MARKET NOTE

Enterprise Storage Provider Infinidat Readies the Company for the Next Phase of Revenue Growth with a New CEO

Eric Burgener

EXECUTIVE SNAPSHOT

FIGURE 1

Executive Snapshot: Infinidat Hires a New CEO to Position the Company for Future Growth

With the announcement of company founder Moshe Yanai in May 2020 that he would be stepping down both as CEO and chairman of the board, the company began a search for a new CEO that could lead it through the next stage of revenue growth. The appointment of Phil Bullinger, a storage industry veteran with experience managing $1 billion businesses, was announced on January 6, 2021. Bullinger has significant experience in enterprise storage, having helmed both Western Digital's Data Center Business Unit and, prior to that, run Dell EMC's Isilon (PowerScale) business. In IDC's opinion, landing Bullinger was a coup for Infinidat.

Key Takeaways

- Infinidat has been very successful in dominating the extreme high end of the enterprise storage market with a workload consolidation value proposition that has resonated very well with the Global 1000. For Infinidat, this has meant systems that have at least 1PB of primary storage capacity in a single system. Although the vendor has already successfully grown beyond that initial focus, to become a $1+ billion vendor the company will need to open additional markets and execute unerringly.

- A closer look at the vendor's executive team reveals that there has been significant change there, particularly in sales and marketing, over the past several years. The appointment of Phil Bullinger as CEO is viewed as the cap on the transition plan the vendor has been unveiling over that time period. Based on Bullinger's track record at previous companies and buoyed by a recent Series D funding round (June 2020), IDC expects to see the vendor step up its sales and marketing efforts to take advantage of its excellent technology.

- Infinidat's economic value proposition — consolidate the workloads of as many as two, three, or even four existing arrays onto a single system that delivers better performance, availability, and lower cost than the prior multisiloed architecture — is very compelling to customers with more than 1PB of primary storage capacity. One of the vendor's challenges going forward will be continuing to find new markets that require that level of scale. Prospective customers should take note of the customer experience Infinidat drives as this is a key differentiator for them relative to their competitors.

Source: IDC, 2021

IN THIS MARKET NOTE

In January 2021, enterprise storage vendor Infinidat announced Phil Bullinger as the new CEO. Infinidat has continued to grow at a fast pace despite its size and has taken a number of steps in the past to expand its original market focus and position the company for strong future growth. In this Market Note, IDC comments on the vendor's continued evolution along with opinion on its future prospects under new leadership.

IDC'S POINT OF VIEW

As a privately held enterprise storage vendor, Infinidat has experienced a rapid rise to prominence. Originally founded in 2011 by storage industry luminary Moshe Yanai, the company targeted large enterprise customers with mission-critical, latency-sensitive workloads that generally required at least 1PB of data. Those customers were typically running these workloads across multiple enterprise-class, block-based multicontroller arrays, and Infinidat's value proposition was essentially a financial one: consolidate the high-performance, mission-critical workloads running on two, three, or even four separate storage silos onto a single platform that could meet or exceed current performance and availability requirements. This value proposition resonated strongly with large global enterprises, and within four years after its initial product release in 2014, the company had already amassed hundreds of customers.

In April 2015, Infinidat announced Series B funding in the amount of $150 million – a round which established the vendor as a "unicorn" with a $1.1 billion valuation. In October 2017, Infinidat completed a $95 million Series C round, bringing its total funding to $325 million and resulting in a $1.6 billion valuation. A Series D round was completed in June 2020, although the vendor did not disclose the amount. While Infinidat said the most recent cash infusion would be used to build on new initiatives such as the increasing demand for flexible consumption models, strengthening the company's growth plans, and fueling technical research and product development, it is likely that some of it will also be used to broaden the reach of the company's sales and marketing organizations.

Infinidat's InfiniBox uses an innovative, three-controller design in a hybrid storage architecture that includes both solid state disks (SSDs) and hard disk drives (HDDs). A large DRAM cache, combined with a very effective "neural cache" architecture that consistently delivers 90%+ read cache hit rates against petabyte-plus data stores, allowed the system to outperform all-flash arrays (AFAs) at a lower dollar-per-gigabyte cost (which was driven by the mix of SSDs, HDDs, and supporting system infrastructure [controllers, cache, trays, power supplies, fans, etc.]). Extremely high availability, highly scalable, and patented data locking mechanisms for data integrity and an intelligent data placement capability based dynamically on artificial intelligence and deep learning helped round out the platform's ease-of-use advantages despite the fact that over 60% of the installed production customers have more than 2PB in a single system. IDC took a detailed look at this impressive architecture in *INFINIDAT Continues to Buck External Storage Market Trends with High Revenue Growth and Profitability* (IDC #US44515918, December 2018).

