was sold by 55.1%, and Dell EMC was sold by 50%. Last year's survey didn't collect data on Microsoft or Cisco. It's worth noting 31 partners, or about 23%, say they don't resell at all.

SERVER BRANDS

All across Canada, more businesses are taking a voyage into the cloud, if not moving entire lines of business into the "as a service" infrastructure. But the market seems to agree that hybrid cloud will be the dominant model of the future for enterprise infrastructure. A mix of public cloud and on-premises resources means that servers very much have a place in the portfolios of solution providers. When asked what server brands they resell, the top 5 overall were:

TOP SERVER BRANDS



Last year saw a very similar list of brands on top. Though again, each had a slightly diminished share of partners selling their wares. In 2017, HPE was sold by 60% of respondents, Dell EMC was sold by 53%, Lenovo was sold by 40%, Cisco by 24% (standing out as the exception that didn't decline), and IBM was sold by 13%. Again, 35 partners indicated that they don't resell servers.

ENDPOINT SECURITY BRANDS

Cyber security is a red hot area, with every CIO looking for solutions to manage the many risks of operating in today's connected environment. While security solutions exist to address every layer of the stack, a good endpoint solution is a crucial piece of that puzzle. We asked channel partners what endpoint security brands they were selling, and while the plurality of them aren't reselling at all (33), most have a relationship with at least one security vendor. The top five vendors resold by survey participants are:

- Symantec (Norton) **(24%)**
- Cisco **(22%)**
- Microsoft Security Essentials **(17%)**
- McAfee **(17%)**
- Trend Micro **(16%)**

We asked the same question in last year's survey. Notably, last year's survey didn't ask partners if they sold Cisco's security solutions.

- Trend Micro **(24%)**
- McAfee **(22%)**
- Symantec **(22%)**
- Kaspersky **(22%)**
- Microsoft **(14%)**

OVERALL HARDWARE BRANDS

While analyst reports tell us that the PC market is trending downwards in terms of sales growth, and the cloud services model becomes more popular, hardware is still a key part of the solutions ecosystem. Channel partners may not be hauling towers into offices and hooking them up to monitors anymore, but purpose-driven hardware components are still in demand. Whether it's mobile devices, storage, or next-generation networking gear, the Canadian channel is still very active in selling solutions from IT hardware vendors. In 2018, the top five hardware brands sold by the channel were:

TOP HARDWARE BRANDS

HP Enterprise	Dell EMC	Cisco	NetApp	IBM
50%	48%	43%	13%	9%

In 2018, we asked partners specifically about their top mobile devices offered and printer options offered. For mobile devices, two-thirds of partners don't resell them at all. For those that do, the top brands line up with the most popular devices on the overall market. Samsung is the most popular with 14.2% of partners selling it, Apple is sold by 12.7%, and Microsoft is sold by 8.2%. Note that Microsoft no longer offers smartphones, so mobile devices in this case are tablets, such as the Surface.

For printers, 45 out of our 134 survey participants chose to skip this question, perhaps indicating they aren't involved in this category. For firms that are selling printers, HP Inc. is the clear leader with 52% selling, Lexmark is second with 37%, and Xerox is third with 20%.

FINAL TOP 100 LIST

**The Top 100 Solution Providers list recognizes new players and historical restatements when new information is made available.*

RANK	COMPANY	2018 REVENUE RANGE	WEB SITE
1	Softchoice	$1-$10B	www.softchoice.com
2	CDW Canada	$1-$10B	www.cdw.ca
3	Compugen	$650-$700M	www.compugen.com
4	CompuCom - Grand & Toy	$600-$650M	www.compucom.com
5	OnX Enterprise Solutions (a CBTS company)	$500-$550M	www.onx.com
6	Long View Systems	$450-$500M	www.longviewsystems.com
7	Insight Canada	$400-$450M	www.insight.ca
8	Hypertec Group	$400-$450M	www.hypertec.com
9	PCM Canada	$350-$400M	www.pcmcanada.com
10	Scalar, a CDW Company	$325-$350M	www.scalar.ca
11	Northern Micro Inc., a Converge Company	$150M-$200M	www.northernmicro.com
12	Informatique Pro-Contact	$125-$150M	www.procontact.ca
13	FlexITy Solutions Inc.	$125-$150M	www.flexity.com
14	Convergint Technologies LTD	$125-$150M	www.convergint.com
15	SHI Canada	$100-$125M	www.shi.ca
16	Herjavec Group	$100-$125M	www.herjavecgroup.com
17	Microserve	$100-$125M	www.microserve.ca
18	Esri Canada	$100-$125M	www.esri.ca/en
19	MicroAge	$100-$125M	www.microage.ca
20	Decisive Technologies Inc.	$100-$125M	www.decisive.ca
21	Micro Logic	$100-$125M	www.micrologic.ca
22	Sierra Systems (an NTT Data Company)	$100-$125M	www.sierrasystems.com
23	TeraMach, A Pivot Company	$75-$100M	www.teramach.com
24	SoftwareONE Canada	$75-$100M	www.softwareone.com
25	Audcomp Group Inc	$75-$100M	www.audcomp.com
26	Powerland Computers Ltd.	$75-$100M	www.powerland.ca
27	CPU Design Inc.	$75-$100M	www.cpu.ca
28	Telecom Computer Inc.	$75-$100M	www.telecomcomputer.com
29	WBM Technologies Inc.	$75-$100M	www.wbm.ca
30	Stoneworks Technologies Inc. (SWTI)	$50-$75M	www.swti.ca
31	Charter	$50-$75M	www.charter.ca
32	Dimension Data	$50-$75M	www2.dimensiondata.com/en
33	DirectDial.com	$50-$75M	www.directdial.com
34	Optiv Security	$50-$75M	www.optiv.com

