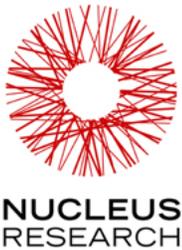


RESEARCH NOTE

NEW ACUMATICA CEO PLANS FOR GROWTH



THE BOTTOM LINE

Acumatica provides cloud-based ERP for small and medium-sized businesses. Last year, the company reported 350 percent year-over-year revenue growth and raised \$10 million in funding. The March appointment of Jon Roskill as CEO is further validation of the company's business model, channel strategy, and the opportunities for cloud ERP.

Acumatica provides a cloud-based ERP solution for small and medium-sized businesses. Nucleus has rated Acumatica one of the highest ERP solutions in terms of usability in its Value Matrix (Nucleus Research *n184 - Technology Value Matrix second half 2013: ERP*, December 2013), largely because the Web-native platform enables users to add buttons, customize fields, alter business logic, add new screens, and extend existing screens without the need for coding.

On March 6, Acumatica announced the appointment of Jon Roskill as chief executive officer. Roskill brings more than 25 years of software company management experience including more than four years as corporate vice president of Microsoft's World Wide Partner Group. This is significant because of Acumatica's 100 percent indirect sales strategy, and also because Acumatica is built on .NET and designed to be customized with any Visual Studio language. As Microsoft Dynamics solutions increasingly move upmarket, Roskill sees a clear opportunity for a partner-led cloud ERP company that is focused on small and medium-sized businesses. In a recent conversation with Roskill, Nucleus learned more about his plans for growth for the business and his views on Acumatica's market differentiators.

ACUMATICA'S CHANNEL STRATEGY

Acumatica's channel strategy is one of the reasons Roskill was attracted to the company. Today, Acumatica sells through three types of partners:

- OEMs. Many business process outsourcers are moving their customers from legacy ERP applications to Acumatica to take advantage of the rapid time to market the cloud model delivers, as well as the ongoing investments Acumatica is making in

areas such as mobile. OEMs with existing .NET experience can leverage those skills while reducing the support requirements associated with traditional hosted client-server applications for their customers.

- Vertical ISVs. For vertical independent software vendors, Acumatica provides a platform with the basic modules of ERP — financial management, distribution management, customer management, project accounting, and reporting — that can be customized and extended to meet the needs of specific verticals such as construction. The Acumatica Studio application development platform and Acumatica’s flexible licensing model enables ISVs to rapidly build and deploy multi-tenant cloud ERP applications.
- Value-added resellers (VARs). Acumatica is also going after traditional VARs that are looking to transform their business and move to a cloud-based model with low startup and training costs and competitive margins.

“Partners are excited about the power of the offering and what they can do with it as well as the ease of use. The fact that it’s built on .NET and designed for cloud from the ground up makes it an easy platform move if you’re coming from a Sage or Dynamics GP or SL background. They’re done waiting and we can walk in and talk to them about a set of interfaces that are classic GL, classic distribution.”

– Jon Roskill, CEO, Acumatica

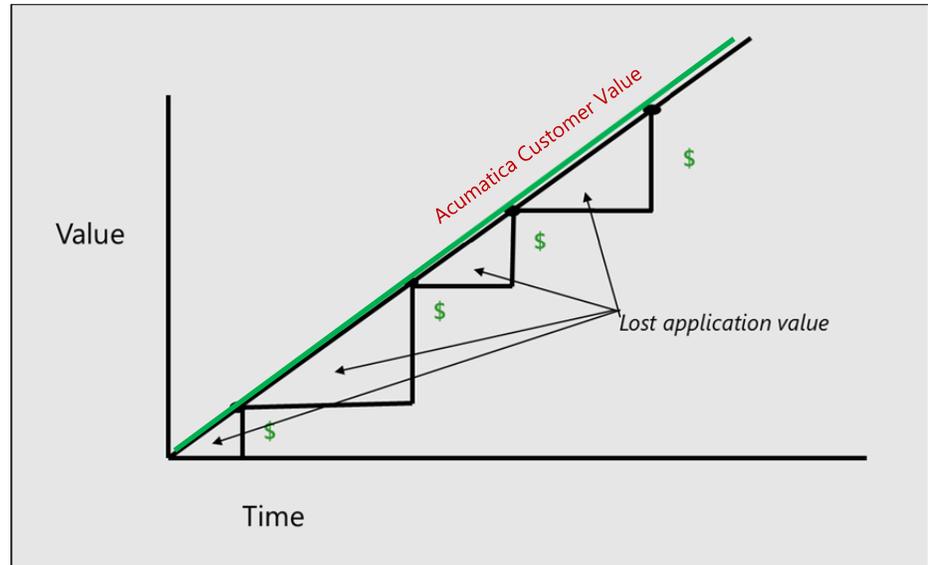
WHY ACUMATICA

Nucleus’s ongoing analysis of the enterprise application market has consistently found that cloud applications deliver greater ROI, both because of the lower initial costs and the ability to maximize value from the application over time by changing or upgrading the application to meet business needs without the cost and disruption associated with traditional on-premise applications (Nucleus Research *m108 - Cloud delivers 1.7 times more ROI*, September 2012). Traditionally, small and midmarket customers with limited IT resources have failed to maximize returns from their ERP investment because they simply don’t upgrade: without sufficient internal skills the cost and disruption would be too damaging to their businesses. Even those that do upgrade tend to skip multiple releases, meaning they’re versions behind the current version of their software and, in many cases, off software license maintenance.

In contrast, Acumatica provides a .NET development environment and key ERP components such as GL, document management, and reporting to enable partners to build industry-specific ERP solutions to support small business needs and then customize them with standard Visual Studio languages. Beyond the initial deployment, upgrades are managed in the cloud, without breaking customizations, at an appropriate time for each customer. Between upgrades, business users can make changes to the application as their needs change without any development or coding required. With this approach,

Acumatica enables customers to stay on the value curve of their ERP investment over the life of the application.

THE TRADITIONAL ERP VALUE CURVE VERSUS CLOUD ERP



Another advantage of Acumatica is its pricing model. Because Acumatica is priced on a per-instance, not per-user, basis, customers are not limited in the number of users they can have accessing the application. This enables companies to provide all employees with access to the information they need within the application — even if they only use it on a limited basis. For small and medium-sized businesses that may have part-time employees, contractors, or employees filling multiple roles, this approach enables companies to extend access to information about inventory, accounts, transactions, and other supply chain information to all so they can make better decisions.

LOOKING FORWARD

Given its partner-driven delivery model, .NET foundation, and high usability, Nucleus sees Acumatica well positioned to attract both a robust partner network and new midmarket customers. As the cloud extends the capabilities of rich ERP within the reach of small and medium sized businesses where it was cost-prohibitive before, they can better compete with larger players. Beyond horizontal ERP, Acumatica's challenge will be picking verticals and partners with deep industry expertise that can provide customers with not just implementations, but guidance on how the Acumatica platform can help grow their businesses.