

REPORT REPRINT

Cloud Cruiser achieves escape velocity to the HPE system

WILLIAM FELLOWS

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Cloud Cruiser has been acquired by its largest customer. When the transaction closes, it will become a part of the Data Center Care portfolio within Hewlett Packard Enterprise's Technology Services Support organization.

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Hewlett Packard Enterprise didn't take long to turn CEO Meg Whitman's words into action. At HPE Discover, she reiterated that services remain very important for HPE, and it is looking to expand its technology services operation (the HPE support services business), which is not part of the spinoff/merger with CSC/Micro Focus. This week it acquired its cloud cost management and optimization partner Cloud Cruiser for an undisclosed sum. When the transaction closes, Cloud Cruiser will become a part of the Data Center Care portfolio within HPE's technology services support organization. Cloud Cruiser co-founder and CEO David Zabrowski (who served as VP and general manager of HP's enterprise computer organization from 1997-2002) will report to Scott Weller, SVP of technology services support, HPE.

It's a wonder that it has taken this long for HPE to pick up Cloud Cruiser, given the investment it has made in its Helion Cloud Suite and Cloud Services Automation management tools, which are emerging as a comprehensive cloud management platform. HPE has always been Cloud Cruiser's biggest customer. Moreover, Cloud Cruiser is already a key component of HPE's Flexible Capacity business – it licenses Cloud Cruiser for use in its Flexible Capacity offering, a service HPE sees as high-growth and is investing in. Although Cloud Cruiser had an early lead in the market, it was later in migrating to a SaaS model than some other firms, and also found that partners such as Accenture were using other third-party offerings alongside it.

THE 451 TAKE

The organizing principle here is that economic pressures and the rise of the cloud have IT departments thinking more like businesses, looking to turn themselves from cost centers into service delivery organizations. As such, they are seeking more comprehensive price-forecasting tools in order to plan capacity requirements accordingly. Moreover, CIOs want verifiable and rapid ROI from their cloud investments. Firms in this sector can both support requirements and demonstrate an immediate benefit of using their tools for saving money or optimizing use. The ability to proactively meter usage and analyze consumption across the business and then optimize the use of services based upon it is an imperative, not an option. Therefore, it's a service that any cloud management firm that wants to remain relevant will need to provide. Cloud Cruiser was early to this market, although other firms have closed the gap on it. HPE, as its largest customer, was always its most likely acquirer.

DEAL DETAILS

Cloud Cruiser had been seeking additional investment for some time now to help it pull away from the pack of vendors now in the cloud cost management and optimization sector. By the end of 2016, it was getting hard to see why its marquee customer list hadn't already paved the way to additional funding or investment by a strategic partner.

Cloud Cruiser has raised \$20.7m in funding. It exceeded \$8m in revenue in 2013 and claims to have grown since then. Overall, Cloud Cruiser's business is 70% enterprise and 30% service providers; paying customer count is in the hundreds. Its US business is growing faster than EMEA – the latter accounts for roughly 40% of revenue. It has about 50 employees – a handful outside of the US.

TARGET PROFILE

Cloud Cruiser is one of the most mature in the group of cloud cost management and optimization firms that began to emerge around 2010, when the market began to see substantial and complex multi-million-dollar deployments using multiple accounts and service and instance types. The complexity around cloud pricing, usage, accounting and capacity planning has attracted a raft of vendors to the market to meet this need.

Until 2016, Cloud Cruiser had mostly focused on large cloud service providers and enterprises with scale requirements. The Cloud Cruiser 16 release marked some diversification for the company: a SaaS offering plus targeting

the midmarket for the first time. The firm's SaaS makeover is now more or less complete. Cloud Cruiser 16 is essentially a converged product on a new code base, which has taken some of the on-premises features inherited from the Cloud Cruiser 4 suite (which is still available), including a Private Collect option for VMware vCenter and Windows Azure Pack. A Cloud Cruiser on-premises offering is also available for customers that require on-premises collections, such as other private clouds, storage systems and databases.

Cloud Cruiser's channel partnerships continue to drive opportunities, including Azure Marketplace, AWS Marketplace and CDW. With strategic OEMs and partners such as Microsoft, Rackspace, VMware, OpenStack, HPE and Cisco, it's not surprising that most of the firm's revenue has come from the channel. However, the direct business is growing, and Cloud Cruiser 16 has accelerated this. New SaaS customers include Woolworths, Bentley Systems, Jack Henry & Associates, Hilti and Ford Motor. The on-premises version is still available and supported; recent new customers that have adopted the on-premises product include CGI Group, TasmaNet and Vodafone.

COMPETITION AND OUTLOOK

Firms in this sector have been able to demonstrate an immediate benefit of using their tools for saving money or optimizing use. Runaway costs are a real fear for many organizations, and end users are seeking more predictable pricing models. Most have expanded from starting points in bill forensics and tariff management to providing optimization (such as what-if modeling), analytics and configuration – in short becoming environments that can 'do' as well as 'see.' What we are seeing now is operational and financial insight increasingly combined by firms that are reaching toward the broader cloud management opportunity rather than only focusing on cloud cost management. Companies operating here include Cloudyn (where Infosys is an investor), Cloudability, CloudCheckr (whose tools have been licensed by Rackspace), CloudVelox, CloudHealth, Apptio, Google's Orbitera, Cloudamize and ParkMyCloud.

Firms such as Scalr, Embotics, CloudBolt, Turbonomic and InContinuum, which are coming from the virtual infrastructure management space, will increasingly seek to provide financial insight alongside their operational analysis. If they are to remain relevant, traditional IT management providers including BMC, CA Technologies and IBM will need to acquire cloud expertise, especially around operational and financial insight, which is exactly what HPE is doing here.

ACQUIRER

Hewlett Packard Enterprise

TARGET

Cloud Cruiser

SUBSECTOR

Cloud management

DEAL VALUE

undisclosed

DATE ANNOUNCED

January 23, 2017

CLOSING DATE

NA