

The Case for Managed Backup Services. Fuel Revenue and Growth.

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Fuel Revenue and Growth.

Recurring revenue, attractive profit margins, customer retention, and new business opportunities-sizzling benefits that should heat up even the most tepid investor. By all accounts, the managed backup services business is getting hotter by the terabyte.

What's fueling the fire? Business-data growth, for one thing. Managed Service Providers (MSPs) report customer data growth of 1-2% per month in many business segments. If you're delivering backup services, you'll be contracting services for 12-24% more data annually - without having to invest significantly more resources in sales and marketing. Compliance is another log on the fire. Financial institutions, retailers, and healthcare organizations simply can't meet regulatory requirements with traditional backup practices. Tapes aren't encrypted, they aren't fast or reliable enough for disaster recovery, and everyone knows they too easily get sidetracked in their journeys to safe housing.

Should you consider moving to Managed Backup Services?

It's no exaggeration to say that Asigra's multi-tenant, agentless online solution anticipated the era of Cloud Computing by some twenty years. Which means we're more than ready for it, and more than willing to get you into a greater state of readiness for it. As the world transitions to Cloud Computing, some customers will want to buy services from a public multi-tenant cloud, and some will want to build their own internal corporate cloud. Even if the majority of your customers don't use managed services today, tomorrow they will. The question is: will you be ready—to offer them not just the right technology, but the right technology in the right format?

The Asigra solution gets the job done to the benefit of all involved. The end-user customer benefits from fast, safe, and dependable offsite data backup/recovery, and the MSP builds a service business with recurring revenue and wildfire growth potential.

So who should consider moving forward into managed backup services? Certainly any MSP that has already

invested in a vault for other hosting or IT services should be evaluating the prospect. But as the following conversations with NetStandard, RenovoData, and Terian Solutions point out, opportunities abound for resellers, even those with limited (or even zero) capital investment in a data center or staffing resources. Probably the best test of suitability is to ask ten of your customers if they trust you with their critical data. If the answer is yes, that's a good indication of business potential. If the response is no, you'll have an opening to discuss their reservations, to better understand your competitive environment, and to take the necessary steps to build your trusted-advisor status and business.

The following discussions offer glimpses into the varied paths that can lead to a successful managed backup services business, the importance of building the service on the right backup/recovery technology, and the substantial benefits that can be realized.

John Leek, director of technology at NetStandard, explains his company's natural progression to managed backup services, the importance of Asigra encryption and de-duplication features, and the growth potential he sees.

Why did NetStandard decide to offer managed backup services?

John: Our business began as a hosting and co-location Tier IV data center. From that we expanded into professional services, then managed services, and most recently into managed backup services. With the equipment

already housed in our data center, it was a natural extension to offer our customers the ability to do safe backups to a site and systems that they know to be available, reliable, and secure.

What benefits does the Asigra architecture bring to the NetStandard DataSafe Backup system?

John: Asigra enables in-flight and at-rest data encryption up to AES 256--that's essential for our customers in banking and healthcare. Asigra de-duplication, incremental backups and compression also are key features in enabling us to provide economical backup services and to utilize our customers' existing bandwidth. That's particularly important for larger businesses with a lot of data. We also find that many companies do not want agents installed on their servers--agents chew up capacity that could be used for productive services. So the fact that Asigra is agentless is critical.

Being able to back up Oracle, SQL, and other databases in real time has been another differentiator for us. Most cus-

tomers house their most critical data in these databases. Another big selling point with our customers is our ability to do message-level backup and restore for their particular messaging environments, whether that's Microsoft Exchange, Novell GroupWise, or IBM Lotus Notes.

The Asigra pay-as-you-grow pricing model also has allowed us to let revenues drive our infrastructure investments. We don't have to build a massive infrastructure and hope it works out. Asigra lets us implement a very attractive, scalable-licensing model for our downstream referral partners. --they can get started with zero capital investment, and when they sell the service to their own customers, they make revenue.

Where have you been most successful with the NetStandard DataSafe Backup system?

John: We first offered managed backup services in 2005. Our initial customer base was fairly local and mined from our hosting and managed services business. Since that time, we have added a significant reseller base and are embarking on a nationwide marketing campaign.

Training is an integral part of every implementation, and

education has been an important factor in our success. We work with our customers to help them effectively manage their storage to, for example, match their data retention policies to their backup policies. We also offer a managed service that includes reviewing backup logs to ensure that backups have successfully completed.

Who are your typical customers and what do they regard as the most important benefits of the DataSafe Backup service?

John: Most of our customers have revenues under \$200M. They are small to mid-size banks, insurance or investment companies, healthcare/education/charitable organizations, media companies and retailers. On average, they probably

protect 100GB or so of data. The DataSafe Backup service helps them meet regulatory requirements and simplifies the entire backup/restore burden--that all translates into higher productivity for a small- to medium-sized business.

What are the major business benefits to NetStandard of offering managed backup services?

