

# ServiceNow adds ServiceWatch with \$100m pickup of Neebula

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ServiceNow has taken a big step toward expanding its IT operations management capabilities and delivering on its vision of integrated IT and business service management (BSM) with the \$100m acquisition of Israel-based BSM startup Neebula Systems. The deal may also help ServiceNow pry loose more BMC and HP customers from their enterprise license agreements (ELAs) with those vendors.

**Acquirer:**

ServiceNow

**Target:**

Neebula Systems

**Subsector:**

Business service management

**Deal value:**

\$100m

**Date announced:**

July 9, 2014

**Closing date, expected:**

July 2014

## Details

ServiceNow gets more aggressive in its second acquisition by picking up Neebula for \$100m in cash. It is also paying a much richer multiple in this go-round. We understand that the five-year-old target was generating about \$5m in revenue.

The purchase of Neebula comes a year to the day after ServiceNow announced its first deal – the \$13.3m reach for Mirror42. Though bigger than the last one, the acquisition of Neebula barely dents ServiceNow's balance sheet, which still has about \$550m in cash after this transaction. The deal is expected to close this month. Neebula will then become the centerpiece of ServiceNow's IT operations strategy and portfolio.

## Target background

Neebula was founded in 2009 by veteran Israeli technology executives Yuval Cohen and Ariel Gordon. Cohen, Neebula's CEO, had been GM and CTO of both Marvell Software Solutions and RADLAN. Just prior to launching Neebula, Cohen was a partner in one of Neebula's first backers, Pitango Venture Capital. Gordon, Neebula's CTO, served in the same capacity at BMC from

2001-2007 and for 13 years at New Dimension Software before that.

Neebula develops the ServiceWatch software product line. ServiceWatch discovers and maps the dependencies between business services and the IT services that support them, and then monitors the performance of the IT services and analyzes the effects of that performance on business services. Such technology is typically referred to as business service management. The company made ServiceWatch available as a cloud service in 2012. It continues to offer both a SaaS and on-premises deployment option. Neebula integrates with ServiceNow's CMDB, along with those of BMC, HP, CA Technologies and IBM.

Neebula remains in Israel with US headquarters in New York City. The company raised a single \$5m venture round in 2009 from Genesis Partners and Pitango. It claimed customers across Europe and North America, including Amdocs, Bechtel, CEVA and EL AL Airlines.

### **Acquirer background**

This is ServiceNow's second acquisition and is a much bigger splash than the company's \$13.3m pickup of Mirror42 in July 2013. ServiceNow a, 10-year-old company that enjoyed a successful IPO two years ago, booked \$425m in revenue last year and has more than 2,000 customers for its ITSM SaaS platform.

### **Deal rationale**

ServiceNow is looking to expand beyond ITSM into a broader cloud-based IT management platform and is making selective purchases, such as Neebula, to help it get there. Neebula's ServiceWatch will extend ServiceNow's own discovery and dependency mapping capabilities to provide better visibility into the business services supported by the IT services. This will help ServiceNow fulfill its own vision of making IT more valuable to the business units it supports by forming tighter service relationships between business and IT. The company first laid out this vision at its Knowledge 13 conference last year.

On top of that, ServiceNow obtains performance monitoring of IT service levels – applications, servers, network, etc. – and analysis of those service levels' impact on business services. This also will give ServiceNow visibility into IT events that trigger incidents so that it can correlate incidents managed on the service desk with the events that caused them. Such correlation can prevent multiple service tickets from being created for the same event, which can be a pain point for the large enterprise customers that ServiceNow caters to.

Finally, ServiceNow gets integrated performance monitoring and BSM, which gives it a better story to tell against its chief enterprise ITSM rivals, BMC and HP, which can both offer these capabilities. ServiceNow has taken a lot of business away from both but remains frozen out of many large accounts by ELAs that cover multiple BMC and HP products at large enterprise IT organizations. With this technology in hand, ServiceNow stands a better chance of breaking the hold of these ELAs.

## **Outlook**

Neebula's ServiceWatch will augment the capabilities of other ServiceNow products for event management, service orchestration and discovery. Don't expect to hear much about the ServiceWatch integration for a while, though. ServiceNow's M&A policy is to port all acquired technologies to its platform. It took the better part of nine months to do this for Mirror42's service analytics and reporting tools. ServiceWatch, a somewhat more complicated technology, could take even longer. There's a reason why ServiceNow has been pretty selective about M&A so far. While we expect ServiceNow to ink more acquisitions in the future, we believe the company will take its time before plotting its next move.

## **Competitive landscape**

Buying Neebula gives ServiceNow a better story to tell against BMC and HP – and to a lesser extent, CA and IBM – as it will be able to offer those companies' customers integrated performance monitoring and BSM, something it really couldn't provide before, except through partners. Many of the customers that haven't made the jump yet to ServiceNow are under ELAs with BMC or HP that give them this technology integrated with ITSM, often at a more attractive price. ServiceNow will have a better chance of breaking the hold of those ELAs with Neebula's technology.

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