

Netezza nibbles again to advance analytic appliance strategy

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Sector: Networks & Media

Netezza's (NYSE: NZ) deal with **Intelligent Integration Systems (IISi)**, which follows the \$6.4m acquisition of **NuTech Solutions** in May, sees the company striking its first technology-driven transaction, as the NuTech buy was all about increasing scientific and engineering expertise in complex analytics. That said, both purchases were executed to accelerate a strategy to recast its Netezza Performance Server (NPS) line from data-warehouse appliances to analytic appliances supporting more complex types of analysis – a game plan first implemented last September.

Rationale

This is a technology acquisition only and takes the form of a multimillion-dollar exclusive licensing transaction for the first two partner application products IISi developed as a founding member of the Netezza Developer Network (NDN). NDN is a partner program established 11 months ago consisting of complementary software vendors, customers, consultancies and academic institutions focused on build algorithms and applications for non-SQL analytics for the NPS range.

The two partner products involved in the transaction are a geospatial toolkit and an extended SQL toolkit. **Oracle** (Nasdaq: ORCL) already has geospatial capabilities within its database engine, which is used as a warehouse, so the IISi technology should put Netezza on a more equal standing with Oracle, reportedly its most frequent competitor in data-warehousing deals. The extended SQL toolkit will expand NPS' existing SQL functionality.

Netezza has said that the acquired technology will be delivered through its global sales and partner channels in a bid to accelerate the aftermarket for third-party applications that take advantage of NPS' so-called on-stream analytic capabilities.

There are no integration issues involved since the two pieces of acquired technology were developed for NPS by IISi, which is a three-year-old startup focused exclusively on developing software for MPP-based data warehouses such as Netezza's. IISi says it has other application suites waiting in the development queue for NPS including wares for media,

ACQUIRER

Netezza

TARGET

Technology from Intelligent Integration Systems

SUBSECTOR

Data warehousing

DEAL VALUE

Not disclosed

DATE ANNOUNCED

August 7, 2008

CLOSING DATE

August 7, 2008

retail, gaming, environmental and election analytics. The relationship between IISi and Netezza dates back to about two years ago, when IISi developed an early user-defined function for NPS in the shape of a genomic application.

Competitive landscape

Netezza's top three competitors in order of frequency continue to be Oracle, **Teradata** (NYSE: TDC) and **IBM** (NYSE: IBM). The deal with IISi clearly makes Netezza more competitive with Oracle, which like the other two incumbents it faces is far larger and more well established, with a reach into areas related to data warehousing that Netezza doesn't have, despite its analytic appliance strategy.

Furnishing warehouses with the ability to run different types of analytics is a strategy Teradata also is pursuing. It announced a strategic partnership with the **SAS Institute** last October involving deeper integration between vendors' wares and marketing, sales and service activities. One of the objectives of this relationship is to embed SAS analytics into the Teradata database for in-database analytics. Interestingly, SAS is also a member of NDN, so it is working with Netezza to achieve a similar objective. SAS expects to sign up more partners for in-database analytics.

Greenplum, which counts Netezza as a chief competitor, also has a similar strategy underway, which we're told has been baked into its roadmap since 2005. Recently, it added enhancements to its latest G3 warehouse software to enable partners to internally develop their own custom analytic functions for its database engine.

Competition

Netezza's purchase of IISi is the latest acquisition in the data-warehousing sector, coming just three weeks after **Microsoft** (Nasdaq: MSFT) snagged Netezza rival **Datallegro**. However, with an estimated value of \$250m, the latter transaction was significantly larger in value, involved the acquisition of customers, and had a different motivation from a technology standpoint because it was struck to make SQL Server into a massively parallel warehouse engine. In contrast, NPS is already massively parallel and the IISi technology acquisition is more about owning technology already developed by one of its partners. Furthermore, the deal is far smaller in value since it was billed as an asset sale.

We expect M&A moves into data warehousing to continue, particularly in the data-warehouse appliance sector, which is a crowded space with more than 20 players including Greenplum, which counts **Sun** (Nasdaq: JAVA) and **SAP** (NYSE: SAP) as investors; **Paracel**; **Vertica Systems**; **Dataupia**; and **illuminate Solutions**. We believe Netezza could also continue to play a role in consolidating the sector by making other strategic acquisitions to further its analytic appliance capabilities.

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