



## State of the Company Letter 2016

Welcome to the Apogee IT Services' 2016 State of the Company Letter. This is the 13th annual State of the Company Letter (SOTCL). For those new to the Apogee family, the SOTCL was initially conceived by PC Network Services founder Peter Briden in an airport back in 2004 while watching the President's annual State of the Union Address. Peter put pen to paper, and a tradition was born.

This is the first SOTCL to appear under the Apogee IT Services brand. It is also the first to include our New England clients, who joined us in 2015 when we acquired CMIT Solutions – Boston. Our merger with the Boston team and our re-branding are just a few of the major events that we saw in 2015. We will share some of those events in this Letter, along with a review of the IT industry and things you might expect to see over the next 12 months both in the industry and from Apogee.

Before we begin, we first want to give a huge Thank You to the people who give us our purpose:

- To our clients for giving us the opportunity to perform every day while doing what we love
- To our employees for their dedication and commitment to our clients and to our company
- To the many friends, suppliers, peers and others whose wisdom, cooperation, and support are an important part of our world

We also want to thank everyone who provided us with feedback – both the attaboys and the suggestions for how we can do better – over the past year. Your feedback is critical to helping us be a better service provider, a better partner and a better company.

Regards,

Michael Halperin  
CEO, Apogee IT Services



## State of the Industry

I.T. is certainly a dynamic industry. It changes so fast, and yet certain themes remain. Many of the most important things happening in our industry are updates on things we discussed in last year's SOTCL:

**Security** is still the most interesting, dynamic and scary part of the IT world. We predicted in last year's SOTCL that we would see more creative and serious attacks and – unfortunately – we weren't wrong. As we enter 2016, social engineering schemes remain among the most effective and prevalent attacks, triggering for some of the highest-profile breaches of 2015. Ransomware attacks also increased in number and variety.

We've heard a few organizations tell us “we're too small to be a target”. Nothing could be further from the truth! Attackers often don't know who they are hitting. The vast majority of attacks world-wide are blind attacks looking for a particular vulnerability. They hit a million IP or email addresses and don't know (or care) whether those targets are a multi-national corporation, a government agency or a small law firm. The best protection is a thoughtful, multi-layered security posture that thwarts a wide variety of attacks across a variety of threat vectors. That is the approach Apogee deploys.

In 2015, we talked with many clients about additional security layers, such as implementing a strong password policy, two-factor authentication, and segregating wireless networks for “trusted” and “untrusted” endpoints. Over 2016, we will continue to promote additional layers of security, with the sobering message that many of the layers that were considered optional 18 months ago are becoming necessary just to maintain a responsible, baseline security posture today.

With an effective, multi-layered security profile in place, the biggest point of exposure becomes end users who are unaware how their behavior impacts security. In 2013, we introduced our KnowBe4 Internet Security Awareness Training (iSAT) as a method to educate end users on the dangers of social engineering attacks, and we continue to make iSAT available to our clients at no additional charge. We strongly suggest all our clients roll-out the training. We expect an update to the training in 2016 and once that is available, we strongly recommend that all our clients who cascaded the iSAT training to their users in previous years do so again.

**Cloud** continues to become more and more mainstream and the world of cloud services is beginning to look a little less like the Wild, Wild West, as specific cloud market niches emerge. Software as a Service (SaaS) is firmly entrenched and is the preferred method for delivery of software in many areas. Cloud backup is becoming cheaper all the time, and therefore more common. Cloud email also continues to grow in popularity (we continue to add clients both to our own hosted email and Microsoft's Office 365).

One area that remains in flux is Infrastructure as a Service (IaaS) – moving everything to the Cloud. We predicted last year that IaaS adoption was not going to be as broad as some had suspected, and that indeed is looking like the case. In fact, we heard in late 2015 a new term: “de-clouding”. Some organizations who adopted IaaS encountered higher costs or degraded performance, and now are trying to determine how to migrate back to premises-based infrastructure.

The decision to move to the cloud or stay on premises is not a One-Size-Fits-All discussion; it is an important decision to be made carefully and thoughtfully by each organization based upon its specific situation and needs. Apogee has for several years taken a “cloud-agnostic” approach, which allows us to



be successful helping clients regardless of whether their infrastructure is on premises, in the cloud, or a combination of the two.

As the rush to IaaS has slowed, there seems to be an over-saturation of providers trying to compete against the mega-providers like Amazon and Microsoft Azure. This will likely drive smaller providers – especially those with large storage footprints – to migrate from broad IaaS to online storage/cloud backup, and that will drive prices for those services further downward. Ultimately, that is good for buyers, but expect to see some Cloud Service Providers go belly up in the next 24 months, with the risk that some customers will find themselves needing to execute a rush migration.

