

The Future of Software: Why Open Source is the Safe Bet

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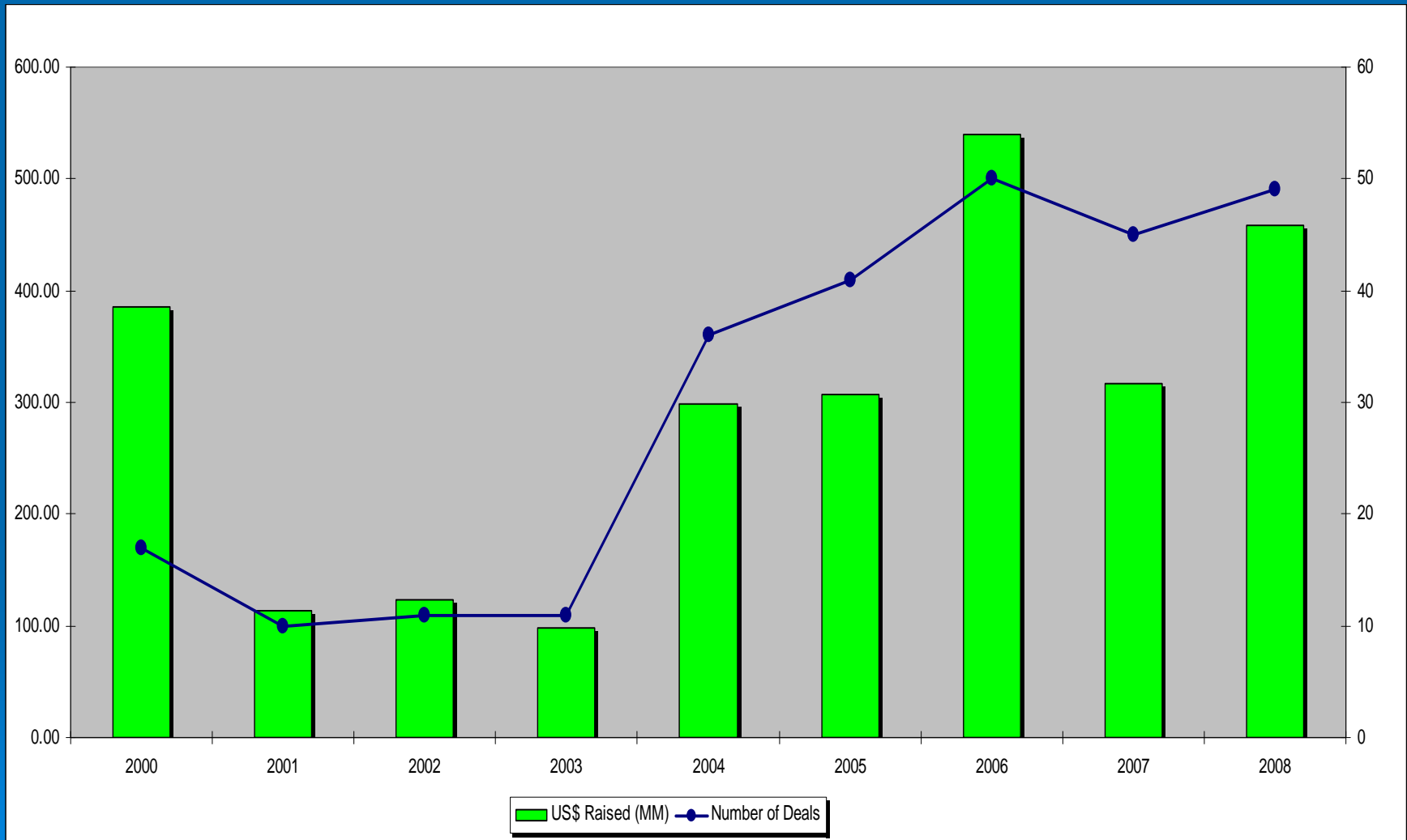
Open Source is the Safe Bet

- 1980: No One Ever Got Fired for Buying IBM
- 1990: No One Ever Got Fired for Buying Microsoft
- Today: No One Ever Got Fired for Buying Open Source
- Open Source is the safe choice:
 - New investment continues in open source
 - Businesses are adopting Open Source
 - Leaner budgets favor Open Source

