Cisco acquires Jasper Technologies for $1.4 billion in cash and equity

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On February 3, 2016, Cisco announced its intention to acquire Jasper Technologies for $1.4 billion in cash and equity, making it the largest Internet of Things (IoT) platform acquisition to date. Jasper was founded in 2004 and has raised $205.3 million in venture funding – its most recent round was a $50 million Series F round led by Singapore's Temasek Holdings in April, 2014. The $1.4 billion price tag dwarves every other IoT platform acquisition on record, with no other pure-play platform acquisition exceeding $200 million. Other relevant acquisitions include LogMeIn's acquisition of Xively in 2011 (est. $15 million), Telit's acquisition of ILS Technology in 2013 ($8.5 million), PTC's acquisition of ThingWorx in 2013 ($112 million), PTC's acquisition of Axeda in 2014 ($170 million), and Amazon's acquisition of 2lemetry in 2015 (est. $100 million).

Jasper (see the January 14, 2016 LRCOPJ) has built a cloud platform that enables enterprises to transform product businesses into IoT service businesses. Its flagship "Control Center" solution helps customers manage connectivity and services through a centralized console. A key component of the offering is relationships that Jasper has built with over 120 mobile network operators (MNOs) in more than 100 countries – Jasper integrates cellular connectivity from all of these operators to provide customers with unified global connectivity. Beyond simply providing mobile connectivity, Control Center offers a variety of services including fleet visibility, device provisioning, real-time engagement dashboards, support diagnostics, billing, and business automation.

When we profiled Jasper last month, we were very impressed with the company's technology and service platform – Jasper is one of the few firms that has an established approach for managing cellular communications for IoT services (see the February 11, 2016 LRIIOTJ). A major strategic differentiator for Jasper against its competitors is that Jasper does not act as a mobile virtual network operator (MVNO). In the IoT space, MVNOs resell cellular connectivity from MNO partners, enabling them to provide a large global network. Jasper operates a somewhat reverse model – MNOs bundle Jasper's platform into their offering and they sell directly to enterprises. This creates more incentive for MNOs to partner with and recommend Jasper rather than Jasper's competitors because it allows the MNOs to maintain control of the customer relationship. It also creates a powerful sales channel for Jasper, since the major global MNOs have existing relationships with nearly every corporation in the world. This strategy is one of the reasons why Jasper experienced sustained growth and became Cisco's acquisition target, rather than one of its competitors.

Developing IoT service lifecycle management capabilities and partnerships with a fleet of global MNOs is not an easy task – even for a major networking technology corporation like Cisco. Our contacts at Jasper (who wished to remain anonymous) explained that there was almost zero overlap between Jasper's technology portfolio and Cisco's capabilities, hence the synergy of the acquisition. Cisco is a leader in Wi-Fi and Ethernet hardware products and Jasper is a leader in cellular connectivity management software, which should enable the duo to tackle a huge portion of the connectivity landscape.

Our contacts said that Jasper will go on to become the IoT software business unit of Cisco, and that they do not expect any change of name beyond something along the lines of "Jasper, a Cisco Company." They said that the acquisition was as much a talent acquisition as a technology acquisition – Cisco intends to keep on the entire Jasper team of 450 employees, and they will be staying in the current Jasper office. Cisco will also inherit Jasper's customer base of over 3,000 enterprises using its cloud platform to manage IoT services and connectivity. Jasper will become the only group within Cisco that has a purely software-as-a-service (SaaS) model, which Cisco will leverage to extend into cloud-based, subscription business – Cisco sees this entry to cloud-based SaaS as an opportunity to reignite the explosive growth it experienced during the 1990s, when it provided much of the plumbing that went into the development of the Internet and the World Wide Web.

Connectivity management platform providers are more established and better protected than other IoT platform providers (like application enablement and analytics providers), which is why we have given Jasper and its connectivity management competitors more favorable ratings in recent journals: these competitors include Wyless (see the October 21, 2016 LRCOPJ), Aeris (see the December 16, 2015 LRCOPJ), Telit (see the November 18, 2016 LRCOPJ), KORE, and Ericsson's M2M group. Major information technology (IT) vendors often put MVNO programs in place with one or two MNOs to augment products and services they provide to their own customers – acquiring a connectivity management platform provider however is a much bigger step towards advancing these types of products and services. Clients should expect other major IT vendors to follow suit and acquire capabilities similar to Jasper's – given their size, relevant patents, customer bases, and MNO relationships, Wyless and Aeris are likely the most logical acquisition targets remaining in the space after the Jasper acquisition. Clients should investigate the capabilities of these targets and how they may complement existing capabilities to provide a comprehensive IoT solution.

Related Organizations

- Cisco Systems, Jasper