

REPORT REPRINT

# New Relic gains analytics, incident management capabilities with SignifAI buy

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Just a few months after scooping up CoScale to round out its container and Kubernetes monitoring capabilities, New Relic has nabbed SignifAI, a young analytics vendor that competes with firms such as Moogsoft and BigPanda.

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## Summary

Just a few months after scooping up CoScale to round out its container and Kubernetes monitoring capabilities, New Relic has acquired SignifAI, a young event analytics vendor that competes with firms such as Moogsoft and BigPanda. The deal should enhance New Relic's machine learning capabilities and supports recent efforts to position its offering as a platform on which customers can develop applications that meet their needs.

## Snapshot

ACQUIRER	New Relic
TARGET	SignifAI
SUBSECTOR	Monitoring
DEAL VALUE	\$37m
DATE ANNOUNCED	February 6, 2019
CLOSING DATE	January 25, 2019

## 451 TAKE

With SignifAI, New Relic moves into incident management, a direction we think is natural for vendors like New Relic that have been expanding the types of operations data they collect. We anticipate a declining demand for stand-alone event analytics and incident management tools as monitoring providers expand horizontally, collecting a growing portion of operations data within a single tool. With that data, monitoring specialists can run analytics that deliver root-cause analysis and other benefits that the stand-alone event analytics tools offer. With SignifAI, New Relic will allow users to pull in data collected by third-party monitoring tools as well, acknowledging that few customers will standardize on just one monitoring vendor.

## Deal details

At \$37m (\$12m of that in stock), the transaction marks the highest price yet paid by New Relic, which is an infrequent acquirer, having announced just four purchases since 2014, according to 451 Research's M&A KnowledgeBase. Like its previous acquisitions, today's deal is primarily a technology pickup. But in this case, it's paying a higher premium. None of its previous purchases cost more than \$13m. SignifAI has about 20 employees in San Francisco and Tel Aviv. Its CTO and CEO will join New Relic.

## Deal rationale

When performance problems occur in modern environments, organizations often struggle to correlate the signals they receive from the growing number of monitoring tools they employ. In complex applications, a single problem might lead to alerts from infrastructure monitoring, APM, cloud monitoring and log analytics tools, making root-cause analysis difficult. SignifAI aims to solve this problem by using machine learning to correlate data from multiple tools into individual incidents and ensure that the right people are alerted.

We like that SignifAI automatically correlates information but also allows users to fine-tune correlations. While we generally favor an approach that delivers correlations automatically to serve end users that don't have deep experience setting up correlations, we also like that the target offers users the tools to tune its engine should they have the expertise to do so. It has developed an easy-to-use UI that guides users through setting up correlations and also offers them feedback opportunities to automatically improve the correlations it surfaces.

SignifAI has about 60 integrations that both allow users to feed data into the system from third-party monitoring tools as well as send alerts out to incident management or alerting tools. While New Relic says it expects to offer SignifAI as a stand-alone service such that users don't have to also be New Relic customers, we think the most interesting potential opportunity for the acquirer is in offering SignifAI under the New Relic umbrella. Doing so offers incident management capabilities to its customers that are already collecting application and infrastructure performance data via New Relic without having to add another vendor. It also allows the company to appeal to a new use case around incident management, from which it can learn about the tools and integrations that businesses want and also potentially cross-sell to new customers.

### Target profile

SignifAI was started in January 2016 by a group who had built a similar system for a large mobile communications app. The service launched in May 2017. We estimate paying customers at fewer than 10. When we last wrote about SignifAI in 2017, it had raised a total of \$6.5m in funding from Highland Capital Partners and Correlation Ventures as well as individual investors such as Jay Parikh, VP of infrastructure engineering at Facebook.

### Acquirer profile

Founded in 2008, New Relic began as a SaaS APM provider and has since added infrastructure monitoring, real-user monitoring and synthetics. It offers distributed tracing and continues to add capabilities to serve cutting-edge businesses, including monitoring for AWS Lambda's serverless environment as well as Kubernetes monitoring.

While New Relic began talking about new machine-learning-driven capabilities under a project called Seymour back in 2016, it has created some confusion in the market by introducing a product in 2017 based on the technology, called Radar, that isn't yet generally available. However, the company has been incorporating machine learning capabilities into its core offerings. For instance, it does outlier detection that identifies if, for instance, one node is behaving differently than the rest. SignifAI offers a layer of analytics above these capabilities by ingesting data from other monitoring tools in use at a customer to correlate trends across the IT environment.

New Relic reported \$124m in revenue for its quarter ending in December, up 35% from the previous year. It is steadily growing its base of larger users, reporting 816 customers paying more than \$100,000.

### Competition

AppDynamics and Dynatrace are New Relic's most notable competitors in monitoring. Dynatrace appears to aspire to deliver capabilities like SignifAI's, with a recent announcement that it plans to open up its system so that customers can ingest data from other tools. However, it is very early in enabling this capability.

SignifAI vies with other modern event analytics specialists, namely Moogsoft and BigPanda. Those firms ingest and analyze events to address similar problems around alert fatigue. One advantage SignifAI has is that it has from the start ingested metrics and logs in addition to events, potentially allowing it to surface more intelligent insights compared with systems that only ingest events. New Relic reports that it views SignifAI as being easier to get started using with a quicker time to value than those rivals.