



## A Cloud-Computing Dark Horse

By Dave Mock  
April 19, 2010

It's not too hard for investors to spot major new trends developing -- such as the [ongoing shift to cloud computing](#) -- but what is much more difficult is discerning which companies stand to profit from a revolution.

From the market's perspective, an early leader in cloud-based business solutions has already emerged in **salesforce.com** (NYSE: [CRM](#)), a profitable trailblazer that has returned investors more than 400% since its 2004 [IPO](#). But after spending a few days at **Netsuite's** (NYSE: [N](#)) partner conference, I see a number of reasons why the on-demand business software provider may be a sleeper in this increasingly crowded space.

Like salesforce.com, Netsuite has been around more than a decade, working to wean customers away from an **SAP** (NYSE: [SAP](#)) or **Oracle** (Nasdaq: [ORCL](#)) platform for operating their business. A tall order for sure. But slowly and surely, the company has been building a platform that differentiates it from salesforce.com. It's been very successful at luring customers [away from investing millions](#) in on-premises computing infrastructure.

Deals and partnerships have been accelerating. Netsuite has already partnered with **Google** (Nasdaq: [GOOG](#)) to bring its enterprise resource planning (ERP) suite to the Google Apps Marketplace. But the company is also tying in with **Amazon's** (Nasdaq: [AMZN](#)) Web Services arm to connect to data stored in Amazon's cloud.

In the services end, Netsuite just announced a strategic tie-up with **Genpact** (NYSE: [G](#)) to use the Netsuite software not only to manage its teams of business process management consultants but also to implement and support its use with clients.

It was clear at Netsuite's partner conference that the company is early in the process of tapping developers and value-added service companies in evangelizing Netsuite's solution, so there is still much work to be done. But the [potential market is huge](#), with many vertical applications for cloud-computing solutions still ripe for conversion.

In its most recent quarter, a record 295 new customers adopted Netsuite's solution, and more of these are larger enterprises that not only tend to have larger implementations of Netsuite, but also upgrade to more services and renew at a higher rate. As Netsuite works up-market, it becomes profitable, so while Netsuite's stock may not look attractive based upon an earnings-driven value, there's [a lot of potential](#) hidden in this cloud contender.