

OVHcloud is moving up the stack with PaaS and SaaS plans

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Introduction

OVHcloud's current five-year plan includes a focus on delivering cloud execution venues globally with OVHcloud. Alongside this, in the next five years, the company plans to increase its platform capabilities by integrating with third-party products to deliver PaaS services and creating a marketplace for SaaS. It's building an integration framework and APIs to enable this. Target use cases include collaboration, ERP, AI, business applications, IoT and edge, databases, analytics, and mobile application services. Its goal is to develop storage products (file, block and object) across its portfolio to cover market needs (backup, archiving, scale out, big data/AI/ML).

The 451 Take

OVHcloud continues to build out its global IaaS hyperscale footprint and is now also set to move up the stack with PaaS and SaaS services. It continues to foreground its engineering innovation and cloud capabilities, expanding its portfolio to meet new cloud workload resource demands by delivering services in a variety of ways: hosted, on-premises, at the edge or as functions. The accelerating conversion to cloud across all sectors has helped OVHcloud to what it claims is double-digit revenue growth, though how much of this is delivered by its dedicated hosting and virtual private server businesses versus cloud services isn't clear.

Context

OVHcloud's range of services is extensive: turnkey hosting and IT support for small- and medium-size businesses, dedicated servers and networking for do-it-yourself operations, and public, private and hybrid cloud infrastructure for developers and enterprises. It cites key differentiators as being ease of use, operational simplicity and low cost, made possible by energy-efficient cooling in its datacenters plus integrated manufacturing, from the datacenters to the servers themselves.

OVHcloud operates what it refers to as four cloud universes: Baremetal Cloud, Hosted Private Cloud (VMware on dedicated hardware), Public Cloud (Openstack) and Web Cloud. Baremetal Cloud, Hosted Private Cloud and Public Cloud use a common private network that can be extended to

connect customer premises for hybrid deployments (OVHcloud Connect). These are delivered from 30 datacenters with 380,000 physical servers in 12 locations.

It claims to have invested some €1.5bn in its footprint since 2016. Eighteen of its 30 datacenters are in Europe: 15 in France and one each in London, Frankfurt and Warsaw. For European customers doing business in North America, OVHcloud has seven datacenters in Beauharnois, Canada, beyond the reach of the US Cloud Act, which gives the US government broad surveillance powers on data located in US providers regardless of location (even outside the US). For customers needing services within the US, the subsidiary OVHcloud US operates datacenters in Virginia (Vint Hill) and Oregon (Hillsboro).

It completed the migration of VMware vCloud Air customers to its datacenters last year. It has 34 points of presence on a 20TBps bandwidth public network with built-in Layer 4-7 DDoS protection and has two factories making its kit – one for Europe and Asia and the other for North America. We expect that a recently added India point of presence will be graduated to a datacenter location in future. It claims to have produced more than one million servers since 1999 and has a power usage effectiveness (PUE) rating of 1.09. The 20-year-old company has 2,200 employees in 12 locations, claims 1.5 million customers in 132 countries and hosts some 3.8 million websites.

OVHcloud is planning for an offering that would enable customers to deploy OVHcloud hardware and software on-premises, fully managed by OVHcloud, similar to the AWS Outpost model, and supporting edge requirements. Additional plans include serverless (it is evaluating options to deliver this as the next phase of its managed Kubernetes offering) and white labeling its infrastructure.

OVHcloud has significant cloud-native credentials. It launched a managed Kubernetes service in 2019, and a year later introduced a managed private registry service, based on the CNCF Harbor project, which it enhanced and up-streamed.

Ecosystem

The company has about 350 partners including Capgemini, Deloitte, CGI, Sopra Steria and GFI. Its Open Trusted Cloud program promises customers a choice of location for the storage and processing of data, ensuring compliance with local legislation including the CISPE European code of conduct on data protection; the code of conduct on data reversibility facilitated by the European Commission (SWIPO IaaS [2]); and HDS, PCI DSS, SOC1 certifications depending on the infrastructures if necessary and, soon, a SecNumCloud certification. There are about 160 applications hosted under this program in France – 300 worldwide. It has enrolled 1,800 companies in its startup program and claims that 200+ are active now. Members get vouchers for OVHcloud cloud solutions and technical support.

The OVHcloud marketplace includes 120 applications and services from 30 vendors. The company is a founding member of the European GAIA-X federated cloud project, which aims to have a minimum viable service by year-end. In addition to organic expansion, OVHcloud will use a partnership model to offer services in other countries, whereby a local player would effectively offer OVHcloud-powered datacenter as a service.

The company provides 'day zero' cloud consulting, assessment and design mostly via systems integration partners. It undertakes migrations itself and with partners, and it has established a migration center of excellence to support this.

OVHcloud isn't big enough to do everything and will use partners where it makes sense. Its OVHcloud marketplace, now in beta, uses a range of third-party services to provide functions such as authentication and billing. Initial offerings in the marketplace are proximal to OVHcloud infrastructure such as firewalls and load balancers. In future, it expects AI and data management offerings to be added to the marketplace.

