



# 20 **RED HOT,** PRE - IPO COMPANIES IN 2014 B2B TECH

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From Alibaba.com to Zendesk, IDG Connect Editorial Director **Martin Veitch** trawls through the best that haven't yet floated.

## Introduction

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It's a glass-half-full, glass-half-empty conundrum. Public companies gain access to funds but they do so at the price of having to operate transparently, opening up their darkest secrets and fears to, well, everybody. Private companies have the advantage of doing what they will, hence Michael Dell's recent retreat from the markets to restructure his company. But in tech, the successful company will almost always (SAS Institute being the rare exception) end in a liquidity event of some sort: a sale or an initial public offering.

What makes for a red-hot company? Knowing which closely-held companies have the strength in depth to succeed is an inexact science but there are some clues. Fundamentals, as the 'Sage of Omaha' Warren Buffett never tires of reminding us, are important. In this case, I'm taking that to mean: good management; a strong story; enthusiastic customers; a vibrant developer/partner community; strong funding from reputable companies; sales; growth; the positive views of experts in the field; market opportunity; and competitive differentiation. In this survey, without any attempt at applying clever weighting systems or metrics, I have also added a hefty pinch of hunch and a dollop of common sense based on almost a quarter of a century meeting technology companies.

The purpose of the list is to provide IT decision makers and others with some new and interesting options among companies that, so far spared the glare of the public stock markets, might go unheeded. Some of the companies here are far from a listing, others are on the eve, some will be acquired and others will never make it to IPO. All of the companies listed here I have met or spoken to by phone in the last nine months.

The links below these pen pictures will let you read on and dig deeper. The 'For' and 'Against' notes are short thoughts on ability to be successful in the near- to mid-term.

So, without further ado, and in alphabetical order, here is IDG Connect's 20 Red-Hot Pre-IPO Companies in B2B Tech.

## Alibaba Group

The Chinese company might lack its consumer glitz but **Alibaba Group's** seemingly imminent float will be perhaps the most eagerly anticipated market debut in tech since that of Facebook. Highly disruptive, aggressive and a truly global phenomenon, Alibaba is effectively a new supply chain for companies wishing to benefit from the 'China price' and an outlet for those wanting to enter the booming Chinese market. The numbers of people served and goods offered is mindboggling. Emblematic of the whole trend to globalisation, Alibaba should make an enormous splash when it goes public... and that's before most people even know its name. The publicity of an IPO should change that situation and give the firm, founded in Hangzhou in 1999, a fair chance of becoming the B2B equivalent of Amazon.com. At the same time, however, it might provide some interesting insights into how the company manages operations on such a vast scale. As is well known, Yahoo! owns a significant amount of its business and Alibaba has several private-equity investors. A post-float valuation in the high tens of billions (or even more) would ensure plenty of scope for the group to change the world of e-commerce and even more besides.



### For:

Proven model, enormous scale, cultural challenges for competitors in China



### Against:

Being public may put the company under unfamiliar scrutiny especially if the company floats in the UK or US



### More info:

[James Hardy, European chief](#)

## Autotask



### For:

In a niche with solid opportunities



### Against:

Potentially open to a larger company addressing this space



### More info:

[Autotask](#)

**Autotask** currently operates in a niche within a niche, providing cloud-based back-office tools to help IT resellers and service providers manage their relationships with customers and account for their work in the right way. It might almost be called an SAP for this community. With revenues of about \$40m, Autotask is still growing and has plenty of space to exploit in its current vertical and, coming quite soon you suspect, other verticals for companies where a big systems management console or ERP is overkill. Companies like NetSuite have modules for service providers but so far Autotask and rivals like Tigerpaw Software have guarded their turf.

## Birst

Business intelligence has largely been the god that failed in IT. Systems come and go but the idea that these huge (and hugely expensive) systems will act as sources of insight has often proven unhinged. However, a new generation of tools promise more flexibility, gentler billing and simpler deployment. San Francisco-based **Birst** is one such company and it has raised \$84m on that promise. The company has strong links with partners including NetSuite and an impressive customer list.



### For:

Strong customers, chance to replace or supplement incumbents



### Against:

Very competitive field



### More info:

[Brad Peters, CEO](#)

## Box



### For:

Momentum, media darlings, inflexion point in document handling and sharing



### Against:

High, possibly unrealistic expectations, strong competition from companies new and old



### More info:

[Aaron Levie, CEO](#)

In the very hot indeed document exchange and collaboration space, **Box** sits alongside **Dropbox** and **Hightail** and is probably more closely watched than either of those companies. It offers a way to restore order to document sharing at a time that it's absolutely needed and it is growing like daisies among enterprises large and small. Sitting, presumably several miles up in the air, on \$309m in funds and with a charismatic, media-friendly, twenty-something CEO in Aaron Levie, 10-year-old Box is set for a nine-figure debut at some point in the next couple of years, you suspect. But the competition is intense and, by hook or by crook, incumbents like Microsoft could yet throw a spanner in the Silicon Valley wonder-kid's works.

