Informatica moves into process automation with Active Endpoints acquisition

Analyst: Krishna Roy Carl Lehmann

21 Feb, 2013

At the same time that Informatica unveiled its Cloud Spring 2013 edition, the firm announced the acquisition of Active Endpoints, a business process management (BPM) technology and services firm. Informatica immediately positioned Active Endpoints' Cloud Extend offering as a core component of its flagship Cloud service.

Deal details

Terms of the deal haven't been disclosed. Actually, very few details have been disclosed, as the transaction didn't even merit its own press release. (It received a single, quick mention in an announcement about the latest release of Informatica's cloud-integration PaaS product).

According to our understanding, Informatica will hand over about $10m for Active Endpoints. That works out to roughly 1x trailing sales, and about half the venture money raised by the company. (Active Endpoints had raised $22.5m from Atlas Venture and North Bridge Venture Partners.) America's Growth Capital advised Active Endpoints on its sale.

Acquirer profile

Informatica is continuing its M&A march to acquire for growth. Having bought its way into data quality, master data management (MDM), application information lifecycle management,

ultra-low-latency messaging, event-based integration and B2B integration, the company is now making a process automation play in order to extend its reach beyond the ETL-based data-warehousing world.

The pickup of Active Endpoints is significant because it takes Informatica into a fresh realm that is complementary to many of its existing businesses. In contrast, the company's previous two acquisitions built on its existing capabilities in mastering data and data quality, respectively. Informatica scooped up German MDM payer Heiler Software in October 2012, paying $104m for Heiler's ability to serve the product information management-related domain of MDM, and obtaining a decent-sized customer base and strong brand in Europe to boot. One month earlier, Informatica snagged Data Scout for $6m.

Like the Active Endpoints purchase, the Data Scout buy was a low-profile transaction. The Data Scout takeout only came to light with the launch of Informatica Cloud MDM in September 2012 and the subsequent release of Informatica Cloud Winter 2013. Although billed as another MDM acquisition, Data Scout actually brought Informatica the ability to cleanse, standardize, de-duplicate and consolidate data in salesforce.com. Informatica's reach for Active Endpoints has surfaced in the subsequent newly introduced Spring 2013 release of its cloud-integration PaaS.

Active Endpoints is Informatica's 17th acquisition since it kicked off a product expansion strategy via M&A in earnest in January 2006 with the acquisition of data-quality pure-play Similarity Systems for $55m. The company has subsequently swallowed a variety of data management vendors, either in tuck-in deals for strategic technology or in larger purchases. That said, Informatica has never spent more than $130m on any one acquisition – in its first MDM foray, it paid $130m for Siperian in January 2010. As a result, $40m is the median deal value for the 18 transactions Informatica has inked since starting its M&A activity in September 2003 with the purchase of mainframe integration provider Striva for $59.5m.

Target profile

Founded in 2003, Active Endpoints is a privately held firm with roughly 40 employees deployed across its headquarters in Waltham, Massachusetts, and development facilities in Shelton, Connecticut. The company offers a suite of cloud-based and on-premises BPM products and related services to develop, integrate and deploy process-oriented business applications. Its products include Cloud Extend, ActiveVOS Enterprise and ActiveVOS Service Provider Edition. Active Endpoints targets sales domain experts, IT project teams, business process outsourcers and cloud service providers as prospects.

The firm reportedly has hundreds of customers worldwide, ranging from small to large businesses with presence in the telecommunications, government, financial services, and media and entertainment industries. However, half of its estimated $8m in 2012 revenue came from one client (AT&T), posing risk should the telecom giant decide to consider alternatives. That is especially true when considering that Active Endpoints has many BPM rivals that are similar in size and product scope, including Adeptia, AgilePoint, Appian, AuraPortal, BonitaSoft and Cordys, to name a few. Not to mention the competitive offerings from industry leviathans such as IBM, Oracle and SAP, as well as others such as EMC and OpenText.

Active Endpoints' technology is reliable, functional and well received by its customers. However, strategically the company had difficulty distinguishing a unique brand. To create differentiation, in 2011 Active Endpoints launched Cloud Extend, a low-cost salesforce.com workflow customization tool. The firm put the bulk of its development resources into the initiative with the hopes of being acquired by salesforce.com, which had other ideas. Active Endpoints' gamble failed.

Rationale

The enterprise-integration market is in the process of responding to the new cloud, mobile, 'big data' and social era. Data and application-integration capabilities alone will not provide sufficient competitive differentiation. Integration providers are adding data-quality and MDM capabilities to their portfolios and as they do so, their customers are realizing that data quality and integration must be augmented with business process integration across on-premises systems and cloud services. Informatica's rivals such as TIBCO, IBM, Oracle, SAP, Software AG and OpenText as well as others such as Pervasive Software, Red Hat and Talend have all made similar investments and acquisitions.

Informatica needed to step up to these market dynamics and rivals. With the target's capabilities and probably its price tag, the Active Endpoints acquisition came none too soon. The fate of ActiveVOS as part of Informatica's product suite is uncertain. Should it choose to continue its support, the technology could bring Informatica up to par with traditional competitors' BPM capabilities. However, the Cloud Extend technology may help Informatica create competitive differentiation amid the growing salesforce.com (and SaaS) application and integration sectors, which also include contenders such as MuleSoft, Jitterbit and Pervasive.