Smartsheet's pickup of SaaS resource management vendor 10000ft supports multiple monetization routes

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Smartsheet is making its third acquisition in just over a year, picking up SaaS resource management vendor 10000ft. We expect this to underpin a PPM offering and support a separate product for marketing and creative teams, while integrating into its core platform.

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Introduction

Thirteen-year-old Smartsheet's three acquisitions have come in the space of just over a year. In January 2018, the Bellevue, Washington-based company acquired UK-based bot platform Converse.ai; in January, it picked up Seattle-based TernPro, maker of the content lifecycle management tool Slope; and May 2, it announced its third buy of resource management SaaS vendor 10000ft, also based in Seattle.

Snapshot

ACQUIRER	Smartsheet
TARGET	10000ft
SUBSECTOR	Work management
DEAL VALUE	Not disclosed
DATE ANNOUNCED	May 2, 2019
CLOSING DATE	TBC

Each are relatively small companies, and each were acquired with a view to adding incremental value to Smartsheet's core application, providing the basis for additional innovation; and in the case of the last two, the capabilities that we anticipate will lead to new packaged offerings. In a market space with an undefined – yet even by conservative estimates, significant – addressable market, breadth and depth is the right strategies to look for. 10000ft might have the biggest impact of the acquisitions, given the degree to which it could deepen Smartsheet's user engagement on its platform.

451 TAKE

Smartsheet's acquisition of SaaS resource management vendor 10000ft should be highly leverageable, giving it another piece (alongside its January acquisition of TernPro, the maker of Slope) to create an offering for marketers and creative teams, as well as the basis for a PPM product to sell in to PMOs. In a more general sense, having been spun off of a design agency and led by two former Microsoft design engineers, the acquisition may prove even more valuable in terms of how much it advances Smartsheet's core user experience. Catering to wider and more complex types of work requires more abstraction of the underlying platform complexity and a more engaging experience, an area where Smartsheet needs improvement. Resource management is also becoming more relevant to the types of work beyond projects – having the ability to easily visualize that will be an advantage.

Deal details

Smartsheet has acquired SaaS resource management vendor 10000ft. The target was bootstrapped and an independent entity. Designed as an internal tool, it was spun off the Artefact Product Group design agency. The two companies have some customers in common – we estimate 10000ft had around 25 employees, an annual revenue of around $2-3m, and was probably valued the most of the three companies Smartsheet has acquired. Smartsheet will continue to sell it as a stand-alone offering for now, while also integrating it into its platform.

Target profile

10000ft was founded in 2012 in Seattle, and is a SaaS resource management provider that gives companies a visual way to do time tracking, and resource and capacity planning around their work. CEO Martijn van Tilburg worked for six years for Artefact, the company 10000ft was spun off of. Previous to that, he was a Design Manager for Microsoft Windows, and before that, he worked on the design of the core user experience for Microsoft Office. CTO Shyam Habarakada had also worked at Artefact,

and prior to that had been a design engineer for Microsoft. This is unsurprising – given the company's background, it had traction in architecture, consulting and design firms among marketers and other technology companies.

Acquirer profile

Smartsheet is a SaaS work management provider giving companies ways to structure, automate, track and report on their work. In its FY 2019, the company posted revenue growth of 60% over FY 2018, ending at $177.7m, with billings growth at 59%, to $216.6m. Of its fourth-quarter revenue, 89% was subscription, representing a 56% increase over the year.

Smartsheet grew as almost entirely long-tail, but enterprise is now its largest growth segment with about 150 customers and more than a $100,000 in annual contract value. It ended the year with 1,100 employees (having added about 300 over the course of FY 2019), over four million users and over 800,000 paid license users. The company monetizes its core application and a growing range of add-on templates and Accelerators – its premium packaged offerings are sold either as subscriptions, or specific horizontal or vertical use cases.

Deal rationale

One of Smartsheet's challenges is the lack of definition in its addressable market. Its extensible and flexible nature gives it several monetization options – the different core capabilities of its application, where it operates as a platform unifying those different capabilities, its packaged offerings, and its platform functioning as just the back end to custom-built applications. Getting leverage across those dimensions has driven Smartsheet's three acquisitions.

TernPro's Slope and 10000ft will integrate into the core platform, and will both likely support a new solution for marketing and creative teams. Smartsheet reported to us that the Slope product team had on its roadmap the building out of resource management capabilities, so there is a good alignment in direction and capability. 10000ft could also provide the basis for a separate PPM product, an area Smartsheet has been getting traction in as PMOs look for more flexible tools, and a healthy market of traditional vendors it can disrupt.

Arguably, though, the biggest impact of 10000ft over the longer term will be in the integration of its highly visual and user-friendly appeal. Smartsheet is shifting from leveraging existing archetypes practically everyone knows – spreadsheets, Kanban cards, Gantt charts, task lists, forms, dashboards and reports – to more persona-based views that either obscure, blend, or give more specific views into those underlying formats. In the process, it's in the early stage of birthing new, more flexible and customizable digital experience canvases for where its users spend their time. Although it's improved its UI in recent refreshes, Smartsheet doesn't yet have a highly visual, intuitive and engaging user experience.

This is crucial as it focuses on creating more turnkey solutions. It's also crucial as it drives more enterprise-wide deployments, across which different roles and teams need some commonality in the user experience, especially when planning and managing resources across complex projects and intersected work streams needs to happen. Resource management has always been considered largely the domain of project-based work. More visual, appealing and scalable ways of doing it will likely work their way into other types of work, and 10000ft may give Smartsheet the basis on which to address that demand.

Competition

Smartsheet's core competition in work management continues to be Asana, Wrike and Workfront. AirTable and Kintone play here too. There is greenfield in the PPM space where companies like Planview, Clarizen, Changepoint and Microsoft's Project, among others, play. Marketing resource management companies like Percolate are coming more into focus. In a fuller sense, as it builds into the addressable market, more overlap will happen with other types of competitors, potentially including ServiceNow and maybe the likes of Atlassian, and others whose focus is more on the application development platform space.