

A NEW FRONTIER

EPISODE 2



***GREATNESS***  
**RISES**

**PLAYBOOK**

★ 2023 ★

TRACE**3**

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# OUR SECRET WEAPON

*OUR PEOPLE AND OUR TEAM*

Happy New Year Trace3!

Welcome to 2023 and the next leg of our journey into the New Frontier – “Greatness Rises.”

Our theme this year reflects the response of great teams when faced with tough challenges: they find that extra gear and rise above the competition.

This coming year promises to push us, and a number of market forces will attempt to stand in the way of our growth goals. But as our friend Jocko Willink would say, “GOOD!”

I am extremely confident we will excel where others may fall flat. This will be a year where we truly rise, where we truly separate from our competition.

The reason? Our secret weapon: **Our People** and **Our Team**.



Think of the greatest teams you've ever witnessed and ask yourself, "What are the qualities they **ALL** share?" A few key descriptors come to mind:

- Burning Passion
- Absolute Teamwork
- Always Innovating
- Elite Expertise
- Consistent Accountability
- Contagious Enthusiasm

And perhaps the most defining characteristic of all is **how they react when faced with a challenge**. Do they run away from it, or do they embrace it?

Our team, along with our Core Values, will be on full display as we enter what most predict to be a highly challenging 2023, driven by the economic climate. Success in this environment will require us to demonstrate all the qualities that make Trace3 special and to truly operate as a Great Team.

Great teams share a common mission – one so focused that individual team members can perform at their highest level, free to exercise creativity in the moment while also working in rhythm with their teammates. For Trace3, that mission is, and always has been, elevating and securing the lives of our clients, partners, teammates, and communities.

So, in the pages that follow we'll call on each of you to consider your own role in actualizing **GREATNESS**: To lead. To be the best. To make a difference. To think differently. To work in unison with your teammates. To ensure Team Trace3 does indeed rise above the rest.

Our Greatness Rises annual operating plan acts as the second installment in our five-year New Frontier strategy, and it is intended to provide clarity on our plans for the coming year. So, we'll check in with the leaders of our four Growth Drivers to get a sense of their 2022 progress and upcoming 2023 initiatives to help fuel our success as a team.

Trace3 is a Great Team. And now is our time to Rise.

- RICH FENNESSY

# MARKET FORCE OVERVIEW

## *HEADWINDS AND TAILWINDS*

Before reviewing our 2023 Greatness Rises plan, it's appropriate we take a step back and survey the current IT services and technology landscape 12 months into our New Frontier strategic plan. Recall last year we identified four key forces in the market driving change for our clients and our business. Organizations that adapt to and embrace these forces will be positioned for breakout growth.

- **Convergence.** How two or more things come together to form a new whole under similar environmental conditions.
- **Digital Experience.** How companies deploy self-serve automation and leverage customer buying-pattern data to improve end-to-end engagement processes with technology.
- **Data-Driven Decision-Making.** How organizations seek to leverage their own data to make better business decisions, including around the Digital Experience.
- **Securing the Distributed Enterprise.** How businesses continue to operate virtual and hybrid workforce models, necessitating secure endpoint access to company resources.

In 2022, Trace3 made significant strides in repositioning our business toward these forces, yet there is still much work to be done. Add to that a fifth macro environmental force of **Economic Uncertainty**, and the market context is sure to produce “winners” and “losers” over the next 12 to 18 months.

This backdrop provides a share-shifting opportunity for Great Teams like Trace3 that are innovative and ready to seize the opportunity.

### **Economic Uncertainty**

As post-pandemic inflation persisted into 2022, the Federal Reserve began enacting a series of interest rate increases which led to higher costs of investing – everything from home mortgages to car loans to capital for new technology projects felt the impact of the rising Federal funds rate. And, as it became more costly to borrow, purchases were delayed or shelved entirely. We started seeing these hikes negatively impact client budgets as early as July 2022.

We expect the double-whammy of higher interest rates and higher inflation to continue in 2023, prompting IT organizations to seek cost savings while still optimizing their environments to meet internal and external client demands. That said, clients still have IT budgets to deploy and strategic plans to execute this year as they seek to optimize their environments through the power of technology.

### **Convergence**

The trend toward convergence continued to play out in a big way last year, and it only accelerated as key technology strategy discussions came together across many of our client relationships. Topics like Cloud, Data, and Security have become intertwined, and successful business strategies must embrace Convergence by evolving into a unified solution designed to optimize business outcomes.