Investment in Open Source



Venture Funding to Open Source



Source: The451 Group

Money Flow Into Open Source

- 2008: the second best year in history for open source funding
 - US\$458.8MM invested in Open Source companies
 - Q1 saw a record \$203.75MM to Open Source
- \$330MM/year average since 2000
- \$2.95B raised by open source startups since 2000 thru 2008
- Significant deals in Q4:
 - JasperSoft's \$12.5m
 - Open-Xchange's \$9m
 - New Relic's \$6m
 - Lucid Imagination \$6m
- Series A deals (5) made up more than half of Q4 deals:
 - DotNetNuke
 - Lucid Imagination
 - Cloudera

Healthy Open Source M&A

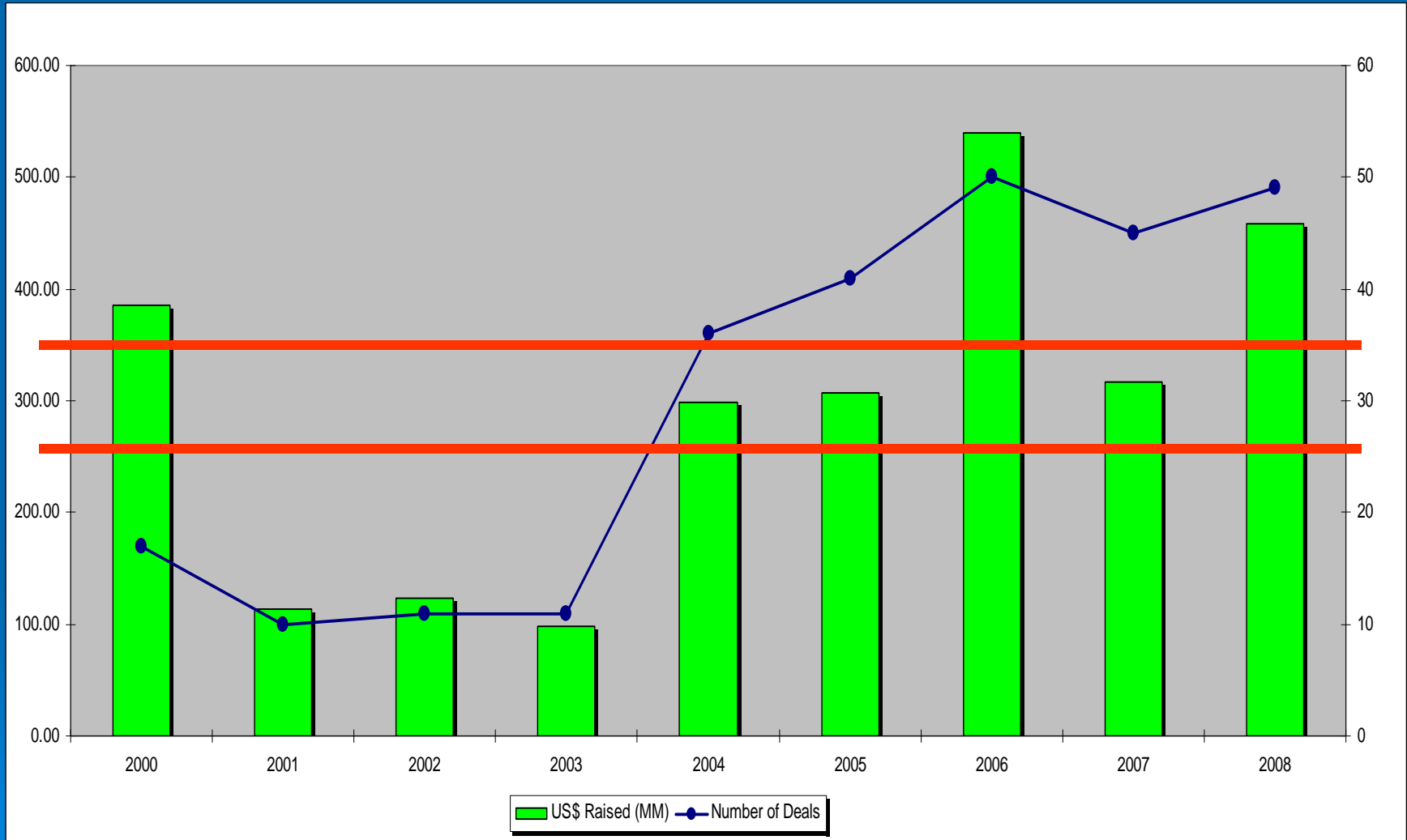
Year	Deal Volume	Value	Notable Deals
2008	28	US\$1.57B	Sun-MySQL, Nokia-Trolltech, Red Hat-Qumranet, Cisco-PostPath
2007	34	US\$858.6M	Yahoo-Zimbra, Sourcefire-ClamAV, Citrix-XenSource, Red Hat-MetaMatrix
2006	23	US\$368M	Red Hat-JBoss, Oracle-Sleepycat
2005	15	US\$326.6M	Ingres carve-out, Oracle-Innobase, IBM-Gluecode
2004	4	Not disclosed	Red Hat-Netscape Enterprise Business