## Bromium

**Bromium** provides a highly differentiated approach to computer security, effectively keeping user sessions in protected virtualised bubbles to protect against malware. The fascinating technology comes from people with pedigree: Ian Pratt and Simon Crosby were the ex-Cambridge University forces behind Xen, the UK virtualisation software company that sold to Citrix Systems for \$500m even before it had realised significant revenue. Founded in 2010 and with offices in Cambridge, England and Cupertino, California, Bromium has the funding to build a bigger future with almost \$76m in funding.



### For:

Impressive technology, need for anti-malware services



### Against:

High acquisition cost



### More info:

[Ian Pratt, Founder](#)

## CipherCloud



### For:

Surging demand for crypto services and concerns over post-PRISM data security



### Against:

Uncertain regulatory landscape could move goalposts



### More info:

[Pravin Kothari, CEO/founder](#)

As the fallout from the PRISM/Edward Snowden affair continues to deleteriously affect the relationship between the US and Europe, and as more snooping comes to light around the world, the only people smiling from all this might be IT security vendors. Silicon Valley's **CipherCloud** in particular sits in a very nice place, encrypting services so that your data is safe even if your cloud service provider yields data to the snoops and spooks. The company was founded, and is led by, Pravin Kothari, who previously founded ArcSight which sold to HP for \$1.6bn. This time he hopes to go even bigger and build a security software superpower. Backed by big names in VC including the ubiquitous Andreessen Horowitz, the three-year-old company collected \$30m in December 2012. Marc Andreessen goes so far as to say that cloud computing would be significantly more advanced today had CipherCloud existed earlier.

## Cloudview

Entrepreneur James Wickes is that rare thing – a Brit who has taken a tech firm to floatation in his own country. That company was IT distributor Ideal Hardware back in the 1990s but now he's back with a proposition he believes has even more legs: video surveillance in the cloud. His master plan is to create a new field that is highly disruptive to a sector that has been slow to move and is now being changed by systems running over internet protocols. At the same time, **Cloudview** will work in tandem with the security industry. Only recently out of stealth mode, UK-based Cloudview is in its early stages and has not yet raised significant funding (a Jordanian software company bought 20% of Cloudview for about \$1.5m) but that can change.



### For:

Undoubted demand for more efficient security systems



### Against:

Will need more funding to scale up business



### More info:

[James Wickes, CEO](#)

## DataStax



### For:

Big growth area



### Against:

Heavy competition, differentiation is hard



### More info:

[Billy Bosworth, CEO](#)

Like Hortonworks (see below), **DataStax** is another beneficiary of the largesse of web-scale giants who are effectively underwriting a generation of enterprise infrastructure firms through their pioneering work. Just as Hortonworks is the Red Hat of Apache Hadoop, DataStax is the Red Hat of Cassandra, the NoSQL database management system that is becoming wildly popular. It has almost \$84m in funding and, a characteristic of many others on this list; it is building an enviable reputation as a company that is pleasant to deal with. That alone is certainly very different to some of the rapacious business software companies of the go-go 1990s...

## Hortonworks

One of the odd impacts of the growth of the World Wide Web was that data processing and management IP was created that outstripped the earnest efforts of specialists labouring in the field for decades. Companies like Google, Facebook, Yahoo! and Amazon.com were forced to create algorithms, programs, processes and services to deal with massive scale-out systems carrying enormous amounts of data and with complicated variables in capacity and movement of that data. Donated to the open source community, these blueprints have helped create a new generation of firms operating in a world where almost infinite data can be sourced, collected and analysed. Based on Apache Hadoop, **HortonWorks** is duking it out with Cloudera to be the leader in massive-scale data processing. Yahoo! remains a big customer but the company is moving close to Microsoft too and Hortonworks is already developing a big name despite having only been founded in 2011. And the name? That's after the Dr Seuss character and now, with \$98 in funding to back growth, they'll no longer hear a 'who?' (Sorry.)



