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by Jennifer Mears

Buyout ends Akamai, Speedera feud

News

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The news last week that **Akamai Technologies** [<https://www.nwfusion.com/news/financial/akamai.html>] had acquired Speedera Networks confirmed two things: The deal will end the companies' bitter rivalry and the content delivery market has matured out of its turbulent adolescence.

The acquisition, still subject to regulatory approval, is aimed at creating a global content delivery network (CDN) powerhouse that can better compete with emerging content and application delivery services from bigger players such as **AT&T** [<https://www.nwfusion.com/news/financial/att.html>] and Savvis Communications, (which through a series of acquisitions **owns CDN firm Digital Island** [<https://www.nwfusion.com/news/2004/0202carrsavvis.html>]), Akamai executives say. In addition, it puts an end to **drawn-out legal squabbling** [<https://www.nwfusion.com/newsletters/accel/2002/01416206.html>] between the two firms since all litigation is stayed as a result of the merger agreement.

"By the standards of business actions, it really makes a lot of sense. ... It's a simple, face-value good deal," says Peter Christy, co-founder of NetsEdge Research Group. "But if you read between the lines, there were a bunch of legal actions that were about to reach some serious event. ... There was a call to action, there was a reason this happened now, otherwise the barrel was going to go over the waterfall."

The acquisition appears to be a good deal for Akamai, which eliminates a primary competitor and gains access to some 350 companies, as well as a presence in India. Speedera last fall opened operations in Bangalore, and has 50 of its 125 employees there, says Ajit Gupta, Speedera's president, CEO and founder.

What the deal means to customers is less clear.

"It's good for [the companies]. It's just simple consolidation. It's less good for us customers in that it takes away a competitive option, reducing our leverage," says an Akamai customer who asked not to be named. "Speedera was an important alternative supplier. But that said, in general Akamai has been a good partner to us, and we'll probably see some benefit from their increased size and scale."

"Whether it's good news in a general sense for the CDN market, that's harder to say and a little more doubtful," says Lydia Leong, principal analyst at Gartner. "It's removing a competitor and turning Akamai into even more of a powerhouse than it has been in the past."

That could result in more expensive services overall, Leong points out. While smaller players, including Mirror Image, Netli and Limelight Networks, remain, the bulk of the CDN business has been going to Akamai and Speedera for some time.

On the other hand, taking some of the cutthroat competition out of the market might be a good thing, analysts say.

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For years, the CDN market has been mired in legal battles, not the least of which has been the back-and-forth between Akamai and Speedera. The two, which defined the CDN market when they were launched just one year apart in the late 1990s, have been archenemies in and out of the courtroom.

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Speedera has billed itself as a lower-cost alternative to Akamai. In 2002, when Akamai initially sued Speedera, claiming the company's CDN services infringed on Akamai patents, Speedera had a promotion running on its Web site in an effort to lure Akamai customers to its service. At that time, Akamai also accused Speedera of unfair competition, and later that year filed a lawsuit accusing Speedera CTO Richard Day of breaking into a protected Akamai database.

"It's almost like the Capulets and Montagues have kissed and made up," says Couse Broders, principal analyst for Internet and managed services at Current Analysis. "They have been such major rivals. . . . But they're getting rid of those pesky lawsuit issues. It lets them focus now on the bigger market and not have to worry about their next court case."

Despite the constant bickering, both companies have had recent success.

In February, Akamai reported what CEO George Conrades termed the best financial results in the company's history, with full-year net income of \$34.4 million in 2004, compared with a net loss of \$29.3 million the year earlier.

As for Speedera, which became profitable in 2003, it reported revenue for the second quarter of \$8.28 million, up by half when compared with the same quarter a year ago. The company says its net income tripled when compared with the second quarter of 2003.

Part of the reason for the revenue growth is that both companies have been rolling out more sophisticated services. For example, Speedera last month introduced FlexComputing to host enterprise applications and accelerate their delivery.

Akamai also is focusing on application acceleration and virtual Web hosting, areas that are becoming increasingly important as businesses put more applications onto the Web.

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