**Microsoft's new products** always present questions for our clients. **Windows 10** launched in 2015, and our message to all who asked was NOT to be an early adopter. Among other concerns, organizations may find that some key applications are not Windows 10-ready, as application development typically lags OS availability. In the meantime, Windows 7 (and 8) continue to be viable, stable operating systems through 2016 and beyond (Microsoft projects Windows 7 End of Life for 2020), so there is no hurry to migrate to Windows 10. That said, we do expect that over the course of 2016, more and more organizations will accept Windows 10 on new desktop machines. Our rule of thumb is to wait until the first service pack is launched. That hasn't happened yet, but likely will over the course of this year.

**Office 2016** also launched in 2015, and we recommended the same Wait & See approach. However, Microsoft projects End of Life for Office 2007 in October 2017, so people running that version should start thinking about upgrading. Organizations have varying tolerance for running different versions of Office within their organization – this is a good conversation to have with Apogee during our Strategic Advisory meetings (more on those in a minute).

**Internet Bandwidth** continues to get faster and cheaper. We regularly see speeds as high as 100 Mb available at client locations (especially in more populated areas) at prices lower than what was paid for much slower connections just a few years ago. As with real estate, the three keys are "Location, Location, and Location". Apogee can work with you to let you know what carriers and connection speeds are available to you. However, be aware that some firewalls that work fine at lower speeds can become bottlenecks at higher speed, so be sure to give Apogee plenty of notice before making arrangements for higher speed bandwidth so we can help with the planning and implementation.

## State of Apogee IT Services

Our 2015 was dominated by three major events: the merger of PC Network Services and CMIT Solutions – Boston; our re-branding as Apogee IT Services; and the growth of our staff's depth and breadth. Here are some 2015 highlights:

**Boston Operations** – The CMIT Solutions - Boston team joined the fold last April. For our Pittsburgh operation, this has been an exciting expansion of the skill and depth of our team. For Boston, it allowed a growing company to maintain its growth trajectory without diverting resources to administrative and business infrastructure PCNS had already built. For both operations, our key goal was to accomplish the integration of the two companies while minimizing the impact to our clients. Nine months later, our clients tell us we were largely successful in achieving that goal.



**Re-Branding** – Even before the CMIT Solutions – Boston acquisition, a name change for PCNS was on the radar (we mentioned it in last year’s SOTCL). The Apogee IT Services brand launched in late July, and has since received positive reviews from all corners. Again, the goal was to minimize the impact of the change on our clients, no small feat when you consider how many systems in our service delivery infrastructure needed a quick update or re-direct.

**Growing the Team** – In last year’s SOTCL we talked about continuing to grow our staff. This time in 2015, we had 23 full-time staff in Pittsburgh and 12 in Boston. Today, we have 55 full-time staff (40 in Pittsburgh Ops and 15 in Boston Ops). While the merger of our two companies certainly was a key driver of this, organic growth has also been strong. The result is a team that has more depth, breadth and skill redundancy than we’ve ever had. It makes us more responsive to our clients and more resilient as an organization.

**We are Only as Good as our People** – No one knows better than our clients how critical our people are to the quality of service we deliver. We won’t take you through the whole list of things we’ve done over the past year to help our team members grow and develop, but from our career path program (“The Ladder”) to our new 2016 benefits expansion, we are proud of what we’ve done to be the best employer we can be. We need to provide our team members with growth opportunities, a great work environment, and a work lifestyle that continues to support them as they mature and grow throughout their lives and careers. Our goal is to become the best company in our industry at developing great technical talent, and part of that is giving our team reasons to love Apogee (and stay with us for the long-term).

**Learning from our Clients** – Our most important function as a company is maintaining the loyalty and trust of our existing clients. In November of 2014, we sent our first Client Loyalty Survey to clients supported by our Pittsburgh operation. We’ve sent this simple survey to a portion of our client base every quarter since (the recipient list is split into four pieces, so each recipient gets the survey once per year). We implemented the survey in Boston immediately following the acquisition. While we are happy to report we consistently score well above industry benchmarks, constructive feedback has allowed us to identify specific areas where we can improve. For instance, the Pittsburgh Help Desk eliminated “Tier Zero” (someone who answers the phone but can’t resolve any issues) specifically because of feedback from the survey.

