

So Many Platforms, So Little Time

Zach Nelson, CEO, NetSuite Inc.



Last Slide First

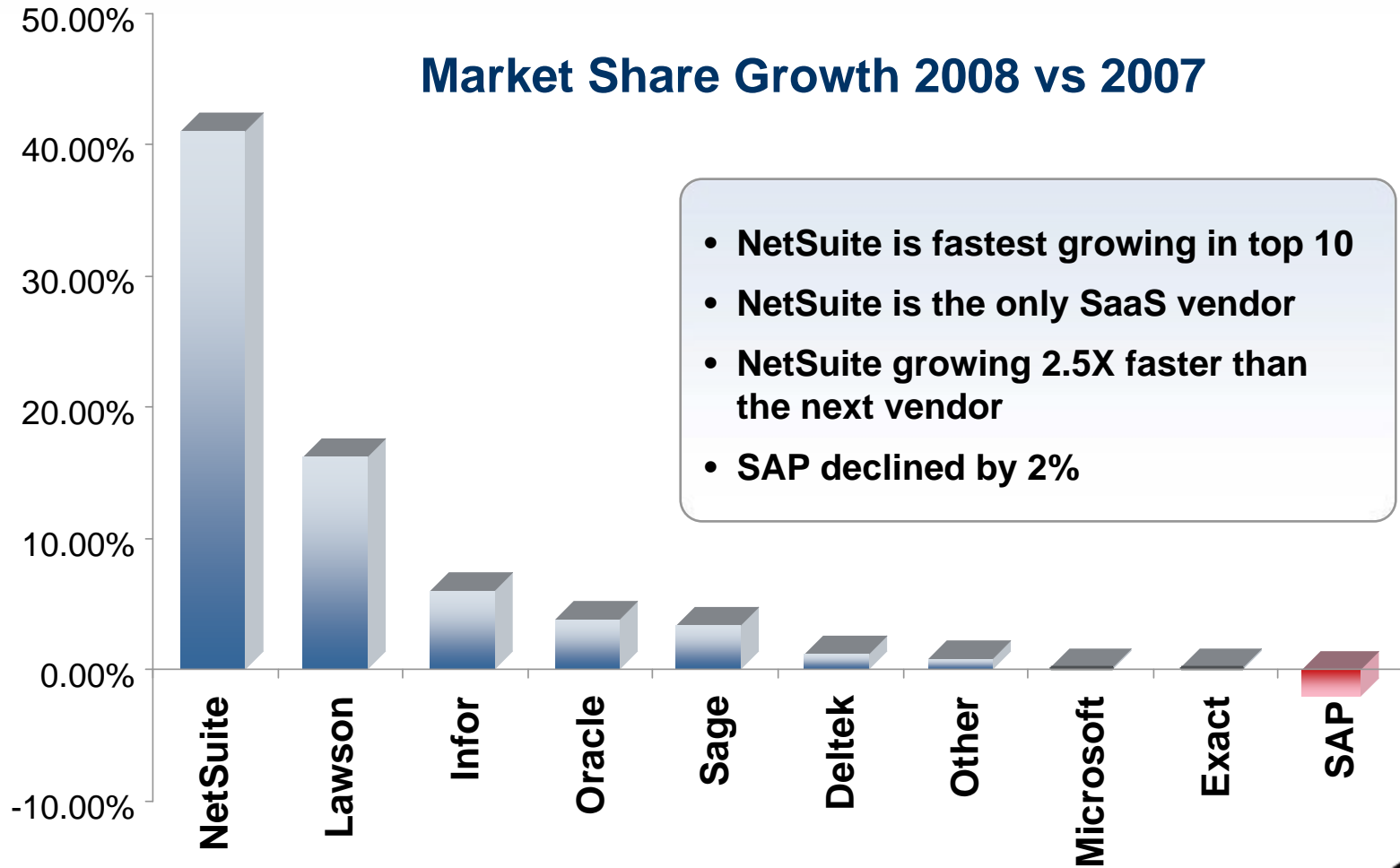
- Difficulty in creating successful SAAS business means you will probably be considering a “platform” for future development
- The hype over the Cloud has masked deficiencies in various platform approaches
- The platform you choose for your business will determine success or failure

NetSuite's Decade

- **1998** NetSuite founded by Larry Ellison and Evan Goldberg
- **2000** Creates world's first integrated SaaS suite application
- **2003** Expands internationally
- **2006** 5,000+ customers
- **2007** IPO on NYSE—ticker symbol “N”
- **2008** Introduces NetSuite OneWorld
- **2009** Delivers SuiteCloud Platform



Gartner: NetSuite Fastest-Growing Top 10 Financial Management Vendor



2009: The Shift to the Cloud Accelerates

EPICOR.