RANK	COMPANY	2018 REVENUE RANGE	WEB SITE
35	NOVIPRO Inc.	$50-$75M	www.novipro.com
36	Technology Integration Group	$40-$50M	www.tig.com
37	Coreio Inc.	$40-$50M	www.coreio.com
38	CentriLogic	$40-$50M	www.centrilogic.com
39	HighVail Systems Inc.	$40-$50M	www.highvail.com
40	Information Systems Architects Inc. (ISA)	$35-$40M	ww.e-isa.com
41	CBCI Telecom	$35-$40M	www.cbcitelecom.com
42	Sudden Technologies	$35-$40M	www.sudden.ca
43	Zycom Technology Inc.	$35-$40M	www.zycomtec.com
44	PureLogic IT Solutions	$35-$40M	www.purelogicit.com
45	Zones Canada	$35-$40M	www.zones.com
46	PrintersPlus Ltd.	$35-$40M	www.printersplus.net
46	Groupe Access /Tenet	$35-$40M	www.groupeaccess.ca
46	SourcetekIT	$35-$40M	www.sourcetekit.com
49	COMPAREX Canada Inc.	$35-$40M	www.comparex.ca
50	Open Storage Solutions Inc	$30-$35M	www.openstore.com
51	Unity Connected Solutions	$30-$35M	www.unityconnected.com
52	Graycon - Ricoh Canada ITS Division	$30-$35M	www.graycon.com
53	Annex Consulting Group Inc.	$30-$35M	www.annexgroup.com
54	QRX Technology Group	$30-$35M	www.qrxtech.com
55	Caretek	$25-$30M	www.caretek.ca
56	IT Weapons, a Division of Konica Minolta Canada	$25-$30M	www.itweapons.com
56	Quartech	$25-$30M	www.Quartech.com
58	PC Corp.	$25-$30M	www.pccorp.com
59	F12.net Inc.	$25-$30M	www.f12.net
60	Epic A Bell MTS Company	$20-$25M	www.epic.ca
61	Onica	$20-$25M	www.onica.com
62	Brains II Solutions, Inc.	$20-$25M	www.brainsii.com
63	Smith & Long	$20-$25M	www.smithandlong.com
64	4 Office Automation Ltd.	$15-$20M	www.4office.ca
65	ASCA Office Solutions	$15-$20M	www.ascaofficesolutions.com
66	Data Integrity Inc	$15-$20M	www.dataintegrity.com
67	BAASS Business Solutions Inc.	$15-$20M	www.baass.com

RANK	COMPANY	2018 REVENUE RANGE	WEB SITE
68	Encore Business Solutions	$15-$20M	www.encorebusiness.com
69	SmartPrint Inc.	$15-$20M	www.smartprint.com
70	End to End Networks Inc.	$10-$15M	www.endtoend.com
71	Carbon60 Networks	$10-$15M	www.carbon60.com
72	SolutionStack	$10-$15M	www.solutionstack.ca
73	Commerx Computer Systems Inc.	$10-$15M	www.commerx.ca
73	Triware Technologies Inc.	$10-$15M	www.triware.ca
75	Digitcom	$10-$15M	www.digitcom.ca
76	BrunNet Inc.	$10-$15M	www.brunnet.com
77	MBU / Tenecom Solutions	$10-$15M	www.tenecom.com
78	ProServeIT Corp	$10-$15M	www.proserveit.com
79	Lanworks Inc.	$10-$15M	www.Lanworks.com
80	Quartet Service Inc	$10-$15M	www.quartetservice.com
80	SysGen Solutions Group	$10-$15M	www.sysgen.ca
82	MYRA Systems	$10-$15M	www.myra.com
83	Softlanding Solutions Inc.	$6.5-$10M	www.softlanding.ca
84	Sourced Group	$6.5-$10M	www.sourcedgroup.com
85	Think Communications Inc.	$6.5-$10M	www.thinkcommunications.ca
86	New Signature	$6.5-$10M	www.newsignature.com
87	Nucleus Networks	$6.5-$10M	www.yournucleus.ca
88	Telehop Business Services Inc.	$6.5-$10M	www.telehopbusinessservices.com
88	Itergy	$6.5-$10M	www.itergy.com
90	CloudOps	$6.5-$10M	www.cloudops.com
91	Eastbay Cloud Services Inc. (ECS)	$6.5-$10M	www.eastbay.ca
92	User Friendly Systems Inc.	$6.5-$10M	www.ufs-inc.com
93	Difenda	$6.5-$10M	www.difenda.com
94	Binary Stream Software Inc	$6.5-$10M	www.binarystream.com
95	Arctiq	$6.5-$10M	www.arctiq.ca
96	Conpute	$6.5-$10M	www.conpute.com
97	Maestro Technologies inc	$6.5-$10M	Www.maestro.ca
98	FoxNet Inc	$6.5-$10M	www.foxnetsolutions.com
98	Access Group Inc.	$6.5-$10M	www.access.on.ca
100	INFINITE IT	$6.5-$10M	www.8it.ca
100	Kamloops Computer Centre	$6.5-$10M	www.kcc.ca

SPONSORED BY

Dropsuite
Simply better backup

BROUGHT TO YOU BY

CHANNEL DAILY NEWS

IN PARTNERSHIP WITH

IDC
Analyze the Future

SUPPORTED BY

C4
CANADIAN CHANNEL CHIEFS COUNCIL