

Derisk the choice of vendors and projects by understanding IT companies' business models

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Why?

Software Licenses

IT Business models

Financials

Wrapping up

About me

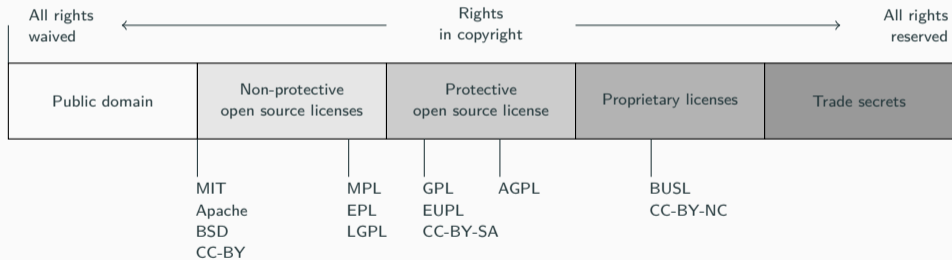
- Working in IT since 2004
 - Worked as a freelancer
 - Founded a few companies
 - Worked in SMB companies
 - Worked in large companies
 - Worked in more than 10 countries
- Author of 5 books
- EMEA Associate Principal Specialist Solution Architect @ Red Hat

Why?

Free Software is like Free Puppies. Adopting them is not really “free”.

Software Licenses

A spectrum of freedoms



IT Business models

Academic definitions rarely match exactly the real world.
Sometimes, they match better to product lines than companies.

The Business Models available in the IT space

- Software Vendor
- (XaaS) Service Provider
- (Layered) Service Provider
- (Traditional) Service Provider
- Time Seller

- Companies providing software in (virtual) boxes
- **Examples:** Apple, Microsoft (Windows, Office), Nvidia
- **Earning source:** Customers pay for the (virtual) boxes
- **License risk:** High (GPL-like licenses and stricter)

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(XaaS) Service Provider

- Companies providing access to resources as a Service (XaaS)
- **Examples:** Adobe (creative cloud), Amazon (AWS), Google (GCP)
- **Earning source:** Customers pay recurringly to rent a service or resource
- **License risk:** Medium (AGPL-like licenses only)

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(Layered) Service Provider

- Companies providing services (e.g., consulting, support, training, certification) on top of software or services offered by service providers
- **Subkinds:** first-party and third-party service
- **Examples:** Cisco (Network Academy), Pluralsight, Red Hat
- **Earning source:** Customers pay for a (usually one-time) service
- **License risk:** Low

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(Traditional) Service Provider

- Companies providing traditional services in an “improved” way by using IT
- **Examples:** Uber, Airbnb
- **Earning source:** Customers pay for a non-IT service
- **License risk:** Low

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Time Seller

- Companies providing (their employees) time and knowledge.
- **Example:** Kyndryl, TCS, Wipro
- **Earning source:** Customers pay for people time (usually in T&M contracts)
- **License risk:** Low

Financials

Some considerations

- Companies need to **make** money
- Companies need to fulfil their owners (shareholders) expectations

Case Study: Qt Company

- Type 1 (Hardware/Software Vendor)
- Founded in 1994 as Trolltech
- Complex history (including IPO, delisting, 2 acquisitions)
- 1994-1998: Various iterations of non-FLOSS licenses
- 1998-present: Double license GPL + Commercial
- FY2022 (ending 2022/12/31)
 - 600+ employee
 - Total revenue: \$155M
 - Operating profit (EBIT): \$36.9M

Case Study: Hashicorp

- Type 1 (Hardware/Software Vendor)
- Founded in 2012
- 6 VC rounds totaling ~\$350M (Seed/2013: \$1M @\$5M, A/2014: \$10M @\$50M, B/2016: \$24M @\$250M, C/2017: \$40M @\$500M, D/2018: \$100M @\$1.9B, E/2020: \$175M @\$4.9B)
- Expected VC rounds ROI: Seed 10-20x, A 5-10x, B+ 2-5x
- 2021/12/09 - IPO at \$80.00 (@\$16B)
- 2024Q1 (ending 2023/07/31)
 - 2400+ employee
 - Total revenue: \$143M
 - Total operating expenses: \$196M
 - Net loss (EBIT): \$66M
- 2023/08/09 - Stock closing at \$28.32 (market cap: ~\$5.5B)
- 2023/08/10 - License change to BUSL

Wrapping up

Wrapping up

- Not all licenses are the same.
- Open Source can be easier with some business models.
- A failing company is not a good company.
- A company will fulfill its investors will.
- Free Software is like Free Puppies. Adopting them is not really “free”.

Questions?

Let's continue the conversation:

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