### **Digital Experience and Data-Driven Decision-Making**

As Economic Uncertainty unfolds, the forces of Digital Experience and Data-Driven Decision-Making become more important than ever as both are heavily swayed by data strategy. As we've said before: Data is the new oil. If

we can help guide our clients' data strategy, we are positioned to influence everything else, from ITOps to DevOps to Security to Cloud.

Last year, Cloud continued fueling an increasing rate of experimentation and application development particularly around data-driven machine learning and artificial intelligence. While the cloud made it easier to spin up technology resources, it also continued to change the way we think about data architectures. This has had a significant impact on how companies transition their environments to achieve value from their own enterprise data.

### **Securing the Distributed Enterprise**

Growth in Security continued last year at a very healthy 16 percent clip, driven by the Distributed Enterprise. The world of remote and hybrid work is here to stay, and companies are still playing catch-up from the pandemic's explosion of endpoint and network security demands.

At the same time, the rotation of client buying patterns toward best-of-suite solutions (vs. best-of-breed) in a down market should have a huge positive impact on our Security business in the year ahead.

### **WHY WE ARE BULLISH FOR TRACE3**

Even in a challenging market, Trace3's big bets in Cloud, Security, Data, and Services play extremely well as our clients look toward cost containment, operational efficiency, and solution simplification.

To be successful in the New Frontier, clients need to "Think Data First." A data-first posture requires modern cloud architecture that must be secure at all times and must be conversant across all portfolios. These converged skillsets are in short supply, so firms like Trace3 that can consult and execute on Cloud, Security, and Data as integrated solutions are highly sought after.

In fact, our Cloud, Security, and Data business units all had their best year ever in 2022. We are beginning to see foundational wins from clients wanting us to assist in building their converged strategies. As a result, we also are beating out large consulting shops for business – a key indicator of market receptivity to our expertise and approach.

As early adopters of the convergence between Cloud and Security, Trace3 has created a solution platform that addresses the two primary foundational elements within the modern data center. In many ways the go-forward set of converged solutions will look something like one part Cloud, one part Security, and one part “whatever your technology use case.”

Those use cases obviously will include Data & Analytics, but also will extend deep into the top issues facing CIOs today.

## TOP 10 PRIORITIES FOR CIOs IN 2023

1. Confront economic uncertainty and rising costs, reduce or rationalize IT spending
2. Lead digital business and digital transformation initiatives
3. Improve the customer experience
4. Protect against cybersecurity and data privacy threats, upgrade IT and data security to reduce corporate risk
5. Create an overall data and analytics strategy, identify new data-driven business opportunities, and enable a new plan for customer acquisition and retention
6. Mature enterprise cloud strategy, optimize what the cloud offers and accelerate moves to cloud / as-a-service
7. Manage geopolitical impacts on the tech stack and supply chain disruptions
8. Improve the employee experience by enhancing hybrid work capabilities and making remote work rewarding
9. Address the talent arms race, worker burnout, and the need for more diverse teams
10. Power through turbulence to strengthen IT and business collaboration and lead product innovation efforts

*(Source: CIO Magazine 1/9/23, 6/13/22)*

Trace3 is well positioned to address and deliver to CIOs within a converged Cloud+Security+1 solution format.

Similarly, as clients seek to ramp up, ramp down, or optimize cloud-based services without adding headcount, the market’s need for skilled cloud



talent remains unmet. This puts our Cloud Managed Services practice – and our clients' cloud operating models – squarely in play. This, in turn, leads to major influence over how our clients manage and leverage data for the Digital Experience and Data-Driven Decision-Making.

Finally, on the Security side of the ledger, our strong partner network includes best-in-class, best-of-suite platforms that cover cloud security, SASE, integrated native logging, SOC automation, and more. These all-in-one solutions address growing cybersecurity risks and threat vectors through a simplified solution to a complex problem with just one Enterprise License Agreement. Trace3 will focus on best of suite vs. best of breed in the coming months. We will also seek to increase brand recognition for our Contact Center & Collaboration solutions, which are central components to managing and securing the distributed enterprise.

# GREATNESS RISES VS. THE FIVE FORCES

*TRACE3 IS THE PLACE TO BE*

Based on our read of the fluctuating market and its five predominant forces, we believe there is room for confidence and growth for firms like Trace3 that have positioned themselves for agility and the convergence of Cloud+Security+Data. We believe this year's annual operating plan – Greatness Rises – provides an exciting playbook for Trace3 to succeed in achieving our growth goals and to take share in a tough market.