-29%



+16%

-31%



Deltek.

-31%



Micro



NETSUITE

cline"*



- Data from most recent quarter.
- Evolution Securities quoted on the Market Forces blog, guardian.co.uk, 12 March 2009.

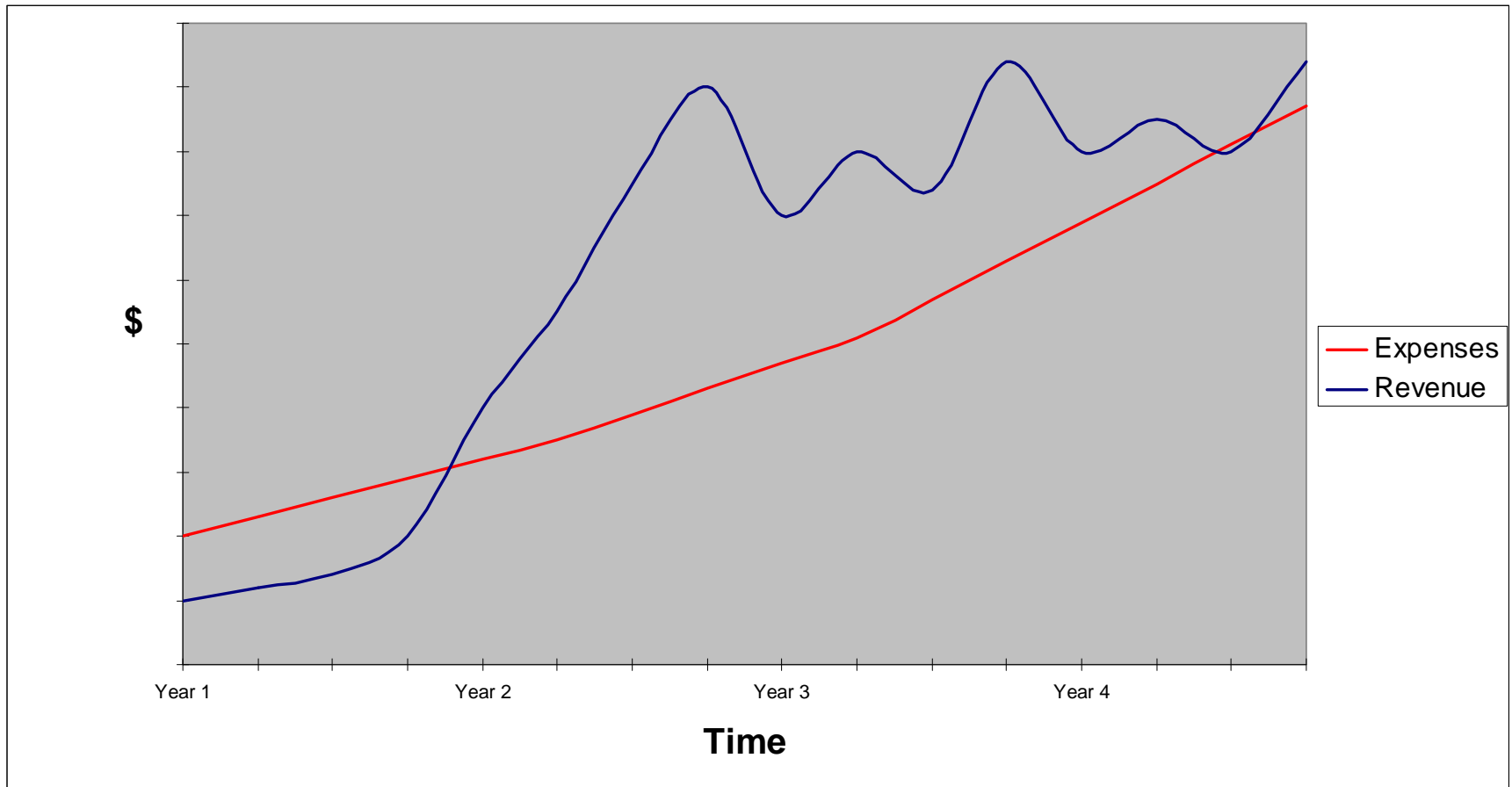
Move to the Cloud Accelerating

- The Cloud: A Disruptive Technology that is changing the landscape of strategic providers