### For:

Big growth area



### Against:

Relative latecomer and probably only room for one company to prevail



### More info:

[Herb Cunitz, President](#)

## Kaazing



### For:

Deep domain knowledge and involvement in Web Socket specification



### Against:

Doubt over who will adopt and at what speed



### More info:

[Jonas Jacobi, CEO](#)

Crazy name and, at the very least, interesting company: **Kaazing** uses the emerging HTML5 Web Socket standard to speed up communications and create what it calls "the living web". Think of it as a rocket up the internet's trouser leg, if you will, or HTTP reimaged for the more liquid world of the modern web versus the document-centric, static model of the web circa 1995. With five billion web users forecast for 2020 and with the internet connecting to more and more devices, we desperately need this sort of technology to come good. Led and founded by a Swede, Jonas Jacobi, but HQed in Silicon Valley, six-year-old Kaazing has picked up close to \$34m in funding.

## Looker

Like Birst (above), **Looker** is another business intelligence firm that represents an approach to data analytics markedly different to that of the Business Objects/Hyperion/Cognos/MicroStrategy generation. Looker is closer to the Tableau/Birst/QlikView world where analysis becomes democratised rather than staying under the strict purview of specialists. It's also designed for the new Big Data world of information gushing in from every angle. The company has the requisite evangelical users and \$18m with which to build out. Formed in 2011, the company is based in Santa Cruz, California.

**For:**

Need for simpler, smarter BI tools

**Against:**

Intense competition, low awareness

**More info:**

[Frank Bien, CEO](#)

## Mimecast

**For:**

Solid platform of business users already

**Against:**

Possible move against cloud/third-party storage in wake of snooping revelations; data mining project not sure to work

**More info:**

[Peter Bauer, CEO](#)

Led by South Africans, headquartered in England, **Mimecast** is likely to end up on one of the US markets such is its momentum. The email and document security and archiving company has a solid base already but also ambitious plans to mine the data it holds for blue-chip customers to provide insight: a sort of Autonomy done right, according to founder/CEO Peter Bauer. Bauer has sold companies before but wants to stick it out with this one and he's taking a long view on the project, not rushing into an IPO despite constant London media pestering. Ten-year old Mimecast has about \$83m in funding.



## MuleSoft

For years, decades even, integration between different applications, versions, platforms and other aspects of ICT infrastructure has been the table stakes of enterprise systems. Making systems talk unto systems has been an ee-aww donkey task (hence the name) but a necessary one, making big companies of the integration and middleware vendors from IBM to Tibco via Software AG. **MuleSoft** is gaining traction as a simpler, more lightweight platform for integration, whether that be on premise, in the cloud or, more important than either over the coming years, linking on-premise to cloud systems. Founded in 2006 by a Brit living in Malta but now ensconced in San Francisco, MuleSoft has about \$80.5m in backing.



### For:

Solves a pressing need



### Against:

Rivals are IT giants



### More info:

[Ross Mason, CEO](#)

## NewVoiceMedia



### For:

Pressing need for change and lots of legacy networks to target



### Against:

Crowded field



### More info:

[Tim Pickard, CEO](#)

Founded in 2000, UK-based **NewVoiceMedia** is one of a posse of companies that is replacing expensive, clunky phone systems (in contact centres most notably), with smarter, more flexible systems to better route calls, identify callers and so on, using, you guessed it, internet and cloud services. It's a sector very ripe for more intelligent and disruptive tactics and this company's face fits. Over \$61m in funding says it has the opportunity to make a big mark in the space.

## Nutanix

The need for low latency and fast interconnects in the datacentre has spawned a series of networking and storage entrants. Such is demand for their wares that companies like Flash storage specialist Nimble have already filed for IPO while others have been acquired at fat valuations. **Nutanix** is right at the heart of this shift, is growing at breakneck speed and has the funding (\$71m with more to come), chutzpah and ambition to suggest an IPO will come sooner rather than later. Based in Silicon Valley, Nutanix was founded in 2009.



### For:

Explosive growth, clear demand, strong funding



### Against:

Giants can buy their way into the action



### More info:

[Dheeraj Pandey, CEO](#)

## OutSystems



### For:

Answers a market need



### Against:

May struggle to crack lucrative US market



### More info:

[Paulo Rosado, CEO](#)

The war of attrition between business line managers and IT has lasted longer than the 30 Years War and it shows no sign of going away. **OutSystems** is a Portuguese company that provides a platform for development with a series of controls and tools to support iterative development without creating new problems in the underlying code generated with every change in the process. That way, line managers can continue to change their minds on what they want and macro factors can continue to move the goalposts without IT being kicked for not being responsive or adaptive. Still headquartered in Portugal, OutSystems is almost exclusively self-funded and claims to be cashflow positive while maintaining strong growth.