We have created a Go To Market that actualizes our big bets of Cloud, Data, and Security, leverages our high-performing culture and elite expertise, and differentiates our brand through unique and simplified offerings that address our clients' most pressing needs.

Trace3 has a reputation and history of evolving and, as a result, is well positioned to seize a stronger leadership status through our industry's transformation and uncertain economic times. It is this intentional shift that will fuel our movement toward the New Frontier, and why our Great Team will Rise in 2023.

# SHARED VISION FRAMEWORK

Two years ago, we created a new Vision for Trace3: “To always be an innovator with a commitment to business value realization for our clients.”

To drive advancement toward that Vision, we launched a Shared Vision framework in January 2022. This model is designed to 1) provide clarity on our strategies for growth and differentiation, and 2) provide alignment across our teams as we push toward a New Frontier by 2026.

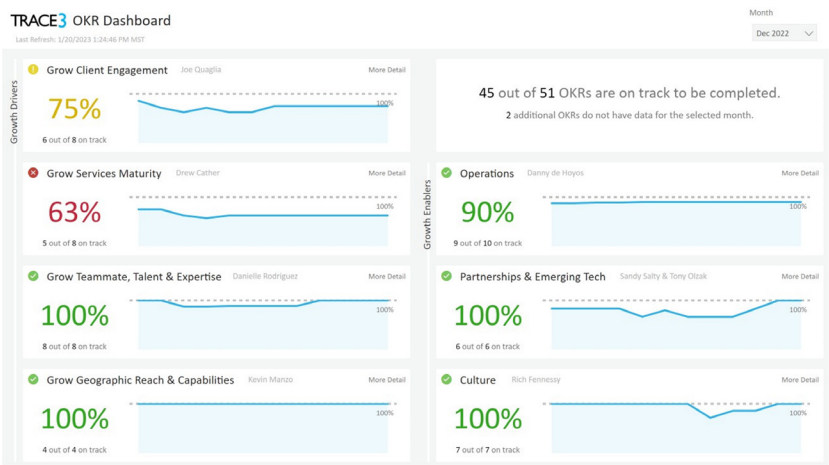


If we do this well, the result will be hyper growth. So, associated with this Shared Vision framework are financial goals to expand our technology solutions and services businesses faster than the market. To succeed, we estimate we'll need to achieve \$3.0B in Gross Revenue and \$209M in Contribution Margin in the 2026 calendar year. In 2022, we made significant progress toward these goals, and through the collective efforts of Team Trace3 we plan to build on this success in 2023.

# THE PLAN

GROWTH DRIVERS AND KEY PLAYS

Aligned to this Shared Vision framework, we have put in place a set of Strategic Initiatives and related Objectives and Key Results (OKRs) to track our progress over time. In total, we have 51 initiatives being implemented across the company and, through a monthly dashboard, we are holding ourselves consistently accountable to continuous improvement.



Overall, we have made strong progress, and work continues between now and 2026. Below is a brief look at major accomplishments from 2022 against each Growth Driver, along with Key Plays for 2023 that form the focused substance of our 2023 operating plan and Greatness Rises playbook.

## GROWTH DRIVER: CLIENT ENGAGEMENT

JOE QUAGLIA, PRESIDENT

Trace3 made solid headway last year launching Client Engagement in the New Frontier. Strategic objectives were structured around three plays: Grow Share of Wallet, Grow Net New Clients, and Grow Our Sales Team.

For **Grow Share of Wallet**, we saw mixed results as revenue declined in our Top 20 by 3 percent. Most of this decline, however, came from our Top 4 clients. The rest of the Top 20 grew by 6 percent, and all other clients (non-Top 20) grew by 12 percent. This significant growth below the Top 4 demonstrates a very healthy, competitive, and strong value proposition across our entire business, and the market is taking notice by voting Trace3 as their solution provider of choice.

For **Grow Net New Clients**, we landed 140 net new logos with GP greater than \$50K on a target of 100. More importantly, these new logos, combined with new logos of 2020 and 2021, produced \$67M of Gross Profit, or 20 percent of the company's overall booked GP. New client acquisition plays a significant role in our growth strategy, and this year our teams hit it out of the park. A huge accomplishment and worth celebrating.

