



Market Insight Report Reprint

Morpheus expands offering for hybrid cloud platform operations to enable DevOps, FinOps at scale

June 12 2023

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Introduction

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THE TAKE

Morpheus Data is one of a handful of independent cloud management platform vendors that can address operations, security, developer and business/FinOps buyers. Its latest platform enhancements assist customers that are increasing the scale of deployments and looking to reduce the complexity associated with hybrid cloud environments. SAIC is a customer and systems integration partner that recently invested in the company to ensure it has "skin in the game" as the Morpheus proposition builds out within the public sector, especially via its partner relationships. This is a significant endorsement of capability and reach. Acquirers continue to circle the stream of market participants, and despite all the M&A, there remains a gap in the market for a "ServiceNow" for hybrid cloud platform operations (which we believe ServiceNow Inc. is itself only partially addressing).

Products

Morpheus has made a change to its engineering cycle so it can move faster while still maintaining quality. Where previous versions of its platform had integrations baked directly into the core platform code base, with 6.0 and subsequent releases it has externalized this, so that updates to plug-ins can be pushed dynamically. This also makes it easier for third parties to write plug-ins, untethered to Morpheus' development cycles.

Morpheus used to provide two versions of its code, one offering long-term support (LTS) on a yearly release cycle, and the other a semi-annual "standard" version into which the new features and functions were incorporated. Now it has moved to a more agile release cycle, with two LTS releases a year that also incorporate new additions. As such, the trade-off that customers used to make between getting new features in the standard releases, or with LTS once a year, has been removed. Most of its customers are on LTS, and the company expects those on the standard release cycle will now move to LTS in production.

The latest 6.x release surfaces cost data more widely across the platform, and provides a new costing tab (for those with the right role-based access credentials) that draws from embedded financial analytics. It has a rightsizing button for remediating against recommendations from the analysis. Morpheus believes that as a cloud cost management tool, the platform does about 50% of the FinOps job that a typical enterprise will require, meaning an organization may not need an additional third-party tool such as Apptio, IBM Corp.'s Turbonomic or VMware Inc.'s Aria Cost.

Morpheus is specifically not competing in narrowly scoped FinOps requests for proposals against the cloud cost vendors — it is a feature, not the core of the product. Instead, a likely direction of travel would be having the ability to incorporate recommendation data from those stand-alone players into the Morpheus guidance engine via a plug-in.

Morpheus' latest release also has a new unified operations console with added ways to visualize operational data; new instance detail tabs for costing, resources and monitoring; automation enhancements for improved patch management, failure handling, nested workflows (where additional workflows can now be layered on base workflows) and Jenkins CI server integration; easy button catalog enhancements for granular role-based access control, with more than 50 dials that can be turned off, and 12 that can be used on/off to manage access; and improved security and control, including custom duration for API tokens, and simplified key rotation.

Cost management used to be a task that was addressed only after it became a problem. Now, platform operations teams are embedding cost management as a core capability, not as a clean-up exercise. With FinOps more generally being baked into cloud and platform operations now, Morpheus believes the "puck" is more than ever heading in its direction since this capability is part of its core capability.

Business model

Morpheus' technology was originally an internal management mechanism at private equity firm Bertram Capital. The tool was productized and spun off into a wholly owned entity, Morpheus Data. Until recently, it had taken only internal funding. However, part of an engagement with SAIC included an investment of \$5 million in Morpheus' software, which will be the orchestration engine within CloudScend, SAIC's offering for migrating and operating within the cloud environment. CloudScend had an essential role in driving SAIC's growth in the secure cloud market, the company says, and represents over \$1 billion in annual revenue for SAIC.

Morpheus claims to have grown 50% last year, and to have done more business in the last 45 days of 2022 than it did in total between 2015 and 2019. Moreover, its recently closed first quarter was 2x bigger than any prior first quarter, it says. A particular strength has been business with its biggest channel/original equipment manufacturer partners, which build products based on Morpheus technology. It claims some one million machines now under management.

We believe it remains on track to deliver \$30 million in annual recurring revenue. It has 90 employees and more than 200 enterprise customers, plus dozens of large MSPs that use Morpheus to deliver services to their tenants. Channel partners account for over 95% of revenue, and include CDW Corp., SVA, WWT, Trace3, SHI and Technogent. Systems integrators and OEMs are also a core route to market, including Hewlett Packard Enterprise Co., Dell Technologies Inc., Lumen Inc., Deloitte and TCS Ltd.

Competition

Morpheus believes it is benefiting from the tailwinds of increased complexity. VMware and Red Hat are distracted by Broadcom Inc. and OpenShift, respectively; legacy cloud management platforms are increasingly out of the picture; and DIY approaches look brittle in terms of modern cloud-native and FinOps requirements.

Morpheus says Broadcom's pending acquisition of VMware has been beneficial, because it is finding VMware customers more open to looking at alternative approaches to management platforms. It says Red Hat's doubling down on OpenShift had a similar effect for Red Hat customers. Morpheus does not often see other cloud management platforms, such as CloudBolt.

SWOT Analysis

STRENGTHS

Most organizations are planning to update or expand their cloud management practices to meet the demands of development and FinOps in addition to operations, where Morpheus is well positioned. The SAIC investment is an endorsement of capability.

WEAKNESSES

The market remains very fragmented, with customers facing an enormous number of vendor options for cloud management and automation across the spectrum of operations and development. The cloud has introduced massive organizational dysfunction, and there are now many different personas accessing services. Tool vendors do not have control over “organizational will” and the change management processes of their customers, which is often the key to delivering successful cloud transformation and governance projects.

OPPORTUNITIES

As hybrid becomes the organizing principle of digital-era IT, the on/off-premises IT paradigm is giving way to a more expansive view as organizations seek to build, operate, manage and secure workloads “here, there and everywhere.” Consequently, enterprise needs have moved beyond traditional cloud management, while platform and IT operations teams now face conflicting demands for container, hybrid cloud and IT services management, as well as infrastructure automation and FinOps.

THREATS

Key questions include whether there is room in this sector for a long-term, independent, growing and profitable business, or if this capability will end up being incorporated into broader management frameworks. Morpheus’ challenge is to intersect this need.

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