Given the vendor's targeted focus on dense storage workload consolidation, the original design team knew it had to overcome the traditional performance and availability concerns that had been part of any consolidation exercise. InfiniBox's extra-large DRAM cache, intelligent approach to caching (the "neural cache" discussed previously), its use of trie data structures for data access, and its highly scalable locking (for data integrity) are key parts of the design that contribute to predictable sub-500µs

latencies (on average) at scale even with a system based around 12GB SAS. It will be a simple turn to transition the system to NVMe in the future, dropping the average latencies to well under 100µs while maintaining a system that rivals the cost of an all HDD-based system.

The InfiniBox's redundant design and active/active/active controller architecture, coupled with the right software functionality for transparent and rapid recoveries across a wide variety of failure scenarios, resulted in a system that is guaranteed by the vendor to deliver 100% data availability. This guarantee comes with all InfiniBox systems and does *not* require stretch clusters to apply (although those are supported). With more densely consolidated storage workloads, any single outage (regardless of the cause) can have a much larger impact. Host multipathing, RAID, snapshots, replication, hot pluggable components, nondisruptive upgrades and data migration, and artificial intelligence–driven systems self-management all contribute to InfiniBox's 100% data availability.

The vendor has also kept up with evolving customer requirements for more flexible consumption model options. With FLX, customers can deploy an on-premises InfiniBox with subscription-based pricing that is managed by Infinidat. With Elastic Pricing, customers can pay for Infinidat storage with a combination of capex (base capacity) and opex (burst capacity) that provides instant "capacity on demand" storage expansion. This gives customers unparalleled agility in provisioning more storage to accommodate growth while still leveraging the advantages of a "pay as you go" consumption model. Under the subscription-based pricing options, capacity usage is reported using InfiniMetrics and InfiniVerse (the vendor's cloud-based predictive analytics platform) and costs are adjusted accordingly on a monthly basis. And of course, all Infinidat products are available on an outright purchase basis as well.

Infinidat's focus on the Global 1000 resulted in a rapid revenue ramp for the company, but it also held a self-limiting obstacle to the company's continued growth. There are only 1,000 potential customers in the Global 1000 (!), and it was not likely that all of these customers would be buying additional Infinidat arrays each year (although a number of its customers do have multiple Infinidat arrays). This prompted the vendor to expand its market focus in three directions. The first direction was by introducing native (i.e., peer to peer) NAS (NFSv3) support on InfiniBox with a simple software upgrade in late 2015, turning its original block-based product into a competitive, unified storage array that could consolidate both block- and file-based storage workloads on a single platform without risking performance or availability. This increased the vendor's total available market to $26.4 billion (the total external storage market revenue for 2015). Those same markets were worth $30.3 billion in 2019. (Full numbers for fiscal 2020 were not available at the time of the writing of this document.)

The second direction was by going after cloud providers that needed large-scale multipetabyte storage infrastructures that could also benefit from some of InfiniBox's unique advantages. While an InfiniBox was not quite as low cost as a server-based, software-defined web-scale infrastructure built to support a given target capacity, it was close, and the InfiniBox offered a number of performance, availability, and functionality advantages that made it a better value proposition for many non-hyperscaler cloud providers. Because of their size, many of the larger cloud providers provided a good opportunity to sell many more multipetabyte arrays than the typical Global 1000 enterprise, another factor that contributed to the attractiveness of this market for Infinidat. IDC also notes that with digital transformation underway in most enterprises driving an average annual data growth across *all* enterprises of 31.0% through 2024, more and more businesses will be reaching the 1PB+ mark where Infinidat's economic value proposition really starts to kick in. As Infinidat extends its reach into additional markets, it is clear there are enough "petabyte plus" customers to fuel continued rapid sales growth (assuming appropriate go-to-market execution) to $1 billion and beyond.

