

REPORT REPRINT

A10 ports software licenses to pool ADC capacity

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The company's FlexPool licensing is intended to ease software portability and management across on- and off-premises cloud environments.

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A10 Networks announced A10 FlexPool, a software subscription licensing model based on aggregated capacity. FlexPool is designed to allow customers to allocate and redistribute a pool of licensed capacity across applications, multiple clouds and datacenters.

THE 451 TAKE

FlexPool addresses the sticky software licensing challenges of mobile workloads migrating across on-premises and/or colocated private clouds and public clouds. Enterprises typically overprovision for services, and pay for the overprovisioning, through numerous perpetual, fixed capacity licenses that may outlive their practical lifecycles. Capacity pooling is a much more flexible, usage-based arrangement suited to the mobile workload and multi-cloud environments emerging in IT.

CONTEXT

Enterprise IT is evolving into a multi-cloud environment, melding on-premises capacity with cloud, be it public or private colocated cloud facilities or on bare-metal servers, virtualized appliances or container-based microservices. As businesses attempt to balance workloads across these hybrid environments, perpetual software licenses of fixed capacity break down – they become the antithesis of the on-demand, usage-based capacity and flexibility of the cloud, and are cost-inefficient. What enterprises need is an agile software delivery model to ensure that services and applications are consistently available whenever needed at a price aligned with actual usage.

Resourceful and portable software licensing will become more important as enterprises adopt more cloud computing and migrate workloads across multiple clouds. According to 451 Research's Voice of the Enterprise: Cloud Transformation, Workloads and Key Projects 2017, more than 60% of all workloads will be running on some form of public or private cloud within two years. Almost 40% of enterprises will focus primarily on a single-cloud environment vs. multiple clouds, while over 60% will use multiple clouds. Of those adopting multi-cloud, most will move workloads between clouds or have some level of interoperability between multiple clouds.

In recognition of this, A10 acquired Appcito, a maker of cloud-native application delivery controllers and load balancers, in July 2016 for \$6.5m. Appcito's cloud ADC is a SaaS with separate ADC control- and data-plane elements that can be hosted in the public cloud or on-premises. The services provided in the data plane include the traditional ADC functions of load balancing, DDoS protection and end-user performance optimization, along with a web application firewall, malware protection and bot protection. The control interface is through a web portal.

A10's annual revenue is \$230m. For the third quarter ended September 30, the San Jose, California company's revenue was up 12% from a year ago. But A10 officials say there's still work to do to continue to capitalize on the fast-growing areas of its market and to achieve consistent top-line growth and profitability. On a generally accepted accounting principles (GAAP) basis, A10 lost \$2.7m in the third quarter; on a non-GAAP basis, the company earned \$2.1m.

FLEXPOOL

FlexPool is A10's software license portability across the company's software and virtual portfolio of ADC, carrier NAT, converged firewall/VPN/secure web gateway, and SSL visibility and decryption appliances. It allows customers to purchase a single software license of pooled capacity and then port it across bare metal, virtualized infrastructure, or cloud-based application service resources. With capacity pools that are shareable across on-premises, public and private cloud infrastructures, FlexPool is intended to enable A10 customers to ease migrations to the cloud. At the same time, FlexPool is also designed to manage software licensing and avoid costly overprovisioning for ADCs, among other application services, across physical and virtual on-premises and off-premises environments.

A10 FlexPool is available now. Pricing for annual subscriptions begins at \$29,000.

COMPETITION

A10 competes with F5, Citrix, Radware and KEMP Technologies in ADCs. F5 and Citrix are much larger than A10, and all are seizing opportunities and grappling with challenges in migrating their product portfolios to the cloud. All are also refining their software licensing to adhere to cloud dynamics, offering more subscription-based SaaS and usage-based consumption.

A10 also competes with Avi Networks, an ADC startup that has a cloud native architecture. Avi says it is capitalizing on ADC refresh cycles to win business from incumbents F5 and Citrix.

At the same time, public cloud providers – AWS, Microsoft Azure, Google, IBM, Oracle – are offering basic ADC services like load balancing, which is putting additional pressure on ADC vendors. The sophistication of public cloud ADC services is expected to increase as more workloads move to the cloud, and scale and security become even more vital. But then, consistency in ADC services as workloads transit multiple public clouds presents a lot of potential upside for ADC vendors.

SWOT ANALYSIS

STRENGTHS

A10's business is growing, with Q3 revenue exceeding guidance. Security solutions – DDoS, firewall – continue to gain traction in addition to core ADC offerings, especially with service providers.

WEAKNESSES

A10 admits that capitalizing on growth areas of the ADC market – security and cloud – is still a work in progress. Sales execution improved in Q3 but that too is an area of continual refinement.

OPPORTUNITIES

Security and cloud are growing market opportunities for the foreseeable future, as customers will need consistent, policy-enabled application services, performance and security across widely distributed resources and operations.

THREATS

The ADC market is continually evolving, and larger incumbents won't be willing to sacrifice their installed base to smaller rivals that may have more modern implementations and/or licensing structures. The public cloud providers will also offer increasingly sophisticated application services as they host more enterprise workloads.