

Host Analytics unveils latest SaaS performance management wares, bags series A funding

Analyst: Krishna Roy

Sector: Enterprise Software

Host Analytics has entered the next phase of its life having raised a multimillion-dollar series A round last month from **Advanced Technology Ventures** and **Trident Capital**. With its first tranche of institutional capital in the bag, the firm is now building out its sales and marketing engines to raise its visibility as a vendor of performance management software, combining budgeting, planning, forecasting, financial consolidation, scorecards, dashboards and reporting and analysis elements, which are delivered as a hosted suite.

Reportedly profitable since 2003, with 70 paying customers, Host Analytics Version 8.0 is the latest release, with some 50 or so enhancements. Chief among them are improvements to its simulation engine, scorecard graphics and dashboard features, the ability to now perform multi-year/periodic budgeting and add discretionary initiatives to the budget and improved integration with third-party ERP packages and warehouses.

The 451 Take

As a company, Host Analytics now seems to have the necessary investment required for some all-important profile-raising activity – it's not well known for an eight-year-old firm operating in the sizzling SaaS sector – yet has a reasonable number of customers and therefore a base on which to build further growth. Latest 8.0 fills some gaps notably in dashboard functionality. We also welcome the improved integration with third-party applications since loading data into a hosted environment can often be sluggish and limiting.

Context

Host Analytics recently received its first injection of institutional funding – a series A round of undisclosed value in May co-led by Advanced Technology Ventures and Trident Capital. Management is staying tight-lipped over the sum involved, but has told us that it was a multimillion-dollar investment, which will be used for sales and marketing. Host Analytics, which has been around since 2000, was previously funded by CEO and founder Jim Eberlin, who used the proceeds from the sale of his previous firm – a financial analytics consultancy – to fund the company.

The SaaS performance management player now has 70 paying customers spread across the high end of the midmarket (organizations with \$200m to \$2bn in revenue), public sector and Global 2000, which make up its target markets. Although it does have some customers using an on-premise version, we're told most have converted to the hosted version, which is its core focus.

Average deal sizes remain at the same level as last year – \$50,000 to \$60,000. Sales to date have been through a direct model, but management tells us that OEM strategy is not too far off its radar. It is also now looking to expand into other geographies beyond its current primary market in the US.

Annual revenue has reportedly been growing by more than 100% during the past three years, and we're told the firm has also been profitable since 2003. It now has about 60 employees, up from about 50 last January.

Technology

Host Analytics sports a multitenant architecture and is entirely built on a **Microsoft** stack using Microsoft ASP.NET and tapping all the various elements of SQL Server including its Analysis Services OLAP engine, Reporting Services reporting engine and Integration Services ETL layer. Host Analytics also uses Microsoft Internet Information Services (IIS) as a Web server and draws on some Microsoft graphic controls for rendering graphs inside its scorecard. It also uses an undisclosed third-party control for rendering certain flash graphs in its scorecard as well. Analysis Services provides Host Analytics' analytics infrastructure with MDX queries generated from Analysis Services displayed in its front-end Web browser interface, which also has an Excel-style interface.

Reporting Services provides the infrastructure on top of its own financial report builder. The firm has also merged its own report builder with the report manager/render in Reporting Services to provide a solid financial report writer in latest 8.0. Host Analytics also taps Reporting Services' ability to render non-financial reports, given that it is a relational reporting engine. Reports can also be rendered in an XML format. Host Analytics also integrates with Reporting Services to interpret and merge XML as a vehicle for mashing up text reports containing notes and assumptions, for example, with graphs and financial statement reports.

Microsoft Integration Services is leveraged under the hood to provide integration with third-party applications such as ERP packages, hosted services such as Salesforce and warehouses. Host Analytics has also created its own purpose-built adapters for data integration tasks as well.

The firm has also developed its own simulation engine to enable the creation of detailed models in an Excel format for driver-based budgeting and complex calculations that can be easily reported in Excel. The rationale behind the move is to make calculations easy to express since management contends – and we agree – that they can be cumbersome to construct in a modeling language. That said, Host Analytics also provides rules-based modeling through its own interface for building multi-dimensional business rules.