- The Cloud: A Requirement of 21st Century Business
 - Are we REALLY going to run our business on systems designed before the WWW existed?
- The Cloud: A New Business Model that is changing the definition of platforms and partners

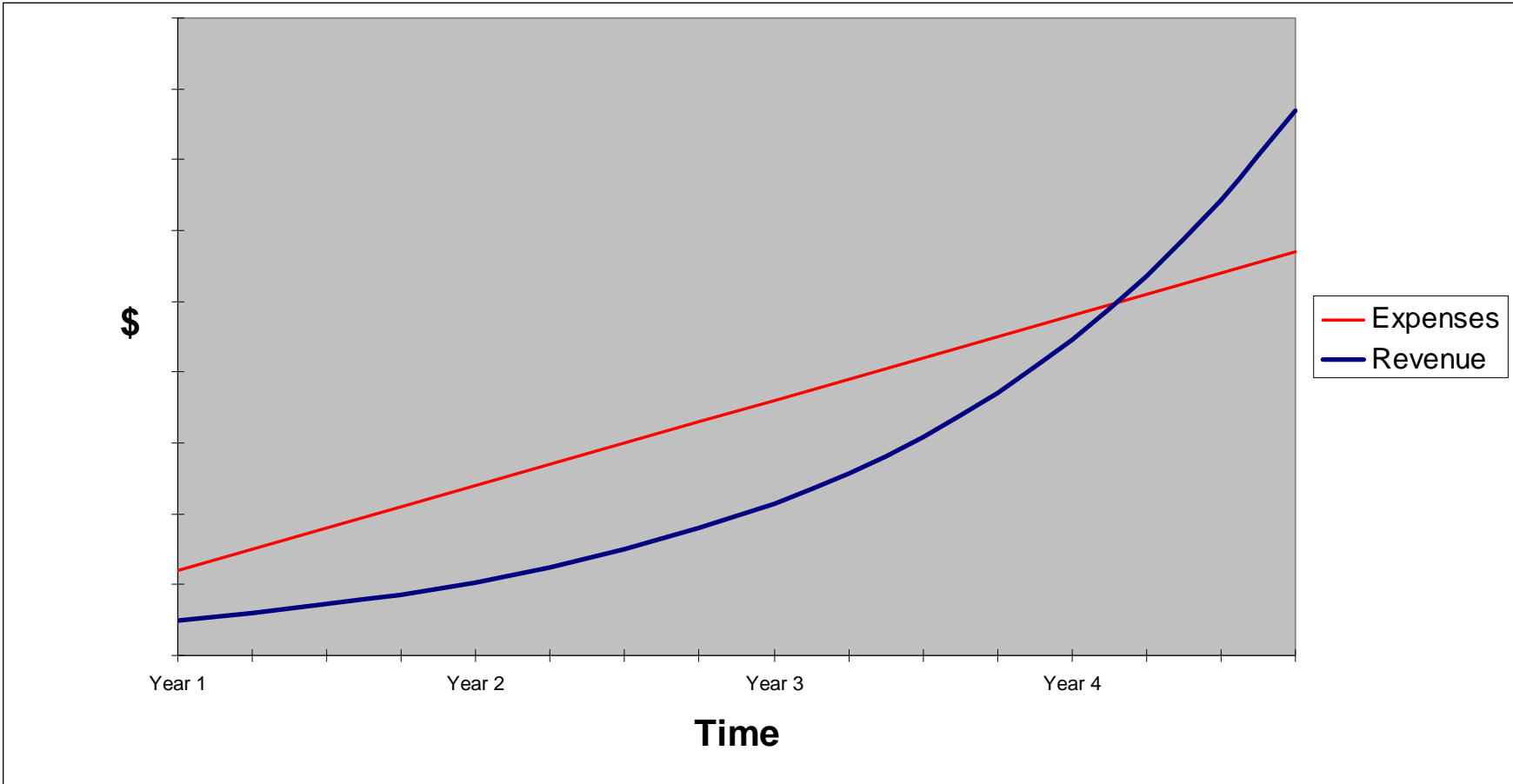
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The Traditional Software Operating Model



