

Keynote climbs past \$100M mark

BY PATRICK HOGE

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Keynote Systems Inc. CEO Umang Gupta is determined that his web services testing and monitoring company continues to evolve, and he is banking heavily on the rise of the mobile web, particularly smartphones.

So far his strategy has paid off. Keynote, which went public in 1999, recently posted a \$103 million fiscal year, up 19 percent over the prior year and breaking the \$100 million milestone for the first time.

“You can’t build a high-technology business around a single technology or idea,” Gupta said in a recent interview. “To build it to last, you have to constantly be listening to the market, looking for changes and adapting to new technologies.”

Gupta said he learned that lesson through bitter experience in 1996 when he had to let go of a path-breaking company he founded, client-server database pioneer Gupta Technologies Inc., when it faltered because it did not respond quickly enough to the rise of the Internet. After 12 years at the helm, Gupta departed. Gupta Technologies, which had gone public in 1993, was sold repeatedly and ultimately subsumed within another company.

Gupta was employee number 17 at Oracle Corp. and he is credited with writing that company’s first business plan. He became chairman and CEO in 1997 of Keynote, now a nearly 500-person San Mateo company that was founded in 1995 to do website testing and monitoring.

Industry analysts note that the company has weathered a brutal pricing war with a competitor, Gomez, which was bought two years ago by Compuware Corp. of Detroit. Since that acquisition, Gupta says pricing competition has been more “rational.”

Now, analysts say, Keynote has positioned itself well to ride the still-nascent explosion of mobile computing.

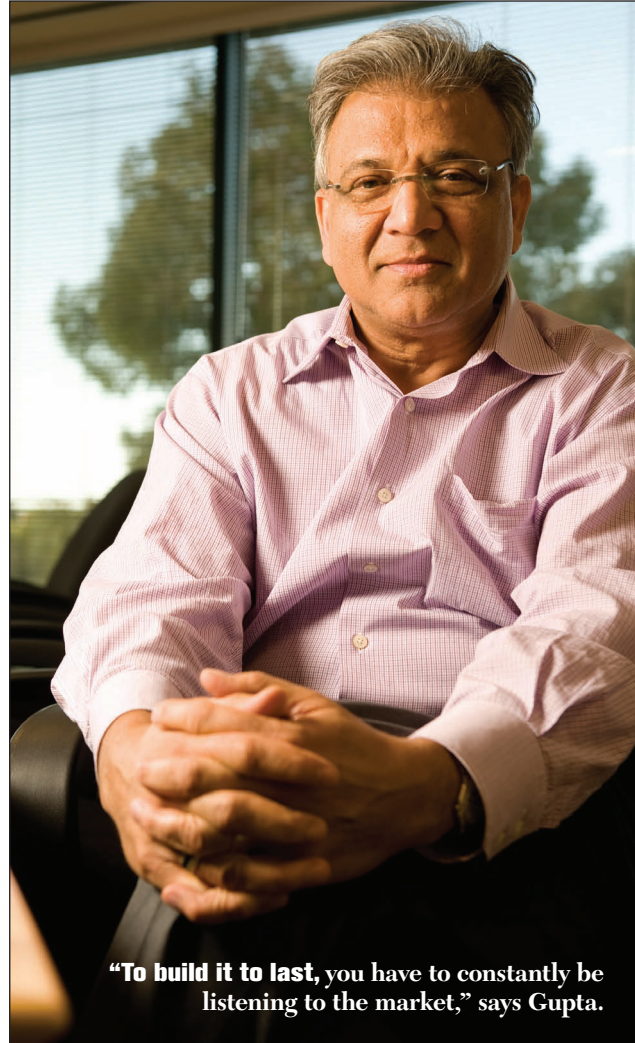
“Really where they’ve done a masterful job of management is they have invested aggressively in mobile early,” said Curtis Shauger, managing director of Caris & Co. Mobile is possibly the biggest trend in computing at the moment, Shauger said.

Carl Howe, research director at the Yankee Group, agreed.

“The most interesting thing about the Keynote folks is they took up mobile early, before it was cool, as it were,” Howe said.

Today, Keynote says 40 percent of its revenue comes from mobile channels.

In addition to developing its own capabilities starting in 2005, Keynote in 2006 paid \$30 million for Sigos, a German mobile data network testing and monitoring system for wireless operators.



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Last month, it doubled down on mobile with the \$60 million purchase of DeviceAnywhere, a San Mateo mobile web operations testing and monitoring firm that had roughly \$20 million in annual revenue, which already pushes Keynote’s revenue past \$120 million.

Gupta said Keynote is particularly banking on the growth of smartphones, like the iPhone and Android devices.

“From 2005 on, we have been riding the mobile wave,” Gupta said. “We’ve been very ahead of the technology curve along the way.”