Source: The451 Group

Observations & Predictions

- Last year: predicted ~\$500M, actual was \$458M
- 2009 M&A activity
 - Strong 2008 for M&A
 - Strong 2009 as investors seek liquidity and prune portfolios
 - Modest valuations and no IPO option make it a buyers market
- 2009 prediction: \$250M, 30 deals
 - 2006 - Firms with no investments moved into the space
 - 1H 2008 - First half of 2008 represents follow-on financings
 - 2H 2008 - Second half of 2008 shows strong new deal flow
 - Focus on cost cutting encouraging renewed interest in O.S
 - Series A and Series C deals will dominate
 - Financing is still there for good Series A deals, but it is a buyers market

Venture Funding to Open Source



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Open Source Adoption



Open Source: Key Disruptor

➤ Gartner:

- "the biggest disruptor the software industry [Gartner] has ever seen and [Gartner] postulated it will eventually result in cheaper software and new business models."
- Open-source products in 2006: 13% of the \$92.7 billion software market
- Open source products in 2011: 27 % of the \$169.2 billion software market

➤ IDC:

- 2007 Industry Adoption of OSS
 - 35% to 60% of respondents have budget for OSS
 - More than 50% allocate more than 10% of budget to OSS
- Linux ecosystem is \$40 Billion by 2010

Enterprise Adoption

- By 2010, Global IT organizations will use open-source products in 80% of infrastructure-focused software investments and 25% of business software investments.

-- *Gartner*

- 58% of IT execs reported that they now use Open Source for mission-critical applications
- 79% now use open source in application infrastructure
- 62% view open source software as capable of delivering significant business payback
- 80% viewed factors *other than cost* such as open standards support, use of code, and avoiding lock-in

-- *Forrester/Unisys*

You Will Be Using Open Source Even if you Buy Commercial Software

- By 2012, 80 percent of all commercial software will include elements of open-source technology.

Many open-source technologies are mature, stable and well supported. They provide significant opportunities for vendors and users to lower their total cost of ownership and increase returns on investment.

Ignoring this will put companies at a serious competitive disadvantage. Embedded open source strategies will become the minimal level of investment that most large software vendors will find necessary to maintain competitive advantages during the next five years.

-- Gartner

Traction at Traditional Vendors

- IBM
- Oracle
- Cisco
- Sun
- Nokia
- Microsoft



Microsoft Has Gone From Negative ...

- "Linux is a cancer that attaches itself in an intellectual property sense to everything it touches." – Steve Ballmer, June 2001
- "Our concern about the GPL is strictly the fact that it creates its own closed community." – Craig Mundie, July 2001
- "There are some new modern-day sort of communists who want to get rid of the incentive for musicians and moviemakers and software makers under various guises." – Bill Gates, January 2005

... To Supportive

- “Open source is interesting. Apple has embraced Webkit and we may look at that, but we will continue to build extensions for IE 8.” - Steve Ballmer, Nov 2008
- Codeplex
 - 8282 Open Source Projects, 1644 GPL, 517 LGPL
 - Over 400 Microsoft sponsored open source projects
- Two OSI approved licenses (Ms-PL and Ms-RL)
- Microsoft Joins Apache Foundation – July 2008
- Microsoft donates code to open source projects
 - ADOdb PHP SQL Driver (LGPL) – July 2008
 - Stonehenge (ASL 2.0) – Jan 2009
- Web Platform Installer & Web Application Gallery
 - PHP, DotNetNuke, Drupal, WordPress

Adoption Stories



Orbitz (NYSE: OWW)

