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JouleX sells for 100 times revenue

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In April 2010, Tom Noonan crowed about his latest venture, JouleX, potentially becoming bigger than **Internet Security Systems Inc.** — the publicly traded company he co-founded and later sold to **IBM Corp.** for \$1.6 billion.

Three years later, Noonan is selling the energy management firm to another tech blue chip — for an estimated 100 times revenue.



BYRON E. SMALL

Power play: Jon VerSteeg, from left, Tom Noonan and Tim McCormick of JouleX.

On May 29, San Jose, Calif.-based Cisco Systems Inc. (Nasdaq: CSCO) said it plans to acquire JouleX for \$107 million in cash and retention-based incentives. The two companies have had a business partnership for two years.

JouleX helps companies monitor, analyze and manage the power consumption of network-connected devices, including personal computers, printers, servers, and networked devices and systems in data centers. JouleX software, which does not need to be installed on networked devices and systems, remotely monitors and analyzes energy consumption. The startup claims its software can cut up to 40 percent of IT-related power consumption.

Cisco, which acquired **Scientific Atlanta** in 2005 for nearly \$7 billion, employs

about 1,950 in metro Atlanta.

Following the acquisition, expected to close in the fourth quarter of fiscal 2013, Cisco expects to integrate JouleX into its Industry Solutions Group. JouleX, which employs 36, plans to triple its workforce across engineering, sales and product management, said Noonan, who will stay on as general manager for an undisclosed period of time.

The decision to sell was one of scaling “almost from startup to the major leagues,” Noonan said. “The question was, ‘How big do we want JouleX to play on the world stage?’ ”

JouleX, which has raised more than \$17 million from Intel Capital, Sigma Partners, Flybridge Capital Partners and TechOperators LLC, had intended to raise additional venture capital at the end of the year to fuel growth.

When Cisco heard about the fundraising plans, it raised the idea of acquisition. Buying JouleX after a large venture raise would have made the deal more expensive and delayed JouleX’s growth by a couple of years.

The acquisition was an opportunity to “just catapult the company and keep skin in the game with a partner we had really gotten to know and respect,” Noonan said.

Acquisition negotiations didn’t take long — the deal was done in two months.

“The business plan [Cisco] created was so compelling,” Noonan said. “What they wanted to do in terms of investment and scale, was far beyond [where] we could have gone with \$15 million-\$20 million worth of venture capital.”

The Cisco buyout will allow JouleX to leverage the conglomerate’s technology and distribution infrastructure.

“We see this market happening,” Noonan said. “If we’re going to play the dominant role in this market, we’ve got to get on a much faster and bigger train.”

Internet of things

It's easy to see why Cisco is hot on JouleX.

A technology trend gaining momentum involves what's referred to as the "Internet of Things" — connecting devices to the Internet, giving them the ability to communicate. The data sharing gives rise to new business opportunities, improves efficiency and safety, and reduces costs.

As more devices — appliances, sensors, industrial equipment — plug into the network, energy costs are expected to become a larger expense line item for the enterprise.

JouleX's technology allows for greater monitoring and measuring of energy consumption, without the need for extra hardware. JouleX's technology has applications beyond energy management. It can be used to monitor and manage remote infrastructure, such as Internet-connected vehicles, industrial equipment, even vending machines.

"JouleX maps beautifully into the control plane of the network, adding energy management capability into the network management plane," said David Goddard, vice president, Connected Energy Practice at Cisco.

Energy management is becoming a huge priority for enterprises. In Europe, and parts of Asia, where the cost of energy is relatively high, energy management is critical, Goddard said. In North America, while the cost of energy is not so high, companies are making efforts to become more energy efficient.

For the past two years, JouleX has partnered with Cisco, which has built an energy management protocol into its operating system.

"Cisco is turning the network into much more than connective tissue, it's driving the intelligence into the network," Noonan said. "As we put 50 billion devices on a network, managing energy is going to be critical."

While JouleX may never be a publicly traded company like ISS, Noonan believes his latest venture is tackling a much larger problem.

"Energy is a bigger market than [Internet] security," he said. "Everybody is

consuming energy, there's a lot of people that are still not spending money on security."

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