[Who Should Microsoft Buy Next](http://msftworld.ml/2017/11/14/microsofts-failed-acquisition/)

Microsoft is a company with a penchant for acquiring other technology company. Most of their acquisitions have been in the software realm. Therefore, any purchase going forward is most likely going to be of another software company. Let us explore some companies that could easily become a part of the Microsoft family within the next three years.

The potential acquisitions will be placed in four categories. The first one is Just A Matter of Time, followed by Massive But Expected, Shake Up The Tech World and the last category is Others.

Just A Matter of Time

These are possible acquisitions that seem very likely. In fact, some in the tech community might be wondering how Microsoft or another tech powerhouse has not brought them yet.

Zoho Cooperation

Zoho is enterprise software and service company located in India. They claim three brands; Zoho, ManageEngine, WebNMS. Zoho itself has many productivity products, too many to name. Every product that Microsoft has in its productivity arsenal, Zoho has also. It newest product Zoho One is described as a “operating system for your business”. It packs in CRM, Mail, Books-accounting software, Creator-For custom apps and Sprints-For Planning and tracking projects.

ManageEngine is an IT management software that Zoho claimed is used by 3 out 5 Fortune 500 companies. WebNMS is their IoT platform; this was actually the founding project of Zoho when it was formed in 1996 as AdventNet. Zoho is a private company that does not raise capital nor intend to have an IPO. It says that it is consistently profitable, but its revenue and profit is not known. Its market capitalization is also not known.

Whatever, its worth, I am sure Microsoft can easily afford it. Microsoft does not need Zoho, but it could be a good fit for Microsoft. It is an Asian company and the Asian market has always been hard to penetrate by western companies. Zoho could help Microsoft further establish Office 365 and Dynamics 365 in the Asian market especially India and China.

Workday

Workday was formed in 2005 by Aneel Bhusri and Dave Duffield to provide cloud-based applications in finance and HR. Their products are Financial Management, Financial Performance Management, Human Capital Management, Prism Analytics and Professional Services Automation. It boosts of more than 700 enterprise customers worldwide in 2015 and more than 7, 400 employees in 2017. In its latest quarterly report for May to July 2017, it reported revenue of 525.3 million dollars on a net loss of 81.6 million dollars. It has a market capitalization of 24 billion dollars. It is on the expensive side, but it has great market value.

If Microsoft were to buy Workday, it would not have to be too worried about the losses, given that most of it is through research and development and sales and marketing. Those would be lessened over time as it absorbed into Microsoft other cloud services. Microsoft would be gaining one of the top enterprise software start-ups around as well as a greater foothold into the Human Resources and Finance Management software sector. Workday would fit seamlessly into Dynamics 365.

Tableau

Tableau is a Data Visualization company that use Business Intelligence to turn complex data into visually rich presentations. It is like Microsoft Power BI apps. However, Tableau is not profitable nor is growing at a pace that can justify the continued losses. In its latest quarterly report, it had revenue increased 4% to $214.9 million dollars. Net loss for the third quarter of 2017 was $46.6 million.

Having total revenue of 215 million and only by 4% and having 46.6 million dollars in losses is not the best financial picture. With a market value of 5.6 billion dollars, Microsoft could force a sale if it wanted. Power BI has been putting pressure on Tableau, therefore, it would probably be in its best interest to sell. Microsoft would be the best company to sell to.

LogMeIn

LogMeIn is a SAAS that has interest in many areas. It most popular products are LastPass and GoTo, both of which it gained through acquisition. GoTo most popular product is GoToMeetings, which is an online meeting SAAS. LastPass is a password management software. It also has many consumer support services like Rescue and GoToAssit.

LogMeIn is worth 6.2 billion dollars. In its latest quarterly earnings report, it reported revenue of 270 million dollars and net income of 10 million dollars. It does not have the highest revenue in the world, but its revenue is profitable. Microsoft could buy it to unless the competition on Skype for Business/Microsoft Team by GoToMeeting. GoToMeeting would come with its own technology and customers. There are many other products and services that Microsoft would get from LogMeIn, that Microsoft could throw in Office 365 and Dynamics 365. Paying around 7 billion dollars for a profitable competitor is always good business.

Massive But Expected

These are massive companies that Microsoft have great relationship and fit well into Microsoft’s existing enterprise offerings. Though, these are massive and profitable companies, many people believe that Microsoft should and could place a bid for them any day now.

These companies have some things in common when it comes to Microsoft. They all have collaborated closely with Microsoft on numerous occasions. They are on Microsoft’s Windows Servers and have joined Microsoft in the cloud. They ensure that their products and services interop with Microsoft’s offering as best as possible.

These companies also compete fiercely in one or more sectors. Despite being close allies, they treat Microsoft as an enemy on the battlefield of enterprise software and services.

