REPORT REPRINT

Progress accelerates Cognitive Apps strategy with DataRPM buy

MATT ASLETT

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451 Research®

Progress Software recently outlined the potential opportunity to add machine-learning and predictive analytics functionality to its portfolio to bolster its Cognitive Applications initiative, which was announced in mid-January by incoming president and CEO Yogesh Gupta. The acquisition of DataRPM fits the bill.

THE 451 TAKE

We had anticipated that Progress would need to acquire machine-learning and predictive analytics functionality to deliver its Cognitive Apps strategy, and DataRPM is a logical choice. As we noted last month, the combination of application development, data connectivity and business rules management software with machine learning and predictive analytics makes sense in terms of providing a platform that will enable ISVs and enterprises to develop operational applications that take advantage of the intelligence being generated by big-data and Internet of Things (IoT) projects. While Progress already had many of the core elements required to deliver this platform with its OpenEdge, NativeScript, Kendo, Telerik, DataDirect and Corticon assets, it was missing a critical piece of the puzzle, leading us to note that the company would likely need to dip into its pockets to purchase the functionality to deliver automated machine learning and predictive analytics.

DEAL DETAILS

Progress paid $30m for DataRPM, with $28.3m in cash and $1.7m payable to the target's founders in the form of restricted Progress stock. The target had previously raised $800,000 in seed funding from Center for Innovative Technology (CIT) GAP Funds, 20K Industries and some other angels in November 2013, followed by a $5.1m series A round led by InterWest Partners with participation from CIT GAP Funds in March 2014. In September 2016, it became part of Microsoft's Seattle Machine Learning and Data Science Accelerator program.

RATIONALE

It was no secret that Progress Software was on the lookout for potential machine-learning acquisitions. The company's president and CEO, Yogesh Gupta, announced a new strategic plan in January designed to streamline operations, improve execution, and invest in a new product strategy focused on what it calls Cognitive Applications.

DataRPM appears to be a good fit. The company was originally founded in January 2012 to offer a combination of natural language querying and search for discovery and analysis purposes, underpinned by a computational search index engine driven by machine-learning and automatic data-modeling capabilities. The company went back into stealth mode in late 2014, however, reemerging about a year ago having switched its focus to providing an automated machine-learning-based environment for the creation of recommendations and predictions. Having done so, it zeroed in on predictive maintenance for the Industrial IoT and rebranded its software as the Cognitive Predictive Maintenance (CPdM) platform.

In April 2016, DataRPM told us that it had 30 paying customers. Its focus on predictive maintenance has enabled the company to add some big-name customers in recent months including GE, Cisco, Jaguar and Orange. DataRPM had 40-50 employees, mostly developers and data scientists, and mostly located in Bangalore, India.

Progress notes that it was specifically attracted to DataRPM because it has the combination of proven technology and paying customers, but is not too large to consume. It also highlights DataRPM's Meta-Learning approach, which automates tasks that would otherwise require human input, such as data tagging, finding patterns and anomalies, and identifying key signals. The company plans to continue to offer CPdM on a stand-alone basis, initially maintaining DataRPM's focus on the predictive maintenance sector, and investing in the target's direct sales capabilities to encourage greater adoption by industrial enterprise users. Over time, there is the potential to expand this focus to address other predictive applications.

Progress will also work on integrating CPdM with the company's wider application development and deployment software portfolio, which is primarily aimed at ISVs. It anticipates delivering integration before the end of this year, after which its ISV partners will be in a position to incorporate machine-learning and predictive maintenance functionality into the applications developed with Progress's wider software portfolio. The company reports that a significant number of its ISV customers are involved in developing manufacturing and ERP applications, and it expects that they will be among the early adopters to deliver predictive inventory management and maintenance management modules.

In addition to announcing the acquisition of DataRPM, Progress also released its first-quarter financial results – a net loss of $0.5m on revenue up 2% to $91m. The company's revenue is divided into three segments: the OpenEdge database and development business (up 1% to $64.5m in Q1), Data Connectivity and Integration (up 4% to $6.8m), and Application Development and Deployment (up 5% to $19.6m). It is not yet clear which of these segments DataRPM's revenue will be included in, but we do know that the addition of DataRPM is not expected to have a material impact on any of the segments this year.

COMPETITIVE OUTLOOK

Progress vies with a variety of vendors, including larger data management and enterprise software providers such as Oracle, IBM, Microsoft, SAP and Red Hat, as well as several specialist application developers. The addition of machine-learning and predictive analytics functionality means that the company will potentially compete with IBM's Watson platform. Certainly DataRPM has cited Watson Analytics as its main rival in the past, which is a valid comparison because both offerings have similar capabilities in the areas of a natural language interface, the use of machine learning for predictive analytics, and the ability to handle data that isn't necessarily structured in nature.

Comparisons could also be made between ThoughSpot and DataRPM because the former is all about providing search-driven analytics. DataRPM offers similar capabilities, although the company has chosen not to play them up so much in recent years because search isn't really much of a differentiator. Additionally, predictive maintenance is a key focus for analytics specialist Alluvium with its real-time data-streaming platform for IIoT.

There have been several acquisitions of machine-learning and predictive analytics providers by companies focusing on IoT workloads. As such, we might expect some competition from Greenwave Systems' AXON Predict, which is based on the RIOT edge analytics technology it obtained with Predixion in September 2016, as well as GE Digital's Predix IIoT platform. GE has also bought machine-learning functionality in the shape of Wise.io although that had been focused specifically on customer-support and is being used by GE for its Digital Twin technology.

We had previously viewed DataRPM as contending with PredictionIO and BeyondCore, which were both acquired by Salesforce last year. However, BeyondCore's technology is now being used to drive machine-driven advanced analytics within Wave Analytics, while PredictionIO became an Apache Software Foundation incubator project and is used internally within Salesforce for the development of its Einstein artificial intelligence platform.

ACQUIRER
Progress Software

TARGET
DataRPM

SUBSECTOR
Application development / Machine learning

DEAL VALUE
$30m

DATE ANNOUNCED
March 29, 2017

CLOSING DATE
March 29, 2017