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A Return to (hyper-converged) IPOs?

By the time you read this newsletter, the dust will have settled on Nutanix's Initial Public Offering, or IPO. The company started trading on the NASDAQ on 30th September 2016, with an initial price of $16 per share. Shares actually opened at $26.50 each and at the end of the first day's trading were up to $37, having peaked at $39.40.

On the one hand, the IPO was wildly successful. Nutanix upped their iniital share price from the $11-$13 range to $16, giving them 23% more money than expected. However, on the other hand, the biggest winners were the banks and other investors who took shares at $16 - those who sold out on day one made a handsome profit that could have been in the pockets of Nutanix themselves.

Setting an initial price isn't a trivial exercise (I know, I floated a company in the original dotcom boom). There's a balance to be struck between the potential market capitalisation of the company, what investors feel is fair price for the shares and of course the willingness of the financial institutions to both trade and underwrite the offering itself.

For Nutanix, perhaps $25/share would have been a more reasonable figure. The E-round of investment in 2014 placed the company at a $2B valuation at that time. However, there was a rumour Cisco had offered $4B for the company in 2015, with Nutanix wanting between $6-$7B instead. Maybe this means $25 is too low and the current $40/share represents fair value. Time will tell.

Market Momentum

The success of the Nutanix IPO must be making other vendors accelerate their plans to come to market. Simplivity is the most obvious next candidate, rating as highly in magic quadrangles as Nutanix and offering similar technology. The interesting difference between the companies is the move by Nutanix to be a cloud platform, complete with hypervisor, while Simplivity is happy to work within the confines of the VMware ecosystem.

Outside of this boundary there are solutions from Scale Computing, Pivot3, Atlantis Computing, Maxta, all of whom could consider their startup position. However outside of the two leaders (and perhaps with the inclusion of Scale), I don't think any of the other companies are mature enough, or have gained enough market share and awareness to move forward with IPO.

The Special One

The reason for this is again about mindshare. More than any other companies in the sector, Nutanix and Simplivity have come to personify the definition of hyper-convergence and are on the lips of every author and journalist writing for the IT press. The same can't perhaps be said for the over vendors.

Delivering a successful IPO is more than just having a good product, it's about marketing, promotion and awareness, that both Simplivity and Nutanix appear to have been very clever at achieving. The hyper-converged IPO market may continue with Simplivity, after that, I think we're done for a while.

What do you think?

Chris Evans

New Architecting IT Blog Posts...

- [Unreliable Disks for Better Scale-out Storage](#) (26 September 2016)
- [NetApp, Storage Class Memory and Hyperconvergence](#) (27 September 2016)
- [M.2 SSD Drive Format is Under-rated by Enterprise Storage](#) (28 September 2016)
- [Storage Field Day 11 Previews: Avere, Primary Data, Scality](#) (29 September 2016)
- [Storage Field Day 11 Previews: Intel, HGST](#) (4 October 2016)

Other Blog Posts...

- [Is 3D XPoint in trouble?](#) (StorageMojo blog, 6 October 2016)
- [SPC-1 IOPS performance per GB-NAND - chart of the month](#) (Ray on Storage, 1 October 2016)
- [Docker - Spinning Up a Graphite Container](#) (EverythingShouldBeVirtual, 23 September 2016)
- [AWS Lamda on-premises? Why not?](#) (Juku.it, 14 September 2016)
- [Index of Tekhead.it Blog Posts on Docker and Containers](#) (tekhead.it, 27 September 2016)

News Worth Reading...

Click on the links to read the full story.

[The Register: Dell overtakes HPE in server shipments as worldwide sales shrink](#)

Worldwide server revenue is down 0.8 per cent while shipments are up by two per cent, according to Gartner, and Dell has pipped HPE to the top spot for shipments. The second quarter of 2016 saw very regionalised trends in server revenues and shipments. Everywhere except for Asia/Pacific and North America is in decline, though shipments in those areas grew by 5.6 per cent and three per cent respectively...

[VentureBeat: Spin Transfer Technologies hopes to disrupt memory chip market with MRAM](#)

[Spin Transfer Technologies](#) *(STT) is announcing today that it has developed a new kind of magnetic memory chip to take on the mainstay memory chips dominating the multibillion-dollar industry today...*

[TechCrunch: Windows Server 2016 will cme with commercial support for Docker Engine](#)

Microsoft loves to talk about how we are now living in a "cloud first, mobile first" world, but in this world, there is still plenty of room left for Windows Server. Today, at its Ignite conference in Atlanta, the company [announced](#) that [Windows Server 2016](#) will be available for purchase on October 1 and will then ship in mid-October...

[The Register: Exploding public cloud just getting bigger, will be worth $200bn in 2016 - Gartner](#)

The global public cloud services market is set to grow by more than 17 per cent in 2016. According to Gartner, cloud services were worth $178bn in 2015. This is set to increase to $208.6bn in 2016, higher than the nominal GDP of Portugal...

[Venturebeat: Everspin Technologies Announces Pricing of its Initial Public Offering](#)

Everspin Technologies, Inc. today announced the pricing of its initial public offering of 5,000,000 shares of its common stock at a public offering price of $8.00 per share, for total gross proceeds of $40 million before the underwriting discount and commissions and other offering expenses. All of the shares of common stock are being offered by Everspin Technologies....

[The Register: AWS has a lousy hybrid story. VMware may fix that soon](#)

VMware and Amazon Web Services are reportedly about to stage a public display of affection. Fortune reckons the two have been having intimate chats about the same kind of relationship Virtzilla has with IBM. That cloudy tryst sees IBM offer VMware's service-provider-grade-vSphere-as-a-service, the better to help VMware users extend into hybrid clouds...

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