The SaaS Software Operating Model



SaaS Vendor Roll Call

Leaders



Invested: \$120M



Invested: \$65M



Invested: \$60M



Invested: \$40M

Strugglers



Invested: \$75M | Rev: < \$10M



Invested: \$200M | Rev: < \$10



Invested: \$20M+ | Rev: < \$5M



Invested: \$20M+ | R.I.P

Wanna Be's



Invested: \$400M | Rev: < \$100K



Invested: ?? | Rev: < \$100K

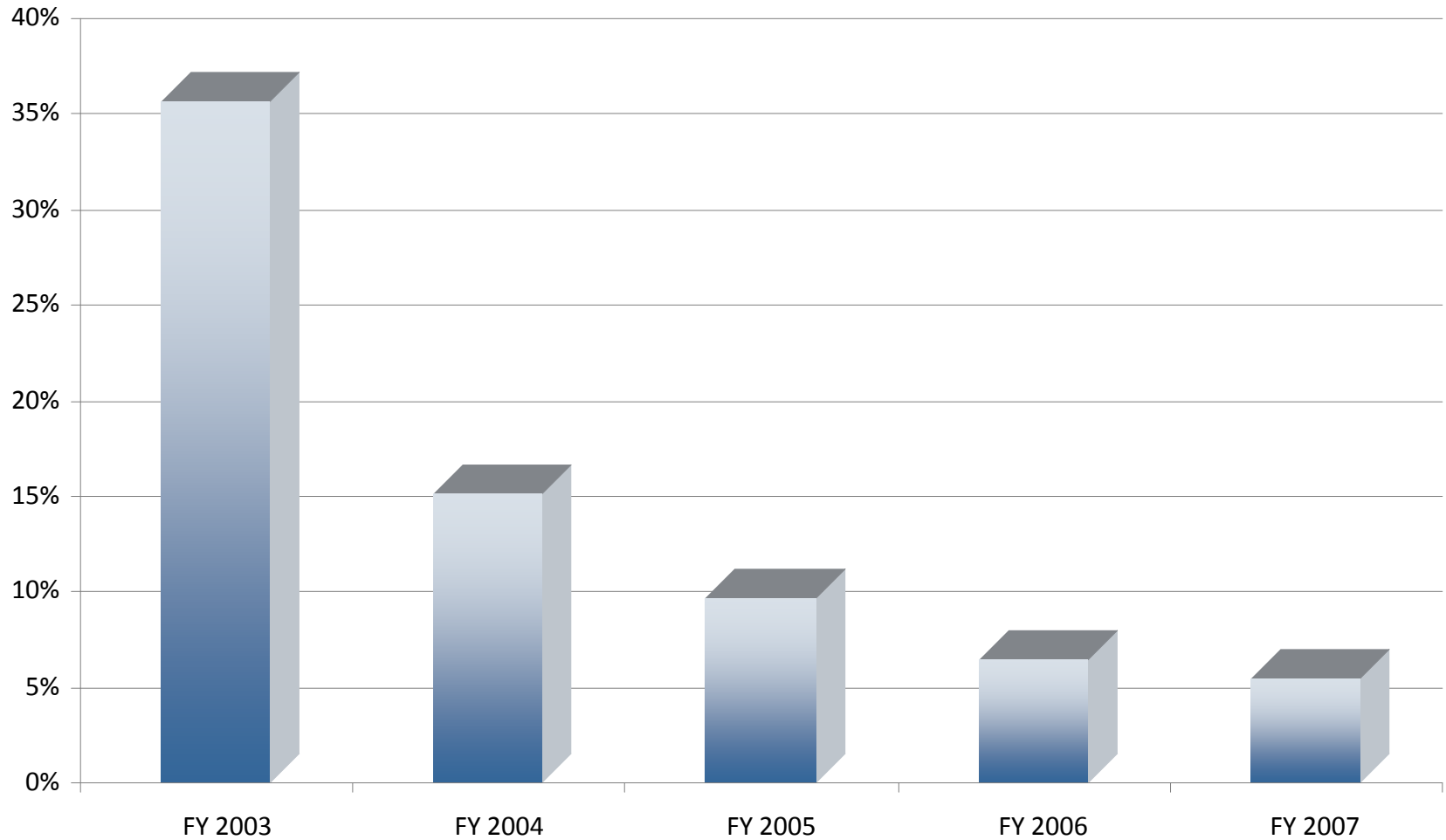