For **Grow our Sales Team**, we increased the number of sellers by 19, representing a 15 percent increase on a goal of 10 percent. These sellers come with outstanding sales and services credentials. They position us well in 2023 to expand our footprint nationally and capitalize on new market territories where the Trace3 value proposition can compete and win.

## KEY PLAYS FOR 2023

- We will continue to prioritize our top accounts and Grow Share of Wallet within our Top 20. In 2022, the Total Addressable Market (TAM) of Trace3's Top 20 Clients represented almost \$20B of IT spend. For our best and largest clients, we have designed our Go To Market (GTM)

model to win. Our Regional GTMs, our client intimacy focus, and our BU expertise in key technologies like Cloud, Data, and Security allow our elite engineering talent and strategic consulting services to shine.

- We will develop Share of Wallet strategies at the individual account level, one-by-one, as our clients' spending patterns change and the complexities of their technology environments evolve.
- Within our Top 4 accounts specifically, we will develop highly targeted sales and marketing plans to create more opportunities and leverage the breath of offerings and full value proposition of Trace3.
- We will capitalize on the momentum of 2022 and continue to acquire net new clients in 2023. With our Regional GTM model, expanded national Sales coverage, and targeted marketing and branding efforts, we will set an updated goal of 150 net new logos in 2023. In addition, the target GP contribution from these net new clients, along with those new clients from 2021 and 2022, will be set at 22 percent of total company GP, up from 20 percent in 2022. *For our best and largest clients, we have designed our Go To Market (GTM) model to win.*
- We will further expand our national client coverage model by increasing our Sales team another 10 sellers in 2023. Within our Sales team, we'll seek to improve all Sales Rep GP production by an average of 10 percent year over year, while establishing a new seller Year-1 minimum target of \$500K GP and a Year 2 minimum target of \$1M GP. Our more tenured sellers should expect to achieve Elite status, delivering \$3M+ in GP annually.
- With the addition of LaSalle Solutions and the innovative LAMP offering in 2022, we are now well positioned to bring the unique combination of Life Cycle Management (LCM) and Trace3 to our combined clients. This means selling LAMP to legacy Trace3 clients and selling legacy Trace3 offerings to LAMP clients. In the second half of 2022, the market responded favorably to this combined value proposition with net new sales. We plan to continue this momentum in 2023, projecting an incremental \$20M of GP and \$100M in revenue.
- With the integration of LCM and the Regional GTMs, our Renewals business has become a very significant and strategic contributor to our

growth strategy. We believe we can improve not only our overall growth but also our Renewals conversion rate and Gross Profit. We will seek to improve our Gross Margin in 2023 and increase renewal rates from 81 percent to 84 percent.

- Finally, our global clients are asking Trace3 to provide seamless solutions to support their international procurement and fulfillment needs. We plan to invest in and establish a Global Solutions Services team with full-time dedicated expert staff focused on assisting our sales teams and clients with international export, fulfillment, and buy/sell offerings. We completed 940 shipments to 45 countries in 2022, and we believe our international business can be tripled over the next two years.

## GROWTH DRIVER: SERVICES MATURITY

DREW CATHER, SVP SERVICES

In the New Frontier, Trace3 laid out a plan to grow our Services business to \$500M by 2026. Last year, we focused on building a more standardized services platform with specific objectives centered on maturing our offerings, clarifying roles and responsibilities, and utilizing our CRM for better visibility into the business.

In terms of **maturing offerings**, we successfully aligned each of our service offerings into a “maturity matrix” to provide our sales teams with a clear understanding of capabilities and level of market readiness. We also defined best practices for services delivery, including RACIs for successful project completion with third parties, contractors, and Trace3 team members.

For **clarifying roles**, we completed our Services v2.0 program and launched a Services v3.0 initiative to further mature our delivery excellence – inclusive of our Project Management community – and provide services in a standardized “Trace3 Way,” supported by training, tools, SLAs, and a new PM Center of Excellence.

As it relates to **utilizing our CRM**, we developed BU and Regional reporting packages to allow our leaders to better visualize business results. We also developed a proactive services backlog process to better understand where our most valuable resources are staffed, visualize available bandwidth, and proactively address any delivery risks.



The benefits of consistency across services delivery can now be seen through Trace3's centralization of services capabilities and project management functions. This integrated team – which includes Sales, Delivery, and Operations – has been instrumental in our growth. By the end of 2022, we had expanded our booked Services business to 17 percent of total GP.

