Panduit buys SynapSense to widen its reach in DCIM and the Internet of Things

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Panduit, a datacenter cabling heavyweight and supplier of comprehensive datacenter infrastructure management (DCIM) software, has acquired datacenter cooling control specialist SynapSense for an undisclosed amount. Panduit plans to integrate SynapSense's software and sensor hardware into its DCIM platform, and leverage the technology as part of its nascent strategy for the Internet of Things (IoT).

DCIM software helps datacenter managers track and analyze information about their facility's operational status, assets and resource use (space, power, cooling, etc.). SynapSense is Panduit's second DCIM software purchase in as many years, underscoring its software ambitions. In August 2012, it bought UK-based energy monitoring vendor Unite Technologies.

SynapSense was a pioneer in wireless sensor networks and analytics for datacenters, and one of just two providers of datacenter cooling optimization, an advanced feature of DCIM. While most of Panduit's revenue comes from its core cabling business, the company is executing an aggressive plan to capture more of the emerging DCIM software market, as well as hardware to support those systems.

**Acquirer:** Panduit
**Target:** SynapSense
**Subsector:** Datacenter infrastructure management software
**Deal value:** Not disclosed
**Date announced:** May 8, 2014
**Advisers:** Not disclosed
Deal details

Financial terms of the deal were not disclosed. Panduit and SynapSense say the transaction was not an asset-only sale. Both parties are privately held. Existing management teams will remain in place, and no staffing cuts or office location changes are expected. Together, the companies have more than 200 employees for the combined DCIM business (in addition to Panduit's 150 or so datacenter and industrial automation R&D employees; Panduit's total headcount is higher). More DCIM hires are expected. The SynapSense brand will remain for the time being, but will eventually will be renamed Panduit.

Both Panduit and SynapSense are suppliers of DCIM, although of different types. Panduit has a DCIM suite that includes the core DCIM features of monitoring and asset management, while SynapSense is a pure-play specialist of dynamic cooling optimization software that automatically adjusts cooling by analyzing monitoring and sensor data (thereby saving energy and freeing capacity). SynapSense's software works with third-party sensors, but the company encourages the use of its own. Panduit expects to also exploit SynapSense's sensor technology outside of the datacenter, as part of a partnership for industrial automation IoT with Cisco and Rockwell Automation.

SynapSense's technology is an example of capabilities for the software-driven datacenter. The software is sophisticated and relatively mature - yet perhaps too advanced for much of the slow-to-change datacenter space. To date, it has been of most interest to facilities that are cooling constrained or have thermal density problems - a subset of datacenters.

Adoption of all types of software to automatically adjust the power states of datacenter equipment has been low to date. While many datacenter managers acknowledge the benefit of automated software, they remain wary of ceding control.

Panduit management says SynapSense is a valuable, ongoing business. However, it can be assumed that the target's exit value was below the levels originally envisaged by its founders and early investors. The company has received considerable investment (see below).

Panduit has a large install base of its cabling products within datacenters, so most SynapSense customers are also Panduit customers. SynapSense says more than one-fifth of Fortune 100 companies are clients, including Bloomberg, Bosch, Dell, Facebook, GE, Yahoo, Morgan Stanley, RagingWire, CenturyLink Technology Solutions and UBS. SynapSense and Panduit share about six significant customer accounts.
Deal rationale

We forecast that the DCIM sector is growing at more than 40% annually. However, the market is overcrowded with more than 55 suppliers, and procurement cycles have proven to be lengthy. This has meant punctuated growth curves for many, as well as a struggle for some pure-play suppliers. Rationalization, such as this deal, is to be expected.

As a specialist in advanced cooling control software, SynapSense is a well-known name in the DCIM space. Its sole direct rival, Vigilent, also a dynamic cooling optimization pure play, is performing strongly, while SynapSense has been seeking a larger partner for some time. SynapSense will benefit from Panduit's significant size, large customer base and global footprint.

For the past couple of years, Panduit has articulated a unified strategy that brings together many of its datacenter offerings, with DCIM as the centerpiece. We estimate Panduit's DCIM revenue to be $15-25m, and SynapSense's revenue to be slightly less than that.

Acquirer profile

Panduit's datacenter offerings range from cabling and connectivity products to advanced unified systems that span power, security and communications, as well as DCIM software. Founded in 1955, the company has a global footprint, about 4,000 employees and estimated sales of $1bn, driven mostly by its core cabling business. Management reports that DCIM revenue grew in 2013, particularly in the second half with some significant deals, and that its DCIM business is profitable.

Panduit has more than 225 DCIM customers, most of which cannot be publicly named. Cabelas, Hertz, Xerox, Silver Cross Hospital and Zen Internet are among its reference accounts.

A number of Panduit's DCIM customers have also purchased DCIM-related hardware from the company. This type of upsell is more common for new or greenfield datacenters. Asset tracking and environmental monitoring sensors, intelligent patch panels, power clamps and smart power distribution units are among the hardware components that are purchased as part of a DCIM sale. Panduit's Unite software also integrates with third-party, industry-standard hardware.

In late 2012, Panduit formed a partnership with Cisco and Rockwell Automation to develop networked industrial automation systems, sometimes referred to as 'industrial' IoT. Panduit and SynapSense's monitoring and wireless technologies will be used as part of that effort.
**Target profile**

Folsom, California-based SynapSense has raised a total of $42m in venture capital since it launched in 2006. Investors include American River Ventures, Nth Power, DFJ Frontier, Emerald Technology Ventures, Crosslink Capital, Aeris Capital, GE Energy Financial Services, Robert Bosch Venture Capital and Sequoia Capital. GE also has the rights to resell SynapSense's technology.

The company’s key selling point is that customers save energy by optimizing their cooling systems, using wireless sensors to gauge temperatures very accurately, as well as analytics to precisely tune the cooling to demand. In late 2012, SynapSense replaced its chief executive and cofounder Peter van Deventer with Bart Tichelman, who has a 30-year background in growing midsized technology businesses. As CEO, Tichelman formerly led two cleantech startups to acquisition.

**Outlook**

Panduit now has one of the broadest DCIM portfolios. The SynapSense buy will help the company raise its low profile as a DCIM supplier. Panduit was not an early mover in the DCIM market, and may still be viewed by some as a cabling specialist. As noted, two years ago the company acquired another DCIM supplier, Unite Technologies - Panduit's first acquisition since its founding in 1955 - to round out its core DCIM capabilities. We would not be surprised if Panduit continues to grow its software reach via M&A. Software and services are clearly becoming competitive differentiators for many datacenter equipment providers.

While SynapSense's technology is complementary to Panduit's - and others' - DCIM software, it is not clear exactly how Panduit will integrate the two platforms. The company plans to offer SynapSense's technology as one of several DCIM modules that can be deployed in a stepwise fashion. Both vendors' DCIM software has been designed to readily integrate into other suppliers' hardware and software, and Panduit says that will continue to be the case.

There is an overabundance of DCIM suppliers, yet M&A activity has been surprisingly low to date - many large datacenter-related providers that have become DCIM firms developed their own capabilities in favor of acquisition. Yet there are signs of deal flow building up in the sector, as some smaller players with strong IP are struggling to grow revenue. In March 2013, another datacenter cabling giant, CommScope, purchased DCIM pioneer and pure-play supplier iTRACS for about $34m - below the $40m in venture capital that had been invested in the target. Six months later, datacenter cooling specialist CES Group bought the assets of sEnergy Thermal, a five-year-old startup that provides technology to optimize datacenter cooling based on real-time 3-D heat maps.