Invested: ?? | Rev: None

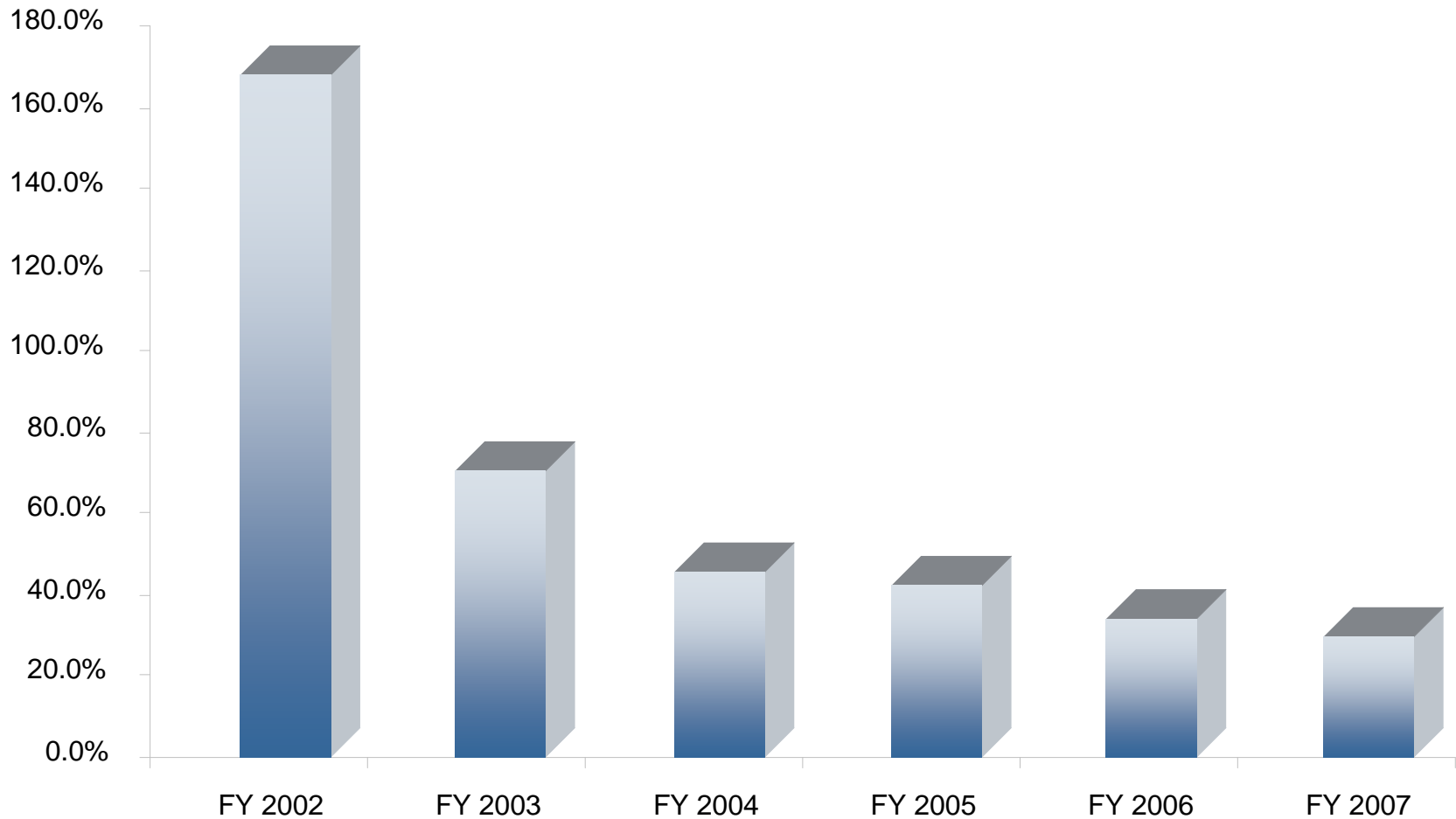
Takeaways

- Having deep pockets is a requirement, but not a guarantee of success
 - Strategy AND Execution
- Cost of building business and entrenchment of “new leaders” limits VC desire to fund new ventures
 - What VC wants to spend \$100 million and 8 years for a POTENTIAL exit with entrenched leaders already established?