Products

Host Analytics 8.0 is the latest release. Improved 'what-if' budgeting and planning capabilities come courtesy of enhancements to its simulation engine and scorecard graphics.

Scorecards are a key element in the suite used for compliance and best practices, for example. Host Analytics' scorecards purport to be able to track some 3,000 procedures and are designed primarily for strategic planning, although they can also support more traditional methodologies such as Balanced Scorecard as well. Version 8.0 not only sports improvements to the scorecards but enhancements to dashboards, an area in which by its own admission, it wasn't previously strong.

The other main enhancements in 8.0 are the ability to now add discretionary initiatives to the budget, where they were previously part of the plan only. Multiyear/periodic budgeting is also now possible with 8.0, and the release also includes easier integration with ERP

applications and data warehouses. Like previous releases, 8.0 costs \$50 to \$100 per user per month, depending on the number of end users, under an annual contract.

Competition

Adaptive Planning and **Bitam** are the only other vendors we know that are in the SaaS performance management fray. We're told Host Analytics has never encountered Bitam, which is probably because its roots are in Latin America, although it has been expanding into the US of late, and so therefore could be encountered at some point in the future. Adaptive Planning, however, is seen in situations when a prospect decides it wants to take a hosted route for performance management, which makes sense since it's probably the most well-known SaaS performance management vendor, although it also offers open source and on-premise wares as well. Adaptive raised \$10m in a series D funding in January.

That said, we're told **Oracle's Hyperion** performance management division is Host Analytics' most frequent rival, which figures, because Hyperion is arguably the most well-established player in this sector – the reason Oracle acquired it last year for \$3.3bn to strengthen its performance management credentials. But Hyperion tends to play at the high end of this market and also provides on-premise wares only.

Cognos, now owned by **IBM** as a result of one of the other multibillion dollar acquisitions in the business-intelligence-related sphere last year, alongside Oracle's Hyperion buy and **SAP's** purchase of **Business Objects**, is the next most frequent vendor Host Analytics comes across. That makes sense since Cognos Planning, although primarily sold as an on-premise offering, is well established. Cognos also acquired midmarket performance management player **Applix** for \$339m last May, which has given Big Blue another arsenal of performance management offerings, making it another formidable competitor to Host Analytics.

OutlookSoft, which used to be Host Analytics' most frequent competitor, is now reportedly seen less often now that it's owned by SAP. SAP paid \$490m, we estimate, for OutlookSoft in May 2007. Although it doesn't operate in the SaaS performance management world, SAP also has two other performance management portfolios as a result of its acquisition of **Cartesis** for \$300m last April and Business Objects for \$6.7bn last October. Microsoft is the other behemoth now firmly in the performance management fray with the advent of PerformancePoint 2007, its all-in-one SQL Server-based performance management stack. We believe Host Analytics could see Microsoft in deals in future, given the fact that its heartland is among SMEs – Host Analytics hasn't reportedly come across PerformancePoint so far – and, we believe, it could see more of SAP, too.

There are a clutch of independent players left in performance management despite an extensive shakedown in recent years. **Clarity Systems** is probably the largest and a vendor Host Analytics encounters occasionally, which makes sense since it's an on-premise vendor and also focuses on both the enterprise and midmarket sectors. **Prophix Software**, **Centage**, **Alight** and **Whitebirch Software** are also independent pure plays going after midmarket deals, albeit with on-premise wares for performance management only. We're told that, Whitebirch aside, Host Analytics sees all these firms in bake-offs from time to time, depending on the deal in question.

Strengths	Weaknesses
A recent cash injection demonstrates investor confidence. The firm also appears to have sustained profitability on its side, a relatively mature hosted offering and reasonable-sized customer base.	Host Analytics needs to do some profile-raising activity because it's in a hot market segment but isn't well known.
Opportunities	Threats
OEM deals seem like the next front it needs to pursue on the sales side.	There are a number of players going after a similar target market to Host Analytics – albeit mainly with on-premise wares – which are often still considered a safer bet for performance management given the sensitive nature of financial data used in these types of offerings.

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