Fred van den Heuven – Former Senior Account Executive Infradata – *August 1st, 2022*

1. **Expert background**

- Has been working in the cybersecurity market for 15-20 years.
- Started with ION-IP, a Dutch-based company taken over in 2018 by Telindus, part of Proximus. In 2020, decided to leave the company.
- Joined Infradata (in the Netherlands), worked there for 2 years at the telco department. Clients: companies like [Rego], also KLM, Triodos and other financial institutions.
- In May 2022, decided to stop working with Nomios and started his own activity. Contractor for Spanish organization.

2. **Nomios: brief company overview/value proposition**

- Origin of Infradata: a **networking company**, with strong presence in the NL. Took over companies in the UK, Poland, Germany, Belgium and then France (Nomios).
- Has been focusing more and more on **cybersecurity** over the last 1.5-2 years, replicating the strategy of Nomios, which was already successful with cybersecurity in France. Infradata was renamed to Nomios in November 2021, other companies in Europe also did a rebranding to Nomios.
- In the future, anticipates that cybersecurity will be the main activity of the company.
- Nomios has a Security Operating Center (SOC) in France, started to build one in the NL based on the French model.
- **Networking services**: delivering of products and software solutions, based on **service level agreements**, from companies like **Juniper**, main partner for Infradata when it started. Beg. 2020, other manufacturers became part of the portfolio such as: **F5 Networks, Palo Alto, Fortinet, Cisco**. Infradata does the installation and consultancy of the projects acquired by its clients, break fixed service based on the SLAs.
- No managed services up to 2020-2021. Today: more focus on **managed security services**: internally managed by Nomios, partly delivered from the SOCs.

3. **Market growth drivers**

- Networking has become more or less a **standard offering** for a lot of partners. Margins of those projects came under pressure.
- Covid-19 impact: lot of investments in pure networking were put on a standstill.
- Enormous growth in cyber activities at the same time.
  - Due to the **lack of knowledge within end-users** and part of the partners landscape, cyber security became a very profitable way of doing business: **higher rates** for **managed security services** (vs. pure networking), high-end services, lots of knowledge.
  - A few companies moved from networking to cybersecurity organically, or through **acquisitions**. Securelink was acquired by Orange Cyberdefense, Motiv acquired by Atos, KPN aggressively acquiring in the NL.
  - Other companies which could not follow the move to cyber stayed at low-margin networking projects.
- Big advantage of Infradata: very **large installed base of loyal customers of 10+ years**, which also needed cyber solutions.

4. **Customer portfolio**

- Nomios' key clients in the Netherlands include:
  - Main **networking** supplier for the larger **operators** e.g. KPN, Vodafone, T Mobile. When the operators started to deploy 4G/5G, they needed high end solutions and knowledge and consultancy services from companies like Infradata / Nomios. Very strong growing need of **security solutions** came over the market.
  - Also serving **governmental institutions and financial institutions**.
  - SMEs: not a main focus.
- Key success factors

- **Expertise** within the company: Nomios has always invested a lot in training, e.g. when they go for a new technology from a manufacturer, they invest in training their engineers, architects, sales people, consultants, etc. on that specific technology. > **high quality of service.**
- **+ Loyal customer base based**.

5. <u>**Key features of contracts**</u>

- Normally a **multi-year contract**, especially for telcos and service providers: **3-5 year contract** with a new customer, then renewed automatically or at customer's request, for 1 year or in some cases (larger customers), multi-year contract again.
- Within those multi-year contracts, **Enterprise License Agreement** (ELA): very interesting feature, allows customers to migrate / grow their business with manufacturers. Mainly offered by the manufacturer: and marketed via partners like Nomios. Allows the end-user to grow their base during the year without any added cost. Then, a new yearly price is negotiated at year-end based on the installed base at that moment. **Very flexible model** for the end user (can also renegotiate if base decreases). Client has to meet certain **volume criteria** to have an ELA, so only for the larger companies, who are hence the most interesting customers for Nomios and the manufacturers, long-lasting relationship.

6. <u>**Revenue generation**</u>

- Nomios gets a certain % of margin on the hardware/software provided by the manufacturer and that Nomios sells to the end user. Next to that, Nomios generates 100% margin on the real services (feet on the ground), who are being delivered mainly by partners (not the manufacturers who don't have the resources). Manufacturers need the expertise of the partner.
- Nomios margin split:
  - Margin on hardware, software: 20% of total margin
  - Managed services provided by the partner itself: 50-60% of total
  - Service level agreement or enterprise license agreement: remaining 20%-30%.
- **Pressure on margins**
  - Margins on **hardware** very low, especially for large organisations, as solutions become **standard**. Margin **below 20% or even 15%**.
- **Cybersecurity**: more healthy margins, because lack of knowledge within end user. Need expertise / knowledge of the partner. Not much knowledge available in the market so more interesting prices. **Margins: 30-35%.**
- **Managed services** are mainly delivered by the partners themselves. Does not know for Nomios, but was 100% margin in other companies he worked with because people that deliver the margin were already on the payroll of the company. **60% margin after salaries and training**.

7. <u>**Customer churn**</u>

- Customer has no reason to leave, except if you cannot deliver newly requested services. Loyalty is very high as long as you deliver high quality of service. High satisfaction rates within Nomios customer base. **Churn very low, below 10%.**

8. <u>**Drivers of commercial strategy**</u>

- 1st driver is the need that a customer feels, e.g. for a better level of cybersecurity within his organization. They come automatically to their existing partner given they are satisfied with him.
- 2nd driver: the manufacturer itself, who can promote new services (especially in cybersecurity) to the end user, if this is a very loyal customer (e.g. Vodafone), they have a direct touch.
- 3rd driver: the partner himself, who is looking to extend footprint within existing companies.
- More a farmer strategy than hunter strategy, as it is more comfortable to work with existing customers on new technologies because those customers know you.

9. <u>**Relationship with manufacturers**</u>

- Manufacturer is the main player. They define the rules of engagement, the partner models, etc. They require a certain level of knowledge from their partners, which they classify into **silver, gold, and global partner**. This determines the **discount they grant** to the partner: global gets the highest discount.

- **2 conditions for the classification: (i) level of expertise at the partner (training) (ii) level of sales made during the year.**
- Partner is usually protected by the manufacturer for specific customers. Manufacturer grants specific discounts only to <u>one</u> partner, which they see as having higher chance to win a specific project.
- Manufacturer can also grant **another discount** on top of the usual discount, if the partner is involved in a specific project with the end user, that the manufacturer supports. E.g. if discount is 20-30-40% (for silver, gold, global), you can get 5-7% extra for a specific project.

10. <u>Integration / company culture</u>

- Infradata did change of name in November 2021.
- **Very positive on the strategic change**: French company has a better strategic positioning in France based on a much broader portfolio of solutions than the other companies of the group (UK, NL, Belgium, Germany, Poland) + Group CEO is CEO of French entity Nomios.
- There is no specific constraint to a good integration: other companies of the group are mature enough to see that the strategy in place in France is the strategy to go for.
- Would note however big difference in cultures between countries. Local management is still in place and very much key in adopting the group strategy within their particular country.

11. <u>Staff recruitment and retention</u>

- Very difficult especially after the pandemic.
- Attractiveness of the partner for talented people is key, notably ability to provide **training**: lot of organizations are starting programs for young people, offering a contract + a training to become a cybersecurity specialist within a year. Does not know if in place at Nomios.
- Nomios has a **very positive perception** as employer on the market, known by end users as very high level with well-educated people, same for talents.