

## REPORT REPRINT

# New Relic doubles down on Kubernetes, containers with CoScale buy

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New Relic has made a rare acquisition, picking up CoScale, a Kubernetes and container monitoring vendor, to bolster its capabilities around these increasingly popular technologies. The CoScale team and technologies will join the New Relic Infrastructure group to help speed up the development and delivery of capabilities on the New Relic Infrastructure roadmap.

Our recent Voice of the Enterprise, Servers and Converged Infrastructure survey found that nearly 40% of respondents said that they were either already using containers or testing them in a proof-of-concept environment. In another VoTE survey, this one focused on infrastructure as a service use cases, we found that 60% of IT decision-makers expect to be using container technology in two years. With this kind of expected growth, New Relic makes a solid strategic investment with CoScale.

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## THE 451 TAKE

Over the last six months or so, it seems we haven't had a conversation with a monitoring vendor without some reference to a new Kubernetes monitoring capability. And yet back in early 2017, CoScale was already offering these capabilities. Acquiring some of the CoScale team as well as its technology, New Relic is well positioned to get a jump on the competition in terms of delivering deep insight into increasingly common Kubernetes and container environments. CoScale was one of a handful of startups we cited in 2017 as M&A targets in the container monitoring sector and its acquisition might spur others. We also see Instana and Sysdig as other potential candidates and still think they could make interesting additions to modern and legacy monitoring vendors alike.

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## DEAL DETAILS

Most of CoScale's product team, which comprises nine people, including CoScale's two founders, will join New Relic. CoScale was based in Belgium but those joining New Relic will relocate to Barcelona, where New Relic's infrastructure monitoring team is based. In early 2017, CoScale had 25 employees, including 15 on a development and operations team. CoScale customers will be encouraged to transition to New Relic Infrastructure. When we wrote about CoScale in early 2017, it had 20 customers. New Relic did not disclose the number of current CoScale customers.

## DEAL RATIONALE

We see Kubernetes emerging as the de facto standard for container orchestration and as such, we've seen many of the monitoring vendors we follow add capabilities that enable insight into Kubernetes environments. New Relic told us that CoScale's early investment in Kubernetes monitoring was a key attraction, since the result is that CoScale's capabilities are ahead of the pack. Indeed, we referenced CoScale's Kubernetes monitoring capabilities in our report about the company in April 2017, long before we commonly heard from monitoring vendors about Kubernetes-related capabilities.

New Relic said that it was interested both in CoScale's technology as well as the team. By bringing onboard the CoScale team, New Relic gets an engineering group that already has deep experience in Kubernetes monitoring, allowing New Relic to develop new related technologies more quickly rather than have to hire or train engineers to specialize in the technology.

Finally, New Relic is interested in CoScale's capabilities in monitoring workloads running on-premises. While New Relic does enable monitoring of on-premises environments, it is known for its cloud monitoring services. Given that it's increasingly clear that most enterprises will operate in hybrid environments for quite some time to come, investing in on-premises visibility makes sense.

Some CoScale capabilities were already on New Relic's roadmap, allowing New Relic to deliver them quicker. One example is CoScale's anomaly detection, which it applies to all metrics, alerting Kubernetes operators about problems. CoScale's technology supports monitoring services like Nginx or MySQL that are running inside Kubernetes and generally collects deeper insight about containers. In addition, New Relic liked CoScale's OpenShift monitoring capabilities.

## TARGET PROFILE

CoScale's two founders, each armed with a Ph.D. from Ghent University in Belgium, started the company in 2013 to offer lightweight and affordable monitoring for modern cloud environments. However, within a couple of years the company realized it would have a tough time keeping up as a broad monitoring tool against well-funded vendors like Datadog. At the same time, it noticed that Docker usage was taking off, and that its technology was well suited to tracking container deployments. CoScale began to shift focus, and while its offering can be used in monolithic architectures, it primarily targeted enterprises that have begun to use containers.

CoScale raised €5.5m (\$5.89m) from European investors including Gimv, Qbic Fund and PMV.

Its customers have included the British government and Johns Hopkins University. It had formed partnerships with resellers of Docker and Red Hat products that were selling CoScale, including BoxBoat in North America, and Quru in the UK and Ireland.

## ACQUIRER PROFILE

Founded in 2008, San Francisco-based New Relic has 1,400 employees, including those in its Dublin European headquarters. For its quarter ending in June, the company reported a 35% increase in revenue to \$108.2m. It also said that the number of customers paying \$100,000 or more per year jumped from 555 to 748 in the year, indicating success attracting larger customers.

New Relic has not made many acquisitions. It picked up Opsmatic in 2015 and the technology from the acquired company became the basis for New Relic Infrastructure, a service it made generally available in late 2016.

Like other leaders in the monitoring market, New Relic expanded horizontally with the delivery of its Infrastructure service. While we expect there to be good demand for monitoring tools that focus on a niche use case, we are observing a clear preference in the market for so-called monitoring platforms that deliver integrated applications such as APM, infrastructure monitoring and Real User Monitoring. New Relic has responded to this demand with its addition of infrastructure monitoring.

## COMPETITION

New Relic's most notable competitors are Dynatrace and AppDynamics. Enterprises that prefer to deploy their monitoring tools on-premises will choose AppDynamics, since New Relic is delivered only via SaaS. Dynatrace may begin to represent more significant competition to New Relic now that it is prioritizing its SaaS offering and further investing in logging.

New Relic may also begin to encounter Datadog. Both vendors started out with cloud-based services geared toward users of modern technologies, although Datadog began with infrastructure monitoring and added APM, with New Relic taking the reverse route. The businesses we talk to tend to think of New Relic as stronger in APM than infrastructure monitoring, and Datadog as stronger in infrastructure monitoring than APM, and such businesses may choose both, rather than take up a service they think might be weak.

AppDynamics, Datadog and Dynatrace all do some level of Kubernetes monitoring, but New Relic's acquisition of the CoScale technology could allow it to offer a richer set of capabilities than its competitors' offerings.

As New Relic enhances its container and Kubernetes monitoring capabilities, it will likely run into Instana, which was founded in 2015 specifically to offer a monitoring service in microservices and container environments. It may also encounter Sysdig, which was founded around container monitoring.

**ACQUIRER**

New Relic

**TARGET**

CoScale

**SUBSECTOR**

Monitoring

**DEAL VALUE**

Undisclosed

**DATE ANNOUNCED**

October 11, 2018

**CLOSING DATE**

Undisclosed