



## Joe Mertens

President and CEO, Sirius Computer Solutions

**Editor's Note:** In this month's issue of *Executive Perspective*, **martinwolf** interviews Joe Mertens, President and CEO, Sirius Computer Solutions. Joe began his career with Sirius (then known as Star Data Systems) in 1984 and oversaw the company's wholesale and distribution divisions. In 1997 those divisions were acquired and renamed Business Partner Solutions, where he became president and CEO and oversaw sales growth from \$237.9M to \$767.2M in 1999. When the company was acquired by Avnet, he then became its executive vice president and general manager of its IBM Business Unit before returning to Sirius in 2002, later being named president in 2008 and CEO in 2011.

**Sirius has historically been a big IBM shop. What are your thoughts on IBM today? How have their priorities changed, and how does that affect their partners like you?**

IBM became focused much earlier than most other OEMs on what it does best and exiting commodity-oriented products. You can see this in what it has done with printers, PCs, laptops, x86-based servers, point-of-sale equipment, memory, and commodity storage devices. With these dollars, the company has reinvested in its future, which is focused on cloud, analytics, software, services, and "scale-up" server technology.

While these changes have at times been difficult to manage for both them and us, I am very optimistic about where they are headed. Other OEMs are just now trying to figure out how to weather the storm of commoditization, either by merging or divesting, or through targeted investment. For Sirius, starting in 2010 we have transitioned our company very similarly. We have invested in growing our software and services practices, while at the same time ensuring that in those segments that IBM may be exiting, we are diversifying our business with best-of-breed solutions that our clients need to fulfill their requirements in the data center.

**How does IBM remain competitive in an environment prioritizing "Best in Class" or "Best of Breed"?**

I believe IBM's software portfolio is absolutely "Best of Breed." This is especially true in analytics, security, and web commerce. I also believe that in "scale-up" server technology, no vendor has solutions as robust as IBM's. There are many players in the x86-based servers and open storage markets, and differentiation becomes difficult due to the standardization of hardware components. For these reasons, IBM has exited the x86-based server market and in storage, has chosen to focus on software to improve the simplicity of management and to

*“Our clients want a solutions integrator that understands the technologies of many different manufacturers.”*

improve density of data per terabyte. In these commodity-based products, IBM believes that software will be the key to winning in the marketplace, and we agree with that assessment.

**Are you lessening your dependence on IBM? What are your thoughts on IBM in the future?**

Our focus on diversification really has nothing to do with moving away from IBM in any way. In fact, our latest acquisition, part of Avnet’s services business, was a direct investment in IBM software and services related to implementing those solutions. What we are doing to diversify is focusing on our clients’ needs. Our clients want a solutions integrator that understands the technologies of many different manufacturers. The client data center of today contains products from many different providers, but the clients are tired of finger pointing between manufacturers and integrators when there is a problem. They want to work with a firm like Sirius, which has skilled resources from coast to coast and can take responsibility for all facets of the overall project, including servers, storage, networking, software, services, and cloud, to ensure that any project is successful.

**M&A is a core competency of Sirius. Are you remaining acquisitive going forward? What are you looking for?**

Sirius has averaged an acquisition each year over the past ten years, but we have completed three in the last twelve months. Our view is that we need to grow our business both organically and through acquisitions. Historically, the acquisitions we focus on have been based on adding skills to our organization, as well as building out our sales capacity across the US. Going forward, acquisitions will continue to be very important for us, with a focus on both adding offerings to our national platform and building out strength in those geographies where we need additional skills.

**What opportunities does Kelso provide you, especially when compared to those provided by Thoma Bravo?**

We were very pleased with our relationship with Thoma Bravo over the last nine years. Throughout our relationship they were very supportive, and we roughly tripled the business during their investment. That said, we also are very excited about our new partnership with Kelso & Company. They are excited to help us continue our growth both organically and through future acquisitions. When you have good partners like Thoma Bravo and Kelso, it really allows you to accelerate your growth.

**Where are the top 3 market opportunities you see for Sirius?**

Software has been a great growth driver for Sirius and we believe will continue to be. Customers need business solutions around

Commerce, Analytics, Security, and Mobile, and we will continue to invest in these areas. We also believe that in the world of the Internet of Things, and that continued investment in our Networking Practice is key. Lastly, clients are looking for new ways to use IT as a service, so our continued focus on growing our Managed Services and Cloud capabilities are very important.

**How have you been able to grow your services revenue?**

Clients see the most value in our services offerings. Our managed services and software services are our fastest growing, but even our infrastructure services offerings are growing at roughly twice the rate of our infrastructure product sales. What this shows is that clients are always willing to pay for skills that add value.

**How do you overcome competing with some of the biggest companies in the world?**

Simply put, we have to work harder and do a better job than the OEMs themselves. The key to being able to achieve that is having great people. I have been blessed to be part of an organization where the quality of our people is second to none. We hire the best and brightest and then ensure we keep them happy through ongoing education and a positive culture focused on work/life balance. When your people are happy, that comes through in the work they perform for our clients. This ultimately translates into happy clients that continue to grow their business with us.

**What's it like being a hot technology company in San Antonio?**

San Antonio is an exciting city. We have grown with the city, which has a low cost of living, great weather, and is one of the top tourist destinations in the country. We have seen many companies come to central Texas (chiefly San Antonio/Austin) for these reasons, as well as its very favorable taxation and regulatory environment.

Technologically, San Antonio is a cloud leader with companies such as Rackspace being headquartered here, as well as one of the top locations for cyber security due to the military and NSA presence here. All of these factors together have allowed us to continue to grow and find great talent.

**What are your thoughts on today's interest rates and multiples?  
How do you expect both to change in the next twelve months?**

I think that in today's market, private equity has really helped to grow both valuations and interest in the VAR or solution integrator space. I feel that as long as interest rates remain low, we will see valuations remain relatively high. If rates rise as predicted, or should the availability of financing become more difficult, we will see valuations drop as so much of the activity in our space has been driven by

private equity, which requires debt availability to complete its acquisitions. For Sirius, we believe that having a strong private equity partner in Kelso & Company positions us well for the future and for the likely consolidation we will see in our industry.