Aventra™ IRON helps IT harness creative ways to offer new services, accelerate time to money, and better understand customers; all of which directly impacts the financial bottom line.

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Is the High Cost of Infrastructure Silently Stalking Your Success?

Your business is booming with year-on-year growth of 30%, 40% or higher! Customers are raving about your service. Marketing has clarity of vision and execution is hitting on all cylinders. Financials are strong, the future is bright!! But something is ruining what should be a peaceful night of rest for the CEO and CFO of your emerging SaaS or PaaS company. Having revolutionized the delivery of IT infrastructure, today's cloud service providers are enabling the birth and rebirth of companies throughout the world. Whether a SaaS/PaaS company born in the cloud or an enterprise simply trying to find the right balance of cloud with traditional on premise IT operations, the simplicity of starting or moving operations to the cloud is very compelling. And while it initially provides a cost-effective way to launch a business, the cash flow requirements of scaling cloud infrastructure to keep up with growth has fast become the silent stalker of even the best CEO or CFO. Aventra™ IRON is an innovative technology that stifles rising infrastructure cost to free up cash flow and may be just the medicine needed to keep the silent stalker at bay.

The worldwide public cloud services market is projected to grow 18% in 2017 to over $246B, up from $209B in 2016. With SaaS and PaaS companies growing faster than the market itself at 20% and 32% respectively, the need to effectively manage growing IT infrastructure cost is of utmost priority. Nowhere is this more painful than with promising SaaS/PaaS companies that simply do not have enough positive cash flow to procure the necessary infrastructure to scale their business. They are thus forced to pay for this infrastructure with high cost capital or worse, company equity. The "Rule of 40%" provides an effective way of challenging companies to balance growth and profitability. Simply add GM% and YoY Growth % to determine whether you are over or under the 40% line. Companies falling below the line often find it more difficult to secure funding from traditional investment bankers at preferred rates. This has created an opportunity for hybrid investors to capitalize on a fast-growing market by helping companies survive but at a price they'd rather not have to pay. It is quite common for companies to pay more than 20% interest on borrowed capital or give up equity that may in the long run make that infrastructure wildly expensive.

Aventra IRON is enabling companies to free up cash flow by reducing infrastructure cost while improving application performance. This innovative memory unification technology for any application or any database is delivering 3X – 8X the workload on the same cloud infrastructure, enabling companies to downsize instances or consolidate workloads to turn down instances no longer needed. Aventra IRON consistently saves its users 30 to 50% of their cloud infrastructure cost. For a company on the verge of raising capital to support their growth, right sizing their infrastructure with Aventra IRON will allow them to avoid, minimize or delay the need for funding. And if funding is eventually needed, the lower infrastructure cost will reduce the cost of revenue and result in higher gross margin and an improved “Rule of 40” performance metric, making the company more attractive to traditional investors with better financing options.

Aventra IRON creates an opportunity to invest more of a company’s cash flow into company growth instead of paying a cloud service provider. With most companies spending 20 – 35% of their working capital on infrastructure to support their service, the opportunity to increase free cash flow and realize profit or boost the S&M and R&D budget can be game changing. Below is an example of a company that is a microcosm of the SaaS sector itself. Concur Technologies is a provider of SaaS based expense management and travel solutions. This example is theoretical and shows the powerful impact of how increasing free cash flow by reducing cost of revenue by 30% with Aventra IRON can positively impact profitability or discretionary spending on S&M and R&D for future growth.

		30% COGS Reduction (Savings to Bottom		30% COGS Reduction (Savings Reinvested)	
M$	12/31/2012		Delta	12/31/2012	Delta
Revenue	$ 462.2	$ 462	$ -	$ 462.2	$ 462.20
COGs or Cost of Revenue	129.7	90.8	(38.9)	90.8	(38.9)
Gross Profit	332.5	371.4	38.9	371.4	38.9
Gross Margin	71.9%	80.4%	8%	80.4%	8%
Sales & Marketing	186.4	186.4	-	216.4	30
% of Revs	40.3%	40.3%	-	46.8%	6%
R&D	48.3	48.3	-	57.3	9
% of Revs	10.5%	10.5%	-	12.4%	1.9%
G&A	77.6	77.6	-	77.6	-
% of Revs	16.8%	16.8%	-	16.8%	-
EBITDA	20.2	59.1	39	20.1	(0)
EBITDA %	4.4%	12.8%	8%	4.4%	(0)

Increase in free cash flow of $39M from lower COGs can be reinvested into S&M and R&D for growth

The above is just one example of a company in a SaaS marketplace that is erupting with new and fast growing companies every day. And while the cloud has made it easy to get these companies off the ground and bring to market a desired service, it has also introduced a very challenging cost model that has become the silent stalker of company growth. Aventra Iron is a non-invasive technology that enables companies to scale their business profitability in the cloud of their choice.

To learn more:

Gartner predicts the worldwide public cloud services market will grow 18% in 2017 to $246.8B, up from $209.2B in 2016. Infrastructure-as-a-Service (IaaS) is projected to grow 36.8% in 2017 and reach $34.6B. Software-as-a-Service (SaaS) is expected to increase 20.1%, reaching $46.3B in 2017. Source: Gartner Says Worldwide Public Cloud Services Market to Grow 18 Percent in 2017.

Cloud computing spending is growing at 4.5 times the rate of IT spending since 2009 and is expected to grow at better than 6 times the rate of IT spending from 2015 through 2020. According to IDC, worldwide spending on public cloud computing will increase from $67B in 2015 to $162B in 2020 attaining a 19% CAGR. These and many other fascinating findings are from: The Salesforce Economy: Enabling 1.9 Million New Jobs and $389 Billion in New Revenue Over the Next Five Years, IDC.

Platform-as-a-Service (PaaS) adoption is predicted to be the fastest-growing sector of cloud platforms according to KPMG, growing from 32% in 2017 to 56% adoption in 2020. Results from the 2016 Harvey Nash / KPMG CIO Survey indicate that cloud adoption is now mainstream and accelerating as enterprises shift data-intensive operations to the cloud. Source: Journey to the Cloud, The Creative CIO Agenda, KPMG

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