Cost Components: Delivery % of revenue



Cost Components: Sales % of Rev



Platforms emerge as a way for ISVs to reduce costs and risk

- Short-term reduced infrastructure cost
- Potential sales and marketing benefits
 - Time to market
 - Installed based
 - Sales leverage
 - Brand recognition

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Business Operating System

SuiteCloud

SuiteApps

NS-BOS

NetSuite Business Operating System Platform

NetSuite Business Suite

Accounting / ERP, CRM, Ecommerce

Software as a Service

Infrastructure

Database Development Environment

salesforce.com
Google

Development Tools

Software as a Service
Infrastructure

Quick Infrastructure

OpSource
Amazon

Software as a Service
Infrastructure

Platform Choice: IaaS

Pros

- Eliminate cost of building your own infrastructure
- “Quick” access to cheap Cloud-based hardware, storage

Cons

- Pure IaaS providers too low in the stack to provide service level guarantee beyond basic services
- Plug-and-Play infrastructure for complex applications is a fantasy
- Not designed for mission-critical applications

**Quick
Infrastructure**

Amazon



Platform Choice: PaaS

■ Pros

- Cheap database in the cloud
- Eliminate hassle of licensing, managing database and hardware
- Some development tools provided

■ Cons

- Build all SW modules from scratch
- No cross-package integration
- Questionable ability to support performance of complex applications
- Non-existent concept upgrade or application management infrastructure

**Database
Development
Environment**

Force.com

Development Tools

**Software as a Service
Infrastructure**

Force.com Apps: Near Impossible for ISVs to Manage & Upgrade Effectively

■ Managed Apps

- Once created, can't be changed in any way– even by the ISV!
 - Can not change field-level help, field labels, add more custom fields or make any modifications... in essence, must be 100% bug free
- Customer is limited to JUST ONE managed app installed in their salesforce.com account

■ Unmanaged Apps

- Can be modified by the end customer, which would prevent them from possibly ever upgrading the app
- Customer must uninstall and re-install in order to get a new version of the app (no SaaS model for upgrades)

Platform Choice: SaaS

■ Pros

- Infrastructure PLUS Application
- Common development environment
- Common customer target ensures alignment on end-user SLAs
- Version management and software distribution built in

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Software as a Service
Infrastructure

SuiteCloud vs. Force.com

	 Force.com	SuiteCloud
Application to build on	✗ No	✓ Business Suite
Dev environment	✓ 1 Sandbox	✓ 4 Dev Account(s)
QA environment	✗ Shared with Dev	✓ QA Account(s)
Native debug env.	✗ None	✓ Built-in
Version management	✗ Manual	✓ Automatically Managed
Upgrade process	✗ Uninstall, Reinstall	✓ One-Click Upgrade

Platform Choice: SaaS

■ Pros

- Infrastructure PLUS Application
- Common development environment
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■ Cons

- Broad Suite capability eliminates some application categories
- Vertical choice must be thought through
- May require unique business terms depending on target market
- Thought that “vertical” means “small available market”

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Software as a Service
Infrastructure

The Power of Verticalization



GOOD NEWS: FOUR IPOs IN SIX WEEKS

MORE GOOD NEWS: THREE WERE POWERED BY NETSUITE

- 3 NetSuite customers - LogMeIn, OpenTable and Solar Winds – complete successful IPOs even in today's economy