## KEY PLAYS FOR 2023

- As we plan to nearly triple our Services business over the next five years, we will continue building centralized capabilities to provide best-in-class support. This includes everything from SOW creation to resource management to project management to client value realization. These improvements will drive us toward a goal of Services GP comprising 25 percent of Trace3's total in 2023 (10 percent Professional Services + 10 percent Consulting Services + 5 percent Managed Services).
- Our ultimate goal is to achieve 35 percent of total GP from Services by the end of 2026.
- We will solidify Services-Sales and Delivery leaders in each region to focus on growth and construction of our collective platform through a “strength at the core, juice at the edge” resourcing model. We will implement a services management system to measure performance against goals and provide insights to flex our GTM and sales motions where necessary (reporting capabilities developed in 2022). This includes maturing toward the Trace3 Way of Services-Sales and Delivery excellence.
- A critical undertaking will be the launch of a new Legends Services training program in Q2, with a set of focused offerings and a supporting marketing campaign aimed at building our Services brand within our current client base. All account managers will complete the training, and we will measure follow-on activities to track the program's efficacy with Services-Sales and Delivery leaders:
  - Review pipeline growth for the focus offerings
  - Align BU leads to the regions with a bi-weekly cadence
  - Provide weekly BU-led core service offering enablement sessions
  - Inspect services attach rates to key BU partners

- Finally, the team will work through Operations to increase profitability and utilization across all services, including new processes and systems for LoE, SOW creation, and program/resource management.
  - A 2 percent increase in utilization, for example, will result in around 8,000 hours of additional billed time and a ~\$2M improvement in Contribution Margin
  - The CoE for resource management will free up BU and Sales team cycles to focus on clients and improved quality in delivery (PPM toolset)

## GROWTH DRIVER: TALENT AND EXPERTISE

### DANIELLE RODRIGUEZ, SVP PEOPLE & ORGANIZATIONAL HEALTH

Generational shifts, tight labor markets, and increased employee expectations continued to challenge organizations looking to grow their teams in 2022. Companies making headway in the “war for talent” were able to find insightful and unique methods to stand out from the competition. Trace3 prides itself in our ability to differentiate, and we believe 2022 proved a tremendous showcase of our Talent and Expertise leadership through accomplishments in four areas: Grow the Trace3 Team, Evolve Our Expertise, Enhance Our Teammate Experience, and Execute Management Training.

For **Trace3 growth**, we achieved a stated objective of increasing our team size by 10 to 15 percent in 2022, growing from 1,050 to 1,204 teammates. We reduced our voluntary attrition rate to a level far below industry levels (12 percent vs. 18 percent), and we made a concerted effort to **evolve our**

**expertise** across the organization through our Legends program, which featured our Cloud Security big bet and additional Cost Optimization series.

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Enhancing our **employee experience** drove increased attention toward our Tracer internship program, Hiring Our Heroes fellowship, and Trace3 Cares initiative, all of which again paid dividends. We saw our employee

engagement scores increase last year by 3 percent, and we are now 5 percentage points higher than industry benchmarks. This uptick confirmed what we already know: that Trace3 is a “Great Place to Work,” a recognition we received again in 2022.

Finally, last year saw the kickoff of our much-anticipated **LIFT Manager Effectiveness training**. Today’s employment climate, where team leaders contend with pandemic aftereffects and competition for talent, has placed a whole new set of expectations on our managers. The LIFT program will help them understand philosophically how recent events have influenced our new normal, how they can adapt to this reality to lead in the future, and how they can become champions of our culture so that people thrive inside and outside of Trace3.

Our brand is our people, and we have full confidence 2023 will be a year Trace3 marks as a touchstone in our greatness rising amongst Talent and Expertise.

## KEY PLAYS FOR 2023

- While we still plan on team growth for 2023, the current economic climate will require a very discerning eye, targeting only specific areas of the business positioned to help fuel overall success. That said, we will continue our highly successful Tracer Internship program as we strive to grow future talent across the company.
- Legends will continue to evolve our expertise in 2023 with programs featuring Services, Data & Analytics, and Cloud Security v2.0 on the docket.
- To enhance our employee experience, we will launch a Total Talent Strategy program this year designed to provide 360-degree optimization of how full-time and contingent talent is sourced, onboarded, and developed. This will not only improve our candidate experience, but also our client experience. A planned Trace3 Associate program will take these steps even deeper into the career path arena, where emerging talent will learn to grow within Trace3.
- Another initiative in enhancing our employee experience will stem from the implementation of Performio. With a soft launch scheduled for Q1, Performio will optimize the management of our sales commission and

incentive compensation programs, delivering payroll results in a fraction of the time compared to today's manual and inefficient processes. This means a better employee experience and greater insights and transparency for our sales teams, managers, and teammates.