Citrix

Microsoft’s and Citrix’s main point of competition is in the field of Desktop Virtualization (DV). DV allows users to asses a desktop and its applications from a remote PC. One form of DV is Virtual Desktop Infrastructure. This where a user is served a remoted PC, which has its own operating system. They compete in VDI through Microsoft’s Hyper-V and Citrix XenDesktop.

Microsoft and Citrix compete in Remote Desktop Virtualization, another form of DV. They compete in this field through Microsoft Remote Desktop Services and Citrix XenApp. XenApp is based on Remote Desktop Services; however, Citrix is becoming less dependent on it over time. The companies also compete in Enterprise Mobility Management.

Despite Microsoft competing with Citrix’s main products, Citrix has not been afraid to collaborate with the bigger of the technology companies. Their latest partnership was in 2017. According to the press release, “Microsoft and Citrix have partnered for over 25 years to ensure their products are best-in-class. The impact of the partnership is undeniable with Microsoft and Citrix having 230,000 joint customers and tens of millions of users that rely on a joint solution every day.”

The press release stated that through their powerful relationship business organization would receive:

* Best-in-class security, scalability, management and performance of enterprise software and online services.
* Commitment to industry standards, organizational compliance and new cloud computing trends.
* Deep integration with Microsoft server and desktop operating systems and management tools.
* A shared vision for flexible, seamless and powerful computing for today’s mobile workforce.

Straight from the horse’s mouth, Citrix and Microsoft are tightly integrated. If Microsoft wanted to buy then, not much resistance would be put up. Citrix has a market capitalization of 13 billion dollars. It has over 3 billion dollars in annual earnings and 400 million dollars in profits. This makes Citrix very cheap purchase. The question has always been not if Microsoft will buy Citrix, but rather why has it not done so yet.

SAP SE

SAP in a German company that specializes in Enterprise Resource Planning. They compete with Microsoft’s Dynamics, which will become Dynamics 365 over the coming years. They also compete in databases through Microsoft SQL and HAHA for SAP. They also have rival products in CRM, Human Resources and Internet of Things (IoT).

However, they have a great relationship. They have had many partnerships. In their latest partnership in 2016, they announced the support for the SAP HANA platform deployment on Microsoft Azure. This provided new integrations between Microsoft Office 365 and cloud solutions from SAP. The partnership also provided enhanced management and security for custom SAP Fiori apps.

Three areas of focus for the partnership were:

* New Deployment Option: SAP HANA on the Microsoft Azure cloud
* Cloud Services Integrations: Public Cloud Solutions from SAP and Office 365
* Flexibility in the Cloud: Management and Security of Custom SAP Fiori Apps

SAP has a market capitalization of 140 billion dollars. They have an annual revenue of 25 billion dollars and net income of 4.3 billion dollars. It is doing great and has started a successful transition to the world. 138 billion dollars minus premium is a lot of money and getting regulatory approval from the European Commission. It would be the biggest technology acquisition ever. It would take many figureheads to agree that this purchase is wanted and needed. Yet, not many people would be surprise by it.

Cisco

Cisco is an enterprise company that specializes in both hardware and software. They provide networking, data center, internet security, unified communications hardware and software. Their main point of competition with Microsoft is through unified communications and video conferencing. Their Cisco Spark competes with Skype For Business and Microsoft Team.

Cisco and Microsoft are very close. They have collaborated numerous times. From Skype For Business being integrated into Cisco Meetings to Office 365 in Cisco Sparks. According to a May 2017 blog post titled “Microsoft Collaborate to Power Intelligent Actions Exactly Where and When It’s Needed”, Cisco stated “Cisco and Microsoft already have a long history of collaboration in many areas, including IoT.  The Cisco Jasper connectivity management platform has long been integrated into the Azure IoT Hub.  In March, we partnered in the launch of the Microsoft IoT & AI Insider Labs.  And earlier this year we announced the Cisco Integrated System for Microsoft Azure Stack, ideal for those who want the full benefits of the Azure cloud in an on-premise environment.”

Cisco is worth 180 billion dollars. It has an annual revenue of 48 billion dollars and net income of 9.6 billion dollars. This would be a massive deal if were ever to happen. Cisco comes with many hardware products and Microsoft would have to be committed to that part of the business if a purchase were ever to be made. Given how Microsoft mismanaged the Nokia acquisition, many would be rightly skeptical of Microsoft’s ability to successfully run a hardware business of Cisco’s size.

Microsoft does have experience with successful hardware through Xbox and the Surface Family. However, Xbox and Surface are not on the same scale as Cisco’s hardware business. If Microsoft could overcome their aversion to massive hardware undertaking, then they could buy Cisco with enough will power. Honestly, if that were to happen, who would be surprise.

