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Sirius Expands Northeast Presence with SCS Buy

by Timothy Prickett Morgan

Server and software reseller [Sirius Computer Solutions](#) last week expanded its presence in the Northeast region of the United States and simultaneously built out its expertise on various [IBM](#) software solutions through the acquisition of a competitor, [Strategic Computer Solutions](#). While SCS is a fraction of the size of Sirius, it is a fairly large reseller of IBM wares in its own right and will make Sirius even more formidable in the market for IBM technology.

Sirius, which was founded in 1980, is based in San Antonio, Texas, and is currently privately held. But considering the recent investment stake by private equity firm [Thoma Cressey Bravo](#), which has been investing in companies in the System i ecosystem for the past year, and the very high growth rates that Sirius has been able to attain in the cut-throat server and software reseller market, it is beginning to be reasonable to think about Sirius becoming a public company.

For now, however, Sirius is a privately held firm, just like SCS, so the financial terms of the deal were not disclosed. That said, Sirius is an open company, and Joe Mertens, executive vice president, is happy to talk about the feeds and speeds of the two companies and how they will fit together.

Sirius is IBM's largest solution provider in the United States, and only sells servers and storage with the IBM brand on them. It is the largest reseller of System i and System p servers in the States, and ranks second in System z, System x, and storage sales. Sirius is IBM's largest software reseller in the country, and its largest conduit for selling software and services, too. Sirius has 5,500 customers, who are served by some 600 employees who have over 1,500 certifications on IBM gear and who operate out of 65 offices around the country. About 25 percent of annual revenues from Sirius are on the System i platform.

Being a Texan company that is relatively close to California, it will come as no surprise that about half of the revenues at Sirius come from IBM's western region, with about 25 percent coming from the central IBM sales region and about 25 percent coming from the eastern region. While Sirius is growing faster than the server market at large--it posted sales of \$618 million in 2006 and is on track to hit \$735 million in sales without the SCS acquisition in 2007, which is 19 percent growth--the company's presence in IBM's biggest region--the eastern part of the United States--is relatively small. A little more than 40 percent of IBM's sales in the United States comes from the east. Sirius is trying to get a bigger piece of the eastern pie by acquiring SCS.

This deal is the second one that Sirius has done this year to build up its presence in the Eastern part of the United States. In May, Sirius bought a company called DyComp, based in Clemmons, North Carolina, that had expertise in System i technologies,

including various Tivoli security tools, Web content management, IP telephony, and database and other information management tools. DyComp was an IBM premier business partner since 2000, and sold the System i and System p Power-based servers and the System x X64 servers.

SCS is based in Syracuse, New York, and was founded in 1977. It has around 130 employees, who work in 20 locations in the northeast and who have 350 IBM certifications. SCS has about 1,400 customers, and about a third of its \$95 million in sales in 2006 were driven by the System i platform. Of those 1,400 customers, only 10 of them are existing Sirius customers, mainly because Sirius does not have a strong presence anywhere north of New York City, according to Mertens. Or it didn't until now. SCS has a business partner innovation center in Boston, has offices in Albany and Buffalo in its home state--which is also IBM's home state--and offices in Pennsylvania and Ohio. SCS also had a federal business located in Washington, D.C., which snaps right into its own operations there. On the software front, SCS does a lot of work with the IBM labs responsible for development of Domino groupware and WebSphere application servers and e-commerce programs.

"This is a very complimentary acquisition," says Mertens. Thanks to the influx of cash from Thoma Cressey Bravo, Sirius could be looking to do acquisitions to further expand. "We are not interested at this time in expanded outside of the United States," he says. "Our view on acquisitions is that we want to fill in holes in our coverage or build up skills. We like our growth to be half organic and half from acquisitions, and right now, there is so much opportunity in the United States."

However, IBM's agreements with resellers cover the North American region, meaning the United States plus Canada. One logical step that Sirius could take is to look northward to Canada and make acquisitions there. This is a point that Mertens conceded, but he was mum on any plans.

All SCS employees have joined Sirius, including the entire management team.