- Lastly, our just-launched LIFT Manager Effectiveness training will kick into high gear. This program will be delivered over a six-month period and provide several tools for leader-team success, enabling our best to enable their best. We plan to roll out additional programs for LIFT Reskilling and LIFT Emerging Talent in the future. The LIFT series represents our commitment to making Trace3 a Great Place to Work by investing in the growth of our people and future leaders.

GROWTH DRIVER: GEOGRAPHIC REACH & CAPABILITIES

KEVIN MANZO, CFO

Over the last several years, through a lot of hard work across the company, we have put in place systems and processes that truly position Trace3 as a platform for doing smart M&A – and we intend to continue.

Trace3’s Mergers and Acquisitions (M&A) Strategy marked a successful year in 2022 with the execution of its annual plan. The team created a new **Corporate Development** function to help identify and evaluate potential companies that would fit well within Trace3 according to critical solution needs.

TRACE3 M&A STRATEGY	
Solution Area	Target Rationale
Core Business	Geographic Expansion Strategic Solutions Technology
Services	Strategy and Consulting/Advisory Engineering Talent and Services Offshore/Near Shore Capabilities
Managed Services	Managed Services for Cloud, Security, Data Operational Support Geographic Expansion

We also created an **Integration Management Office (IMO)** focused on driving action plans associated with M&A. The IMO took a big step forward with our LaSalle integration in 2022. This integration was the smoothest of the three acquisitions Trace3 has undertaken to date, with the IMO orchestrating at the core and Trace3 teammates playing their own parts.

The LaSalle integration was completed on an accelerated timeline. LaSalle strengthened Trace3's position in the marketplace, added a significant contingent of key contributors to the Trace3 roster, provided the organization with its first proprietary IP in LAMP, and performed well against plan to noticeably contribute to 2022's financial success.

## KEY PLAYS FOR 2023

- We expect to acquire another one or two companies in 2023, and the processes implemented by Corporate Development will help identify organizations that best match our needs, while the IMO will continue to oversee implementations and hone processes to minimize friction and maximize value with and for our new team members and related resources.
- An essential element emphasized after three acquisitions is the importance of cultural fit. Culture in harmony equals a high-performance environment and, as the welcoming party, Trace3 should always be very conscious of enabling this. Corporate Development and the IMO will collaborate with POH to create plans to ensure cultural alignment with all new teammates and acquired companies.

# CALL TO ARMS

*2023 RALLY CRY: LET'S RISE!*

As you can see, we have a great understanding of the market, a great Vision for the future, and a great operating plan with Key Plays to drive success in 2023. All that's left is execution – and this is where our Great Team comes in.

We have a massive growth opportunity in front of us – there will be industry winners and losers in 2023 because of the uncertain economic conditions. Yet we are confident Trace3 will win in this market by our teammates flawlessly executing together, in unison, as one team. There are a number of critical actions our teams can perform to help ensure Trace3 wins in 2023:

- **Increase Engagement.** Take extra care to manage relationships with our top clients and top partners.
- **Disrupt the Competition.** Actively target wins in each territory where the competition may be weak.
- **Sharpen Our Skills.** Evolve our capabilities (Services Selling / BU training) so we can skate to where the puck is going to be.
- **Take Care of Our People.** Circle the wagons and surround our talented teammates with everything they need to succeed.
- **Embrace New Teammates.** Be a welcoming force that ensures teammates joining through recruitment or acquisition feel the love and truly create a synergistic value proposition.
- **Manage OpEx.** Control spending like we would our own personal checkbooks.

Lastly, and most importantly, winning as a Great Team requires Great Team members all working in unison.

So, your challenge, your call to action today, is to consider two things: 1) how to be the absolute best in your individual role and 2) how you can be the absolute best teammate within your work group.

With these two considerations, review our 2023 Key Plays and think through how you and your teams can get focused, plug in, and make a difference in Greatness Rises.

There will be challenges ahead, no doubt. Yet despite adversity, Trace3 will always rise to the challenge and lead – we have a proven track record of it. That’s what great teams do – face tough times head on – and we have a Great Team.

This is our opportunity to shine. This is our opportunity to separate from the pack.

Let’s Rise!

TRACE3