

A10 helps business customers avoid Internet traffic jams

BY NATHAN DONATO-WEINSTEIN

To get a handle on the explosive growth of A10 Networks Inc., take a look at its steadily expanding footprint.

Having gobbled up three buildings totaling 40,000 square feet, the seven-year-old San Jose-based networking company is bursting at the seams. It's now looking to double its space and is in lease negotiations for a new 80,000- to 100,000-square-foot San Jose home.

"We're no longer a small company," CEO Lee Chen said.

And neither is the market for A10's core business of application delivery controllers, which help companies deliver programs over the Internet faster and more efficiently. Gartner projects spending in A10's market to reach \$3.45 billion by 2015, up from \$2 billion this year.

"It's part of the larger performance-management sector, which is really hot right now," said Bojan Simic, president and principal analyst for TRAC Research. "The whole notion of Web performance is becoming more business critical."

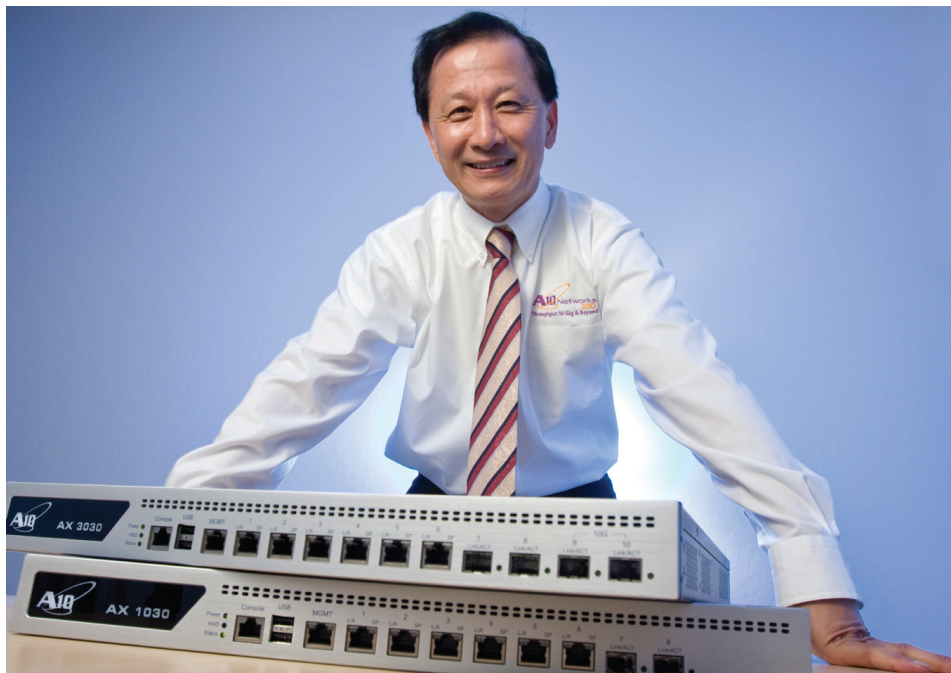
Privately held A10 is not the biggest player; Seattle-based competitor F5 Networks Inc. posted \$882 million in net revenue in 2010. But A10 outperformed the sector last year, with 315 percent net-revenue growth in 2010 from a year earlier, to \$54.69 million. It recently marked its seventh consecutive profitable quarter.

Ballooning Internet traffic, the cloud-computing trend and mobile devices are driving the growth in A10's core market, Chen said.

All of those trends mean increased use of Web apps. Application delivery controllers handle the heavy lifting of serving up and accelerating Web-based programs for end users, freeing a company's servers up for other duties. A10 also makes products that help companies manage their bandwidth and network security.

"We envisioned explosive growth in the Internet, and we built our products to be ready for it," Chen said.

Chief Financial Officer Greg Straughn said A10 has been eating into competitors' mar-



VICKI THOMPSON

IPO TARGET: CEO Lee Chen believes A10 is likely to go public in the next 18 to 24 months.

ket share by offering lower costs and better customer service. Clients include everyone from Microsoft and Subaru to Sesame Workshop and World Wrestling Entertainment.

"While we provide a lower-cost product, we do not provide a lower-performance product," Straughn said. "It exceeds that of our competitors, and our margins are as good as theirs, too."

Chen sees another growth opportunity thanks to a new Internet protocol, dubbed IPv6. It provides desperately needed additional Internet addresses, but it doesn't coexist well with the old protocol, known as IPv4.

That's where A10 comes in. It offers products that help companies provide connectivity and communication between the two protocols, which could otherwise break down.

Although the issue isn't yet mission critical, more IPv6 addresses are coming online every day and "a lot of companies understand that if

AT-A-GLANCE

A10 Networks Inc.
 +1,353%
 Headquarters: San Jose
 CEO: Lee Chen
 Founded: 2004
 Employees: 320
 FY 2008 revenue: \$3.8 million
 FY 2009 revenue: \$17.4 million
 FY 2010 revenue: \$54.7 million
 Web: www.a10networks.com
 Phone: 408.325.8668

they don't prepare now, they'll have to fix it in a hurry," said Simic of TRAC Research.

Added Chen: "In three to five years, IPv6 migration will be bigger than (A10's existing) market."

To prepare for the growth, Chen is pouring money into bolstering sales, engineering and marketing staff. Employee ranks zoomed from 199 to 320

in the last year.

More are coming. Recently, A10 added a controller and director of finance. The additions come as the company prepares for a planned initial public offering within 18 to 24 months, Chen said.

And in September, A10 opened a new 6,000-square-foot cloud computing research-and-development center in Taipei.

It's all part of taking the company to the next level, he added.

"An IPO, to me, is almost a certification to say, 'Hey, the company is for real,'" he said.