Global Travel Services Company



Key Challenges

- Self-service reporting for extranet application serving travel agents

Pentaho Solution

- Pentaho Reporting Enterprise Edition
- Red Hat Enterprise Linux, JBoss Application Server, Teradata database
- 2,500 users

Results

- Integrated, self-service reporting
- Application selected as 2006 JBoss Innovation Award winner
- 4-year, \$1.5M TCO reduction

Why Pentaho

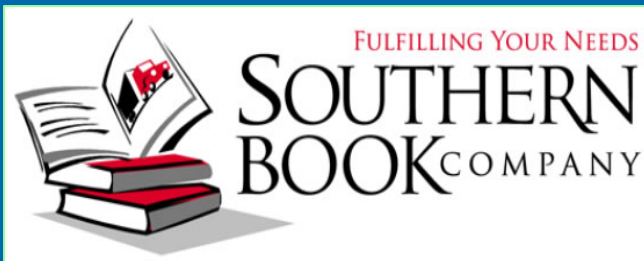
- Cost of ownership
- Embeddability within custom web-based applications (security, user interface, etc.)

Southern Book Company

Wholesale Book Distributor



Compiere®



Key Challenges

- “Silos” between day-to-day applications
- Lack of integration across locations
- Lack of manufacturing and warehousing
- Lack of real-time visibility of inventory

Inspiration

- Thomas L. Friedman’s book: “The World is Flat: A Brief History of the Twenty-First Century”
- #4 of “Ten Flatteners”: Open sourcing: Communities uploading and collaborating on online projects.

Results

- +10% net margins, +100% in revenue
- Eliminated “Silos” (lack of integration)
- Changed fixed IT costs to variable expenses

Why Compiere

- Low cost
- Open Source
- Integrated solution

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Key Challenges

- Replacing a custom ASP.NET solution
- Needed flexibility and extensibility
- Compatibility with existing ASP.NET infrastructure
- Single solution for both intranet and extranet

Inspiration

- Downloaded DNN Community Edition
- Open Source was critical in their decision
- "This is a platform decision. It is a key investment decision for us; something that we will have to live with for 5 to 7 years. We want to get this right".

Results

- Currently being rolled-out
- 'Speed of development / deployment'

Why DotNetNuke

- open source / Thriving commercial ecosystem
- open standards
- Extensibility



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TransUnionSM

Key Challenges

- Modernization of Infrastructure left gaps
- Web app performance difficult to capture
- Custom applications not supported by Big 4

Solution

- Enterprise features from open source
- Custom monitoring for custom apps - easily
- Automation and auto-discovery

Results

- All Web applications meeting SLA's
- "We looked at big proprietary vendors like CA Unicenter and IBM Tivoli but they were difficult to install, and clearly weren't architected for modern web environments like Hyperic is."

Why Hyperic

- Open Source = Extensibility as core value
- Time to value and ease of implementation
- Ability to manage massive variety of technologies

Premiere Global Services (NYSE:PGI)

Global Provider of Communication Services



Key Challenges

- Replace a legacy Java Swing client
- Time to market
- Fully leverage existing back-end service infrastructure
- Better user experience

Results

- Launched new product in 6 months
- Natural Agile development via Appcelerator

Why Appcelerator?

- Open source
- Interactive Use Cases (reusable prototypes)
- Significant code reduction
- Leverages existing skill sets

Midland Memorial Hospital

320 Bed Texas Community Hospital

Key Challenges

- Existing clinical applications being "end-of-lifed"
- Lack of integration across clinical applications

Inspiration

- CIO familiar with VA Vista open source solution and ought out Medsphere
- "We're looking for the best application regardless of the operating platform, but if the product we select offers a choice between Linux and a proprietary system, I will certainly choose the Open Source solution."

Results

- Patient deaths declined by ~ 2 persons/month
- Cost \$10M to \$15M less than proprietary alternative