Shake Up The Tech World

If Microsoft were to manage to get any these, the tech world would never be the same again. These are likely to never happen, but it is fascinating to wonder how things would play out if they were to happen.

Salesforce.com

Saleforce.com is the one of the biggest SaaS companies in the world, with a market cap of 78 billion dollars. They specialize in CRM. They are by far the biggest player in this sector. Microsoft has its own CRM product in the form of Dynamics CRM Online, which can be subscribed to as a single entity or as a part of Dynamics 365. There is a scant of updated information on the market share of the CRM market, but Microsoft is nowhere close to Salesforce. The impact of Dynamics 365 on the CRM market has not been assessed. Whatever, the current market share, Microsoft buying Salesforce, would make Microsoft many times stronger in the CRM sector.

This is not very likely to happen. There are many reasons for this, but the main reason is the relationship between Salesforce.com and Microsoft. In 2015 Microsoft tried to buy Salesforce.com for a reported 55 billion dollars, however, Salesforce.com wanted 70 billion dollars. Microsoft and Salesforce.com have also been enemies, however, at the time when the offer was made, they were starting to become friends. Yet, as the talks fell through, they renewed their fierce rivalry. Things got farther heated when Microsoft beat Salesforce.com to LinkedIn in 2016.

Amazon Web Service (AWS)

AWS is the runaway leader in the IAAS with an estimate market share of 33% and quarterly revenues of 4.58 billion dollars and 1.17 billion dollars in operating income. Many companies run AWS including Netflix, Spotify and Workday. Most importantly, Amazon.com runs on AWS. Therefore, even if a deal wanted to be made between Amazon and Microsoft, the logistics would be almost impossible. And why would Amazon want to sell when AWS is the clear leader in the one of the twins that are the future of enterprise software. The twins are IAAS and SAAS. Farther more, AWS is the only profitable part of its business.

G Suite/Google Cloud

This one is near impossible, if not purely for the fact that Google and Microsoft are declared enemies. Google Cloud is the foundation of 90% of Alphabet’s businesses. It is impossible for Google Cloud to be ripped from online properties like Google.com and Gmail.com. There is one way that they could join. It could happen through both companies preforming a spin-off. If there were ever to come a time when Microsoft wants to exist all consumer paying product and services and Google wants to get out of the enterprise games, then this merger could happen.

Google makes 90% of its revenue from advertising, which is a direct to consumer offering. Despite all Google’s talk of the Enterprise, they barely make any money in that sector when compared to the other players. Microsoft, on the other hand, makes billions of dollars selling directly or indirectly to consumers. However, these are expensive dollars when compared to its very high margin enterprise business.

It possible to see a scenario where Google decide that it does not want to battle in Enterprise against Microsoft, Amazon and Salesforce who have 5 billion dollars in cloud revenue per quarter. Nadella is an enterprise guy. I am sure if he were given the upside Google Cloud/G Suite versus the current downside of Windows, he would choose Google Cloud/G Suite. Microsoft would be unstoppable in the collaboration and productivity technology sector. It would not be far behind Amazon in IAAS given Google’s good name with small businesses and Open Source community. Combine that with Microsoft’s enterprise strength, Google Cloud and Azure would be unstoppable.

Google owns the biggest consumer Operating System in the world in Android, however, Microsoft owns the biggest desktop platform. Mobile might be the future, the desktop is still king when it comes to cost per click, Google’s most precious performance metrics. If Google owned Windows, it could better serve advertisements to its consumers. It could carry the Google PlayStore to Windows. It could for example offer free to play triple AAA games, but place a massive banger or play a 15 seconds advertisement before the start of each gaming session. It would not have to worry about advertising inventory, it has the largest ever created. Google would also get several billion dollars in profitable revenue from Microsoft’s More Personal Computing business unit.

There would have to be some agreement between Google and Microsoft. Likely Google would retain the right to continue using the Google Cloud for its online services. Google would have to need to start diverting its private cloud from Microsoft’s new cloud over time. Google could also agree to continue to buy more cloud from Microsoft. Microsoft would have to spilt Windows Enterprise from Windows Pro and Home.

This seems far-stretch, but not impossible. At the end of the day Google is an advertising company, you simple cannot advertise to enterprise. Windows would over 500 million users on a modern operating system that is built for advertising with its start screen. Microsoft is an enterprise company that rather would talk to people in the C-Suite than the “sheep” Apple command.

Oracle

Oracle and Microsoft are not friends and they have never been. This is an official designation. Oracle has for long been a Microsoft’s Worldwide Partner Conference (WPC) Enemies List. This is a list that prohibit employers from attending Microsoft’s WPC. The list included employees from Google, Oracle, Salesforce.com and VMware. Oracle was removed from the list in 2014 and replaced by Amazon.