John: Certainly a predictable, recurring revenue source is beneficial. Managed backup services typically involve a 1-3-year contract--that's a promising ROI. We've also experienced significant growth. On multiple occasions, we've seen 15% month over month. Right now, managed

backup services represent about 15% of our business revenue, but we anticipate it growing to as high as 25%. We see it as one of our top four product offerings in terms of growth potential. Customer control and retention are other benefits.

What differentiates NetStandard from other solutions and service providers?

John: I would have to say our 24x7 network operations center (NOC), a highly trained support staff, and the depth

of expertise within our organization. We provide highest-quality service at affordable prices.

Profile: NetStandard, Inc.

NetStandard offers data center hosting, a managed services portfolio of 35 services in four categories, business solutions, and the NetStandard DataSafe Backup system. The DataSafe system sends backup data from the customer's internal network over an Internet connection to a vault in the NetStandard data center. DataSafe enables companies to meet the data protection demands of legislation such as Sarbanes-Oxley, Gramm-Leach-Bliley, PCI and HIPAA. The NetStandard data center is a 12,000-square-foot, all-masonry, hardened, Tier IV facility strategically located in Kansas City, Kansas. NetStandard is an Ingram Micro VentureTech Network VAR.

Revenue: (\$1-15M, 15M-25M, \$25M+):
\$1-15M

Customer Profile: Small to medium businesses with an emphasis on medical and financial markets

Vaulted data: +15TB

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Rob Douglas, vice president of operations at RenovoData, talks about the move to data backup/recovery services, why the Asigra agentless architecture is critical for enterprise customers, and how backup lifecycle management (BLM) helps differentiate his business.

How did RenovoData make the decision to offer managed backup services?

Rob: Our organization (The Douglas Group) started out in Microsoft and storage area networking consulting services. Whenever we won or lost an account, we asked the reasons behind the customer's decision. More often than not, it was because of internal change--IT regime change, in particular. Typically, there had been a disaster related to a virus or major data loss. In our own experience conducting disaster recovery (DR) tests for our customers, we found that in nine out of ten cases, attempts to restore from existing tape backups failed. We saw significant opportunity and decided to build a new business line around helping customers focus on both backup and restoration.

In the consulting business, you have to spend considerable

resources just to maintain the same level of revenue you had the year before. Offering managed services promises growth and the opportunity to be a global player. We started the service in November of 2005, and our current contract value is already in excess of \$5M.

The model delivers recurring revenue and introduces add-on business opportunities such as disaster recovery systems and consulting services. For example, if we have a customer's real-time Exchange data, we can easily recreate their environment on a virtual server at our facility. With just a few changes in DNS records, that customer can be back up and running in a matter of minutes, even if their site suffers a major disaster.

Why did RenovoData base the managed backup service on Asigra technology?

Rob: Asigra is all about restoration, it's an enterprise-class solution, and it's D2D--we are not at all tape-friendly here. If you think about it, people still use tape systems to back up their critical business data, even though at home they moved off VHS ten years ago. We did evaluate other D2D-based solutions, but none gave us the depth or scalability of the Asigra solution. We didn't want to have to do a forklift upgrade every time we outgrew a storage system. Asigra technology also helps us stay on top of the curve,

allowing us to offer more capable solutions for more environments. Whether the customer has AS400s (System i), Macs, Microsoft, or any flavor of Unix or Linux - even Ubuntu (freeware Linux), we can back up and restore their data quickly and safely. When you consider Asigra's focus on secure online backup and restore solutions, Asigra probably spends a ton on R&D, supports more applications and environments than many of the larger data backup software companies.

Did it matter that Asigra is an agentless architecture?

Rob: Yes. Many of our customers have lock-down environments--that is, you can't just go into their sites and install software agents. It would be too disruptive and too costly. Furthermore, many of our customers utilize VMware (RenovoData is a VMware partner), so they want the flexibility to bring new servers and storage online quickly.

What differentiates RenovoData from other solutions and service providers?

Rob: We've invested in a higher-end, enterprise-class infrastructure so that we can support medium- and large-sized corporations. Merrill Lynch, for example, uses our service to back up remote-office data. We also provide them with transitional backup services--that is, when Merrill Lynch buys a company, we immediately start backing up that company's data, even before it is plugged into the Merrill Lynch network. Once the business is integrated, the Merrill Lynch corporate IT organization takes over. It's another good example of where the Asigra model works

With the Asigra software, our customers can add a SQL Server or Exchange system, load new storage on-the-fly--even if they completely change the original configuration, we can back up their systems without having to go onsite. That's a huge benefit for both of us.

well--we don't have to worry about installing/deinstalling agents. All we need to be concerned about is the total capacity being vaulted.

Another value we bring to customers is backup lifecycle management (BLM). We offer tiered storage so that customers can cost-effectively store all types of data, whether it's mission-critical data on NetApp FC disks, non-critical information on SATA drives, or archived data on COPAN MAID (Massive Array of Idle Disks) systems.

Profile: RenovoData, Inc.

RenovoData, Inc is a leading disaster recovery and remote backup service provider. The RenovoData Backup Solution enables real-time backups (to the block level) over the wire utilizing the highest degrees of security. The company focuses on delivering both high-speed backup and recovery services to ensure minimal data loss in the event of a single server crash or a site-wide disaster.