Why Medsphere

- Low cost
- Open Source
- Integrated solution

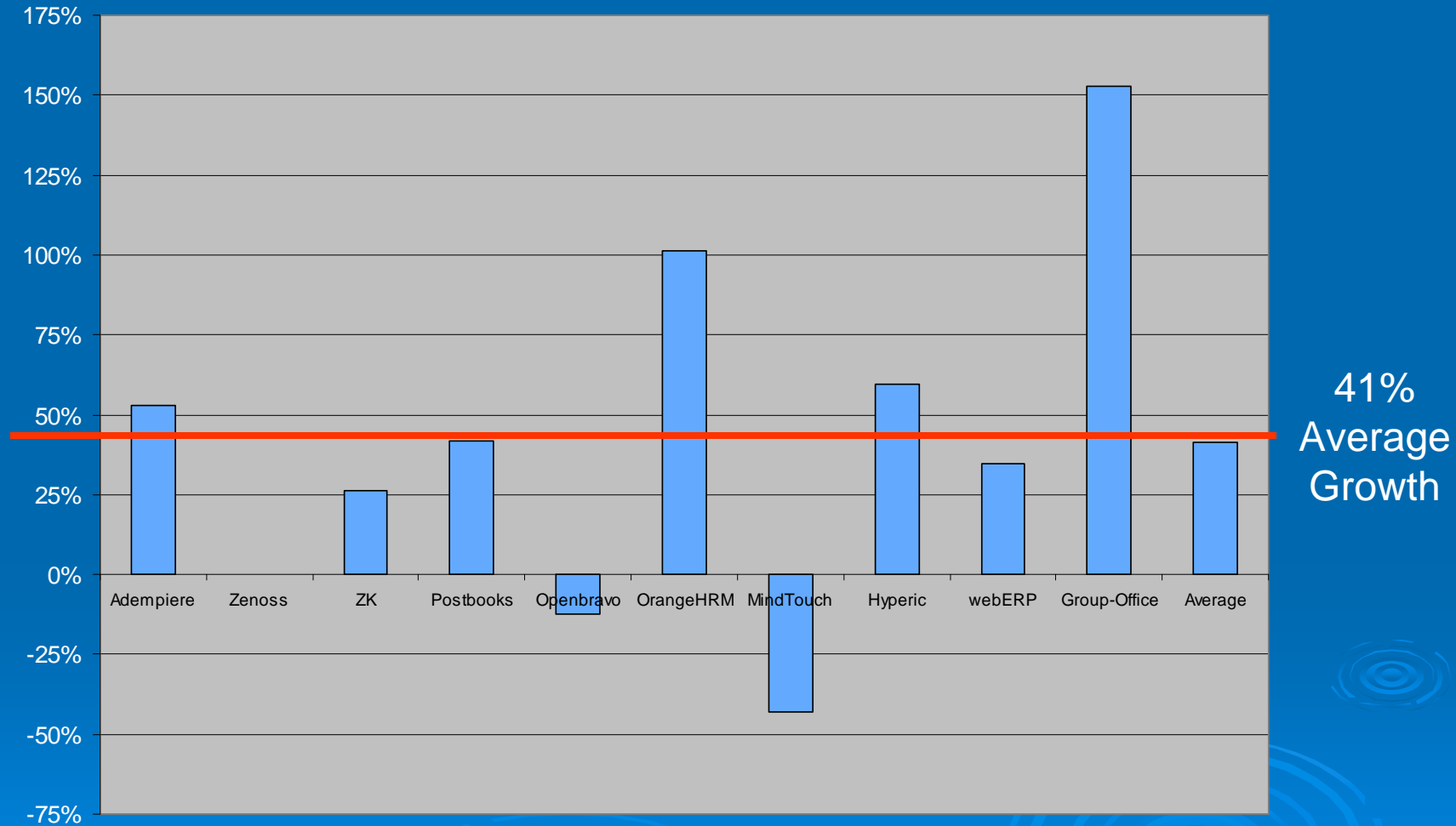


midland
memorial
hospital

Lean Budgets Favor Open Source



Downloads of Open Source Are Up



Q4 2008 versus Q4 2007 D/L, Top 10 SF.net Enterprise SW Projects

Significant Growth in OS Downloads

- 7 of the top 10 Enterprise SW Projects on SF.net saw strong growth in Q4 of 2008 versus Q4 of 2007
- The top 10 Enterprise SW projects on SF.net averaged 41% increase in downloads quarter over quarter
- Cost cutting and budget reductions are driving increased interest in Open Source
- Good for Open Source businesses in the long term

Conclusion



Take Aways

- Open Source is the safe bet
- Commercial Open Source companies are thriving, and more funding is flowing into Open Source every day
- Commercial adoption of Open Source is a foregone conclusion
- Open Source is producing a better relationship between users and vendors
- Economic slowdown and leaner budgets are driving increased adoption of Open Source today

No one ever got fired for buying Open Source

Thank you.



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