They had strike a deal to put Oracle software on Azure in 2013. This was the likely reason they were removed from the WPC Enemy List. However, this was done out of necessity. Oracle products especially its Database are very popular. Azure was a growing star in the field of IAAS at the time, their enterprise customers demanded that they work together in the cloud. They wanted to use NoSQL on Azure.

This acquisition would not happen for the same reason that would prevent an IMB merger, the price and necessity.

International Business Machine (IBM)

This one would be easy if both companies wanted it. They are not the greatest of enemies nor the greatest of friends. Their businesses are very compatible. Their sales teams like contacts in virtually all Enterprise in the world.

The biggest obstacle in the way of any possible deal would be the price. IMB has a market cap of 137 billion dollars. Microsoft has 136.932 billion dollars in cash. Microsoft always buys in cash, therefore, to buy IMB, Microsoft would need to borrow several billion dollars. Given that both companies are still very profitable, this acquisition is unlikely to happen because of a lack of need.

Others

These are just random companies that Microsoft could acquire that does not quite fit into the other categories. They can also be companies that go beyond what Satya Nadella has purchased while being the CEO of Microsoft. These companies can also be any other company that does not fit into the other categories.

Inuit

Inuit is a financial software company that develops and sells financial, accounting and tax preparation software and related services for small businesses, accountants and individuals. This is not Microsoft area of expertise. However, with a market capitalization of 39 billion dollars and revenues of 5.2 billion dollars that generated 1 billion dollars in profit, maybe Microsoft should break the bank. They could even use QuickBooks to do the accounting.

Adobe

Adobe’s most popular products built for designers are not Microsoft’s cup of tea. However, it has many products just for the enterprise consumers. They have some great cloud enterprise services like Experience Cloud, Marketing Cloud, Advertising Cloud and Campaign. All these would fit well into Microsoft’s profile, especially with Bing.com.

Adobe made 5.9 billion dollars last year with a profit of 1 billion dollars. It is valued at 90 billion dollars, which makes it very expensive. It does have unlimited upside, given that it has successful transformed itself into a cloud company. Every Adobe does is in the cloud. Microsoft is all about the cloud. Adobe might be expensive, but it is innovating as fast as start-up in the cloud. If Microsoft were to burn a massive hole in its overseas cash stash, Adobe would be the company to do it on.

Cloudflare

Cloudflare started as a simple application to find the source of email spam. From there it grew into a service that protects websites from all manner of attacks, while simultaneously optimizing performance. Cloudflare services include content delivery network, DDoS mitigation, Internet security services and distributed domain name server services.

Cloudflare’s goal is to help build a better Internet. They say they are one of the highest trafficked entity on the Internet.

* They serve more web traffic than Twitter, Amazon, Apple, Instagram, Bing, & Wikipedia combined.
* When they push code, it immediately affects over 200 million web surfers.
* Every day, more than 10,000 new customers sign-up for Cloudflare service.
* Every week, the average Internet user touches them more than 500 times.
* They serve data from over 118 data centers around the world.

Cloudflare is private company with a valuation of 3.2 billion dollars. It is said to be profitable. It runs on millions of sites on the web, making it a very valuable property. It would be a good fit for Microsoft Azure. After all, Microsoft uses security as one the unique value of Azure over Amazon Web Service.

Cloudera Inc

According to the About section on the Cloudera Inc website, Cloudera was founded in 2008 by former employees from some of Silicon Valley’s leading companies, including Christophe Biscigli from Google, Amr Awadallah from Yahoo, Mike Olson from Oracle and Jeff Hammerbacher from Facebook. They believed that open source, open standards, and open markets are best. Cloudera has more than 1,600 employees. They have offices in 24 countries around the globe. Their headquarters is in Palo Alto, California.

Cloudera provides Apache Hadoop-based software, support and services, and training to business customers. Cloudera's open-source Apache Hadoop distribution, CDH (Cloudera Distribution Including Apache Hadoop), targets enterprise-class deployments of that technology. Basically, it is a Big Data company.

It not a profitable company. In its latest quarterly report, it reported revenue of 74 million dollars but had a loss of 66.6 million dollars. With a market cap of just 2 billion dollars, this could be a cheap way for Microsoft to get some technology and talent to add to the capacity it already has with Azure.

Docker Inc

According to Docker’s website, Docker is the only container platform provider to address every application across the hybrid cloud. Docker enables true independence between applications and infrastructure and developers and IT. This unlocks their potential and creates a model for better collaboration and innovation.

Docker comes in two versions; a free community edition and a paid enterprise edition. It has a valuation of 1 billion dollars. Microsoft can easily afford it. Microsoft already offers Docker on Azure, so it would be easy to integrate Docker into the Azure platform.

Key

Saas- Software As A Service

CRM-Customer Relationship Management

ERP-Enterprise Resource Planning

IAAS- Infrastructure As A Service

Sources

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