## SailPoint

Single sign-on and identity access management are both the keys and locks to securing and safely accessing the new world of hybrid cloud and on-premise IT. They provide a way to filter who can access core systems and at which levels. As such they will be as essential as PIN numbers to cashpoints have been. There's no shortage of contenders in the space from Okta to Ping Identity and OneLogin but **SailPoint**, created by management from Waveset Technologies, has the experience, scale (over \$100m in annual revenue), breadth of capabilities and demonstrable growth to suggest that its desire for a market debut next year will be realised. Founded at the end of 2005, SailPoint has about \$21m in funding and is based in beautiful Austin, Texas.



### For:

Solid customer base, breadth of features, significant revenue



### Against:

The field may be attractive to software stack giants



### More info:

[Jackie Gilbert, CMO in feature](#)

## Workshare



### For:

Leadership, strength in verticals



### Against:

Scale to compete with better-funded rivals



### More info:

[Anthony Foy, CEO](#)

Unconvinced by youthful CEOs and media hype but like the Box (see above) concept? Founded in 1998, Workshare is a London, England-based company with deep roots in the legal sector picked up via acquisition, and an experienced, cerebral American CEO in Anthony Foy. Although its \$55m in funding is dwarfed by the riches of Box and Dropbox, **Workshare** could be the tortoise to this pair of hares.

## Virtustream

SAP's recent (September 2013) stake in the company underlined what many in the industry already knew: that **Virtustream** has core virtualisation technology to make even the biggest applications ready for cloud, as-a-service consumption. Already well backed by VCs to the tune of about \$120m, the company has an effusive, experienced, quote machine CEO in Rodney Rogers and appears to be in good shape revenue-wise and could develop a powerful axis with SAP. Headquartered in sleepy Bethesda, Maryland (a town "not phoney enough" says Alec Baldwin in *The Simpsons*), the company was founded in 1998.



### For:

Leadership, strongly positioned, SAP relationship



### Against:

Competition from VMware and other virtualisation firms with deep pockets



### More info:

[Rodney Rogers, CEO](#)

## Zendesk



### For:

Thriving community, user experience



### Against:

Competition everywhere



### More info:

[Mikkel Svane, CEO](#)

Love it or loathe it, the internet and social networks have made the ethos of service companies far more transparent than ever before. Being customer-centric can no longer be a checklist promise as today companies are under the full beam of the savvy consumer's searchlight. Founded in 2007 by Danes transplanted to San Francisco, **Zendesk** is perhaps the most prominent of a new generation of service-desk companies aiming to provide the tools to support great service and the analytics to inform strategy. The company has made no secret of its ambition to go public, and with the requisite customer evangelists backing it and over \$131m in funding; only a newcomer with a better mousetrap is likely to be able to prevent it following ServiceNow to the public markets. And ServiceNow has been one of the most successful B2B tech IPOs of recent years...

## Conclusion

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Even the most empirical study will lead to some faulty conclusions as to who will win and who will lose out in the race to become the next big names in technology. The field is so large, so fragmented and the competitors are often highly susceptible to market, macro-economic and other change. Human vulnerability is an X factor and many a startup has failed because of squabbling. All we can do is look for clues and draw sketchy blueprints of what might happen next.

A couple of footnotes might be useful.

It's still possible to meet CIOs taking cloud computing with a healthy degree of scepticism but in the land of young tech companies, cloud is the default setting and it's very rare to meet a company that does not have a cloud plan.

Second, although it's clear that the impact and sources of technology change are globalising, many of the new wave of tech firms will end up in Silicon Valley or nearby, such is the magnetic pull of the place and the richness of the Californian environment as a way to foster growth. This might change quite quickly as China, Israel, Russia, London, New York, Berlin and other cities, countries and regions evolve.

Third, attitudes to building companies have changed. Even the youngest entrepreneurs talk about the importance of 'having a narrative', exit plans, valuations and so on. It's also notable that companies today have the ability to grow faster and, very often, to internationalise faster as buyers try their wares on a self-service basis. The amount of venture capital money is dizzying and tales abound of VCs haggling to make larger stakes than entrepreneurs might like.

Finally, there are doubtless many other companies worthy of inclusion on such a list but I either didn't have the time or the opportunity to meet them and decide for myself; I welcome the opportunity to speak to them on the 2015 version of this list.

With tech company valuations at their highest for quite some time, signs of a bounce-back in major economies and several new waves of technological change, these are exciting times to be a new disruptor. Good luck to all the companies here and those that didn't make the list.

## About IDG Connect

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