Professional Services Automation (PSA) Solution Usage

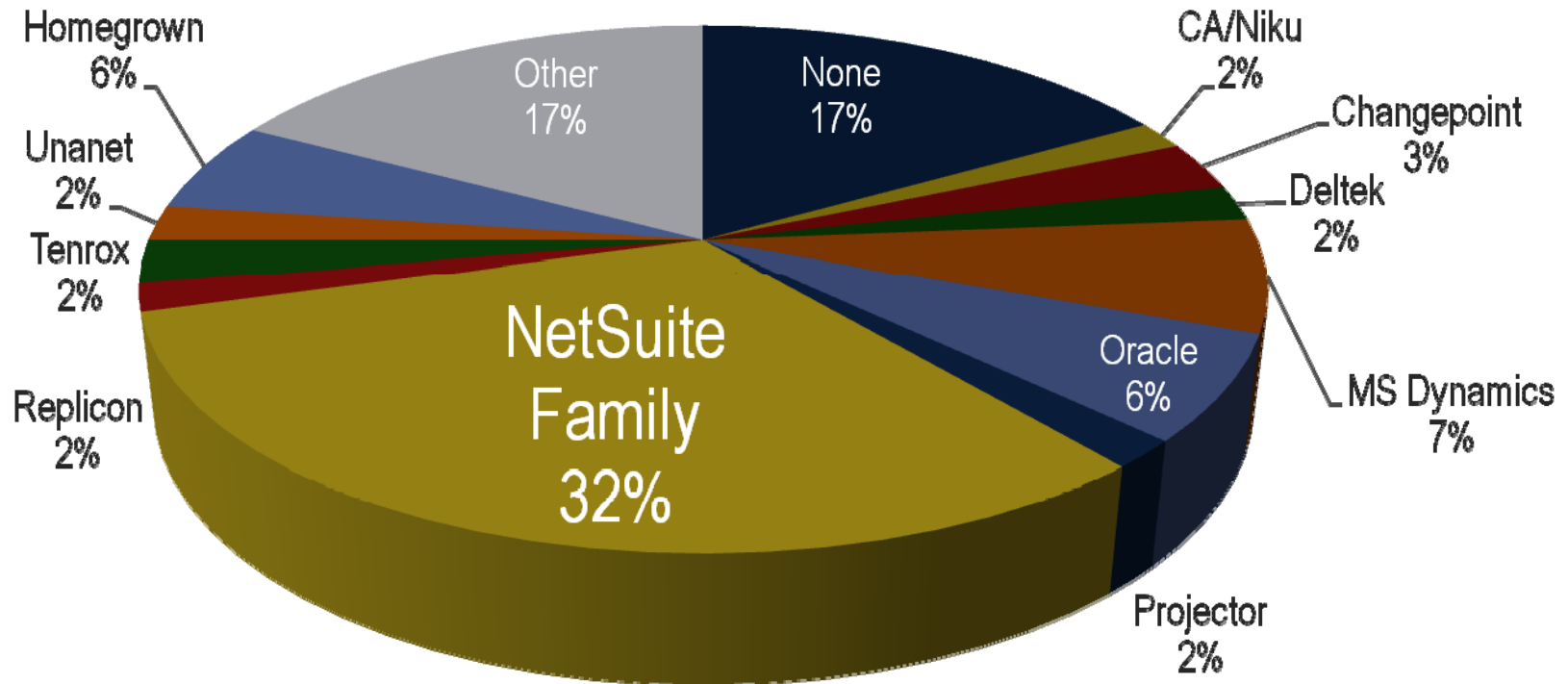





Chart highlights the PSA solutions used by 236 out of 245 survey respondents. 9 firms left this field blank.

A Tale of Three Vertical Partners

Agricultural Dealerships	Discrete Manufacturers	Supply Chain Management / 3PL
 <p>IRON[®] SOLUTIONS Equipment Market Intelligence</p> <p>Integrated with equipment re-sale value to automate dealer process of equipment trade-in, purchase and delivery.</p>	 <p>rootstock[™] software</p> <p>Complete solution encompassing key functions of materials management, work-in-process, shop floor control and costing.</p>	 <p>RedPrairie[®]</p> <p>Integrated with central hub of supply chain to automate transportation, inventory and overall supply chain for 3rd party logistics.</p>

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Platform Outcomes

IaaS Likely Areas of Success

- Utility corporate hardware and storage utility
- SAAS B2B/B2C storage/hardware utility

PaaS Likely Areas of Success

- Rapid Proto-typing
- One-off corporate applications
- Horizontal SFA-related widgets

SaaS Likely Areas of Success

- Verticalized Suites and Business Intelligence
- Horizontal business extensions