The third direction was an expansion of the company's portfolio to include other types of storage infrastructure including backup and disaster recovery (DR) and cloud-based storage. IDC had noted that Infinidat customers tended to be much happier with their enterprise storage provider and the overall enterprise storage life cycle than the customers of most other storage providers, a fact that continued to be true even as the vendor grew far beyond the point where it could be called a start-up. IDC can't divulge Infinidat's actual revenue, but it would surprise many in the industry to know just how large Infinidat is. Given their level of satisfaction, many of Infinidat's customers had been asking the vendor about the opportunity to purchase other types of storage solutions from the company. In 2018, the vendor began to extend its product portfolio – first with InfiniGuard, a backup solution – and then with Neutrix Cloud, a sovereign public storage cloud that supported high-performance, multipetabyte cloud file systems and block volumes simultaneously accessible from Amazon, Google, and Microsoft compute clouds. In 2020, Infinidat extended its disaster recovery solutions with enhancements to its multisite replication capabilities. Over the past two years, Infinidat has experienced very successful cross-selling of its entire storage portfolio across existing customers.

Founder Moshe Yanai announced he was stepping down as the CEO of Infinidat in May 2020, appointing a pair of co-CEOs. His chairman of the board position went to Boaz Chalamish, a longtime industry veteran who joined the company in June 2020. The two co-CEOs – former Infinidat COO Kariel Sandler and former CFO Nir Simon – are both longtime Yanai accomplices through both the XIV and Infinidat days and kept the company humming until they announced the appointment of Phil Bullinger as CEO in January 2020. Most recently the senior vice president and general manager of the Data Center Business Unit for Western Digital, Bullinger was also the senior vice president and general manager of the Isilon (PowerScale) business unit at Dell EMC prior to that. Clearly, Bullinger brings significant enterprise storage experience as well as a proven ability to manage $1+ billion businesses with him to his new role.

Infinidat also made other executive changes in the same time frame. Alon Rozenshein, formerly the CFO and COO of Clarizen, a provider of collaborative work management solutions, will be joining Infinidat as the company's new chief financial officer. And in November 2020, shortly before Bullinger's appointment, Shahar Bar-Or joined Infinidat as the new chief product officer responsible for R&D, QA/validation, and operations and information technology. Prior to Infinidat, Bar-Or was the VP of Embedded Engineering at Western Digital where he worked with Bullinger.

Over his career, Yanai developed a reputation for building innovative, large enterprise storage solutions but also for keeping his marketing organizations relatively lean. The same was true at Infinidat, although IDC did note that the Infinidat marketing group did expand a bit under the reign of the co-CEOs. A new vice president of worldwide marketing – Catherine Vlaeminck – was promoted from within and marketing staff was also increased. Bullinger is optimistic about Infinidat's future revenue growth opportunities, and IDC expects that he will build out both the marketing and sales organizations going forward. This is a smart strategy – Infinidat's revenue growth will be tied to increasing awareness of its value proposition among growing companies right below where it has currently been selling. As those companies grow into needing multipetabyte data stores, the vendor's value proposition should become compelling, and many of them will be anxious to simplify operations by moving to fewer storage platforms.

As start-ups mature, the executive teams that successfully lead them early on often give way to executive teams that are more adept at managing the challenges of midmarket companies with revenue from $1 billion to $5 billion. The challenges of early growth and those of managing a vendor efficiently at scale can be very different. Without making any public pronouncements of its current

revenue, Infinidat has made this executive team change to position it for future growth. The vendor has a solid product strategy and offering today on which to build but look for changes in the vendor's go-to-market strategy going forward to help it stay on its high growth revenue path.

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Related Research

- *Worldwide and U.S. External Enterprise Storage Systems Forecast Update, 2020-2024* (IDC #US46069720, December 2020)
- *The Evolving Market for Enterprise Storage: Hybrid Cloud, NVMe, and Software-Defined Are the Next Wave* (IDC #US45598619, November 2019)
- *INFINIDAT Continues to Buck External Storage Market Trends with High Revenue Growth and Profitability* (IDC #US44515918, December 2018)

Synopsis

This IDC Market Note discusses Infinidat's continued evolution along with an opinion on the company's future prospects under new leadership. In January 2021, enterprise storage vendor Infinidat announced Phil Bullinger as the new CEO. Infinidat has continued to grow at a fast pace despite its size and has taken a number of steps in the past to expand its original market focus and position the company for strong future growth.

"Over the past two years, Infinidat has comprehensively recast its go-to-market activities, including sales, marketing, and channel development," said Eric Burgener, research vice president, Infrastructure Systems, Technologies, and Platforms Group, IDC. "With the hiring of Phil Bullinger as the new CEO, Infinidat puts the cap on the transition that will ultimately take the vendor to the next level as a multibillion-dollar enterprise storage vendor."

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Global Headquarters

5 Speen Street
Framingham, MA 01701
USA
508.872.8200
Twitter: @IDC
idc-community.com
www.idc.com