ESG

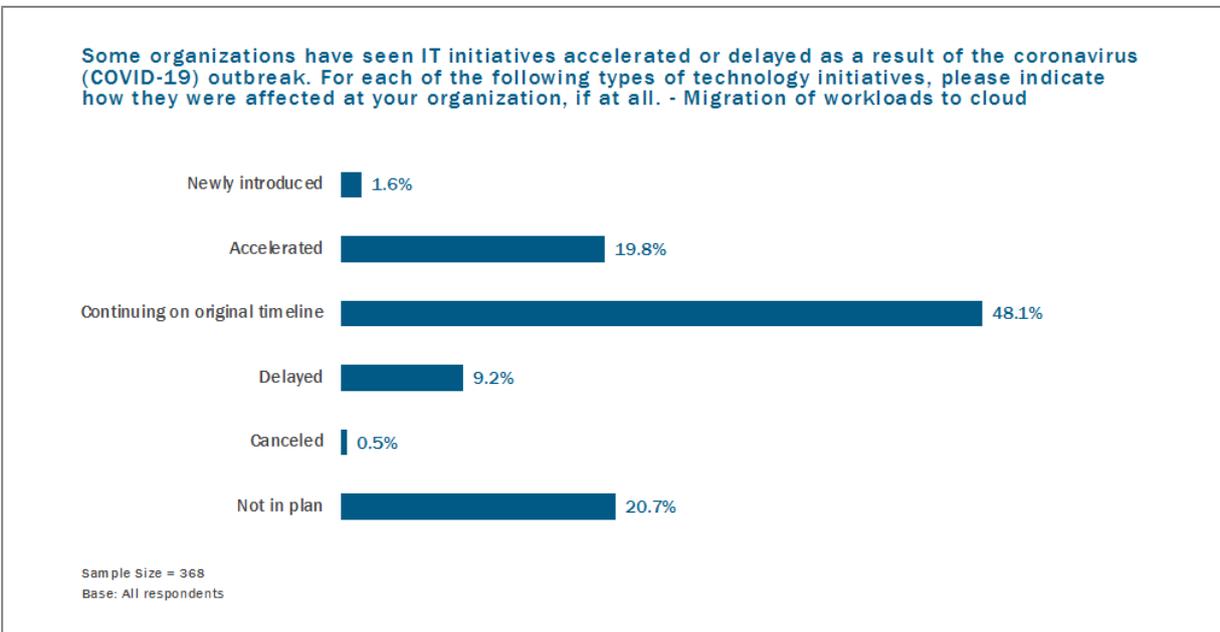
Designing and building its own datacenters means OVHcloud can operate a 'circular economy' in terms of recycling parts, reducing water consumption, improving power efficiency and reusing real estate. Its environment, social and governance (ESG) footprint is something the company expects to begin to foreground more prescriptively as a value-add and differentiator. Specifically, it plans to surface this in its customer experience, providing, for example, customers with details on carbon footprint and workload power consumption or VM power meter.

Business model

The company's 2019 revenue was roughly €600m (\$678m), and it claims to be growing at a double-digit percentage. Cloud contributes the vast majority of its revenue, most of which is done in Europe – the legacy web hosting business is slowing. OVHcloud is privately held by the Klabo family. In 2016, it raised \$285m from KKR and TowerBrook, which took a minority stake in the company. In 2017 it received a \$457m line of credit from nine banks to fund international expansion. Its €1.5bn, 2016-2020 investment program will be superseded by a new and richer five-year plan currently being budgeted.

The company claims COVID-19 hasn't slowed its business overall, although some work has stopped while other work has accelerated. 451 Research's June 2020 COVID-19 Flash survey found that almost 50% of users are continuing on the same cloud migration timeline, and nearly 20% are accelerating migrations. The pandemic hasn't impacted OVHcloud's supply chain – the company is still able to produce and deliver a server within 14 days – or its development plans. It says it can connect up to four racks or 200 servers a day in some of its datacenters.

COVID-19 Affects Migration of Workloads to Cloud



Source: 451 Research's Voice of the Enterprise: Digital Pulse, Coronavirus Flash Survey June 2020

Competition

OVHcloud competes in a broad range of markets in terms of products and geography. In the public and private cloud arena globally, it is up against hyperscalers AWS, Azure, Google, IBM and Alibaba,



as well as telcos CenturyLink and NTT plus Rackspace. For enterprise business in Europe, it competes with local and pan-European providers such as Exoscale, CloudSigma, Orange Business Services, Ensono and DT's Open Telekom Cloud. For small business and e-commerce hosting and managed services, it contends with GoDaddy, 1&1 Internet and Host Europe.

SWOT Analysis

Strengths	Weaknesses
<p>As the cloud sector accelerates, OVHcloud is taking the opportunity is to deliver 'your cloud your way' with IaaS, PaaS and SaaS services from under the noses of incumbent hyperscalers' offerings, which are essentially WYSIWYG approaches.</p>	<p>Moving up the stack is an expensive, software-driven undertaking where skills are in short supply (or at least expensive). While it touts its hyperscale architectural approach, OVHcloud isn't big enough to do everything and will use partners for the use cases where it makes sense. Regardless of how much is supplied by partners, investment to support this ambition in OVHcloud's next five-year plan will need to be substantial.</p>
Opportunities	Threats
<p>The 'cloud' sits strategically at the top of the list of IT technologies viewed as most transformative, and any work in progress is prone to acceleration, not retrenchment, for those that can absorb the short-term negatives of COVID-19. The C-suite is using cloud as a weapon to fight against variables such as uncertainty, rapidly changing market conditions and capex constraints. This viewpoint was born prior to COVID-19, which brings all those variables in spades.</p>	<p>'Full stack' cloud providers are arriving in droves, choosing all of the major hyperscalers as dance partners to deliver multicloud and hybrid IT. The question is whether OVHcloud can make it onto this dance card, and whether it has the legs to stay for the long term.</p>

Source: 451 Research, LLC