BOSTON
BUSINESS JOURNAL

Why Progress Software has pivoted to take on giants like GE and PTC

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Less than six months after taking over as CEO of Progress Software Corp., Yogesh Gupta is dramatically reshaping the 36-year-old firm in a bold attempt to build the next generation of software for industrial companies.

It's an area where powerful players like General Electric Co. (NYSE: GE) and Needham-based PTC Inc. (Nasdaq: PTC) have already invested billions of dollars. But as Gupta laid out in an interview with the Boston Business Journal last week, the company's recent decisions to spend $30 million to acquire machine learning startup DataRPM and slim down its headcount by 20 percent is intended to refocus the company on the crowded field of the "industrial internet of things."

Gupta gives two reasons for the new direction: The market is going to be huge, and he thinks Progress is well positioned to bite off a valuable chunk.

"When there's a market opportunity that is in the multi-billion dollar realm, if there aren't multiple players it doesn't come to fruition," Gupta said. "I don't have to win the largest lion's share for it to be meaningful to me [in terms of revenue]."

Gupta doesn't deny that he's going head-to-head with some intimidating competitors, but he sounds confident.

"I actually think that the fact that GE has been working on it for two years yet even today they can't really talk about large scale deployments of predictive maintenance, is an interesting thing," Gupta said. "I do believe that we today have a better solution than what they have today."

Gupta replaced former CEO Phil Pead last October. In January, Progress (Nasdaq: PRGS) announced it would lay off about 450 employees, about three-quarters of which were connected with a new effort called DigitalFactory, announced last May, meant to provide website development and support tools to companies struggling to maintain an online presence.

Progress said it was abandoning Pead's DigitalFactory strategy to focus on software tools that help customers build "cognitive applications." According to the January announcement, such applications "learn business characteristics and behavior from data and leverage it for competitive advantage."

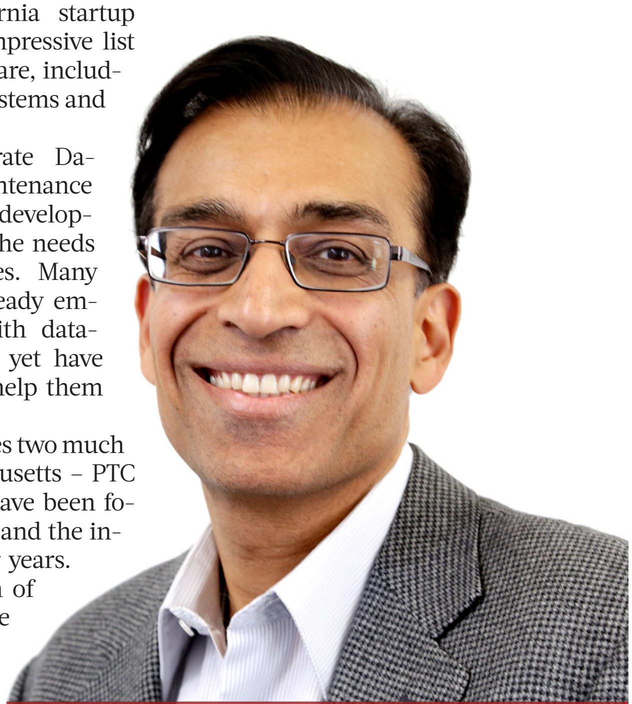
It was two months later that Progress bought DataRPM, a California startup with little revenue but an impressive list of customers testing its software, including Jaguar, Samsung, Cisco Systems and even GE.

Progress plans to integrate DataRPM's predictive maintenance capability into its software development toolkit to better serve the needs of manufacturing companies. Many of those companies have already embedded their equipment with data-collecting sensors but don't yet have a good software solution to help them make use of the data.

In the process, Progress faces two much larger companies in Massachusetts – PTC and General Electric – that have been focused on predictive analytics and the industrial internet of things for years. PTC – which had $1.1 billion of revenue in fiscal 2016 revenue compared to Progress' $405 million – has spent hundreds of millions of dollars since 2013 acquiring startups with expertise in the internet of things and machine learning. General Electric launched GE Digital, the division that supports its own internet of things software, in 2015 and has also been on an acquisition spree to support it.

Both companies are looking to build predictive analytics platforms similar to what Gupta has in mind.

"None of these folks have actually been able to crack the map on being able to deliver this technology in a way that does not require armies of data scientists," Gupta said. "We acquired a company that has been around longer than GE's efforts or PTC's efforts... The question is who can offer a better solution."



Progress Software CEO Yogesh Gupta has dramatically reshaped the 36-year-old company since he came on board last year.