RenovoData partners with the leading Internet bandwidth, server, and storage providers to implement highly available and secure infrastructures. All systems are monitored 24x7. The company boasts numerous certifications, including SAS 70. The RenovoData Backup Solution is utilized by leading hospitals, financial institutions and government agencies that require the highest levels security and data integrity.

Revenue: (\$1-15M, 15M-25M, \$25M+):
\$1-15M

Customer Profile: Enterprise customers, including divisions of Fortune 100 companies; financial and healthcare market focus.

Vaulted data: Approximately 15TB

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Mike Colesante, former vice president of operations at Terian, talks about the decision to introduce managed backup services, why Asigra technology works best, and his counsel on achieving market success.

How did Terian make the decision to offer managed backup services?

Mike: Our original business was building high-end servers and storage systems--including backup systems--for resellers. In an effort to deliver additional value to that customer base, we conducted a survey to find out what our resellers considered their biggest challenges. One of the top answers was managing tape backups for their

customers--tapes are slow, unreliable, and not easily moved off-site. We saw an opportunity to offer a service that would eliminate a major pain point for our VARs, and at the same time give us predictable, recurring revenue with strong profit margins.

Why did Terian choose Asigra technology as the foundation of its managed backup service?

Mike: Asigra offers key advantages for our reseller model: 1) of the products we evaluated, the Asigra software does the best job of multi-tenanted backup; 2) the Asigra agent-less architecture is simple to set up and manage; 3) we found the pay-as-you-grow pricing model particularly well-suited for starting a managed backup services business and building a pricing model that allows small resellers

to get started and make a good profit; and 4) bare metal restore functionality gives resellers the ability to offer full-service storage, and de-duplication and incremental backups makes it economical for their customers to back up whole systems. Asigra's Web Portal allows our resellers to securely monitor and manage their own customers.

Where have Terian resellers been most successful in selling this service?

Mike: At the beginning, our resellers found that their customers weren't accustomed to a monthly billing model. The end users most willing to take the leap were the ones who had first-hand experience with data loss or tape problems. Those were the quick hits and provided the success stories for convincing other people to adopt the service. From the reseller's perspective, the backup service not only

provides recurring revenue, it helps them deliver the best possible service to their customers. In the past, tape problems reflected poorly on the reseller, even if the problem originated with the end user. By delivering online, D2D backup services, resellers know they are keeping customers' data safe and helping ensure business continuation.

What differentiates Terian from other solutions and service providers?

Mike: We bring considerable expertise and have made significant investment in the infrastructure--that means small resellers don't have to invest hundreds of thousands of dollars of their own capital budget to get started. It's win-win: our customers know their data is safe, and we have a reliable and scalable infrastructure to support the growth of our business. We recouped our initial infrastructure investment (including hardware, software, and networking) in about 18 months. Terian offers the ideal solution for the reseller supporting 50-500 customers. Bigger VARs--those with 1000 or more customers and 5-10TB to store--might consider setting up their own infrastructures. Terian has also integrated Asigra with

Level Platforms software and supports many smaller MSPs using Level Platforms who piggyback on Terian's storage infrastructure.

Another benefit for smaller resellers is that we offer hands-on help with every implementation. Training and education in general is important to success, whether it's designating a technician for a shadowed session with a new user, or helping resellers understand the difference between a low-end backup product and an enterprise-class product like Asigra that can protect business-critical Exchange and SQL databases.

Profile: Terian Solutions LLC

Headquartered in Houston, Texas, Terian Solutions delivers computing solutions through its network of value-added resellers (VARs) and managed service providers (MSPs). In business since 1991, the privately held company offers custom computers and software, integration services, and data backup services. In 2005, Terian established a new division that serves as a national backup service provider focused on the reseller channel. The division offers a custom-branded service called Secure Backup. Powered by Asigra technology, the Terian Secure Backup solution enables smaller resellers to deliver competitively priced, managed offsite backup and restore to small and mid-sized businesses.

Revenue: (\$1-15M, 15M-25M, \$25M+):
\$1-15M

Customer Profile: Resellers marketing to small businesses with 10-200 desktop computers

Vaulted data: About 14TB

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Key take-away.

There's significant growth potential in managed backup services. In the computer business, hardware prices drop 10-20% annually, so if you're not selling 20% more than you did last year, you're going backwards. In contrast, business data tends to grow by 1-2% every month--that's a 20% growth rate built into your managed backup services model.

About Asigra

Asigra transforms the way businesses manage and protect their data by delivering market leading cloud backup solutions that seamlessly and efficiently manage, scale and deliver data protection services. Asigra Cloud Backup™ is built for new and existing MSPs/VARs who focus on data protection, IT constrained organizations, and industries with compliance mandates that are looking to improve their backup with a secure, reliable and predictable data protection cloud backup model. With 25 years of experience as backup/recovery pioneers, Asigra

technology protects more than 400,000 sites globally ranging from the Global 100 to SMBs. The world's largest and most profitable service providers including CDW, HP and Terremark Worldwide power their cloud backup services using Asigra technology. Asigra is headquartered in Toronto, Canada, with offices globally.

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