Clients also use the Survey as an opportunity to give a call-out to Apogee staff who have been particularly helpful to them. Every call-out earns that Apogee staffer a prized Gold Star pin (suitable for office/cube display). Some staffers have over a dozen! The survey has become a valuable tool for telling us what we are doing well, what we can do better, and whether actions we take are working. Our thanks to everyone who took the few minutes to complete the survey over the past year, and our thanks in advance for completing surveys we send in 2016. The survey is designed to be quick and easy for you, and your input is so valuable to us!

## **What to Expect from Apogee in 2016**

First and foremost – as always – our top priority is to maintain the highest standards for service delivery. While there have been a lot of changes at our company over the past couple years in Pittsburgh, and in



2015 in Boston, we are proud that the general consensus is that we have maintained or increased our responsiveness and level of service. We continue to take a ‘No Compromises’ approach to service delivery into 2016 (and beyond). A few other things to expect:

**Strategic Advisory** – Our clients rely upon us for tactical and strategic advice, and that is a large part of the value we provide. As we grow, we are grooming some of our best and brightest for a role we call Technical Account Manager (TAM). TAMs add value for our clients in two ways. First, they act as a client advocate anytime you aren’t sure who to turn to for help or if you need advice on technical direction or decisions. In addition, the TAM is responsible for working with clients on the development of a strategic roadmap. The forum for this discussion is what we call a Strategic Advisory Meeting, which we conduct with most clients at least once per year. Among the goals of the roadmap is to make sure clients have advance knowledge (usually at least a year) of any major budgetary items they need to plan for. The TAMs do not replace the relationship you have with anyone in Apogee – including our principals (Michael Halperin, Dave Minker, and Clint Laviano) – but are an additional resource to work with you over time. The TAM program is gearing up in our Pittsburgh operations in Q1, and clients supported by Pittsburgh should hear from their contact over the next few months (if you haven’t already). In New England, the TAM program will ramp up later in the year (and Dave Minker continues to work with clients as usual).

**New Faces/New Places:** In addition to our New England clients who are receiving this SOTCL for the first time, we are proud to welcome 18 new clients who joined the Apogee family over the course of 2015. We anticipate similar growth in the coming year. We are sometimes asked whether another acquisition is on the radar. While that is a possibility, our primary focus continues to be organic growth. We have pockets of clients in a few places outside of Pittsburgh and New England, and we hope to build our geographic footprint, especially in areas like eastern Ohio and New York, where we already have a concentration of clients. All of this means we will continue to build our staff and you should look forward to meeting and working with new, talented Apogee people over the course of 2016.

**Refresh of Business Continuity/Disaster Recovery:** Apogee clients enjoy a well-defined and reliable backup & disaster recovery (BDR) posture. Continuing developments in the BDR industry – such as the declining cost of cloud-based storage – present new options. Over the course of the first half, we expect to review our BDR platforms and develop new options for both on-site and off-site backup. While we don’t expect many cases where an immediate change to backup tools will be necessary, clients should expect to hear about new backup options during our Strategic Advisory discussions.

**More Layers of Security:** As mentioned above, some of the security layers that were considered nice-to-haves 12 or 18 months ago are becoming “table stakes” measures now. For instance, a year ago, we strongly suggested in Strategic Advisory sessions that clients implement a strong password policy. Now, we are warning organizations (especially where formal compliance requirements are a factor) that failure to implement such measures leaves them exposed from an audit and diligence standpoint. We expect to invest much of our roadmap development time in 2016 to evaluating and bringing additional layers of security into the portfolio, and security will continue to be a main focal point in our Strategic Advisory discussions.

**Anti-Spam Change** – A couple months ago, we announced to our clients using McAfee anti-spam (most of these clients are covered by our Pittsburgh operation) that Intel has decided to eliminate McAfee by the end of 2016. Work is underway to identify a solid replacement to McAfee’s email filtering and



continuity features. Clients who have McAfee should expect updates on our transition plans over the coming months. Our top priority is to make the transition as seamless as possible for end-users.

## **In closing....Thank You**

*As always, we appreciate the opportunity to be your technology support provider. We strive hard each and every day to learn new technologies, improve our systems and processes, and increase our value to our customers. Thank you for allowing us to perform. We appreciate the trust and confidence you place in our company and our people. As we look back on the past year we are proud of what we have accomplished, and we are excited about the possibilities 2016 brings. We anticipate many challenges in the coming year – both expected and unforeseen – and we look forward to tackling them as we always do – prudently, thoughtfully, and methodically.*

*Thank you for your time, your interest and – most importantly – for allowing us to be your partner. Have a GREAT 2016!*

Regards,

Michael Halperin

David Minker

Clinton Laviano