

Top Deal: The Dropbox Of Surveillance System



Key Deal Stats:

- Raising Platform: Republic
- Valuation Cap: \$7M
- Raise Type: Seed
- Security: Crowd SAFE
- Minimum Investment: \$100
- Raise Completion Date: May 8th, 2019
- At the time of publication, March 13th, Cloudatastructure had raised \$87,025

The Problem:

Whether you realize it or not, over the past several years the vast majority of our daily work lives have shifted to the cloud. What does that mean?

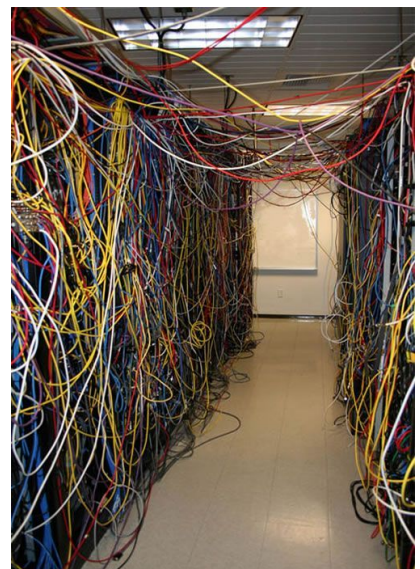
Essentially, when it comes to email, file storage, and management of our employees and clients data, corporations have moved away from taking on the burden of securing / overseeing all that data.

Instead, companies opt to have companies like Dropbox, Gmail and Salesforce manage the exponential growth and security risk of maintaining all of this data while making it accessible to employees from anywhere and everywhere.



However, there is one major glaring gap in the management of corporate data that is still held on insecure servers sitting on the premises of most major commercial office buildings; Security footage and data!

The Access Control and Video Surveillance industries are often using obsolete technology constructed on site. Sometimes, these security facilities experience a preventable data breach.



How is it that security data, the thing that keeps both the people in the building and the assets of the company safe and secure is still managed like 90's file storage?

The reality is, the video surveillance industry is one dominated by large players like Bosch and Honeywell that move at a snail's pace to adopt truly new technology.

With a lack of tech adoption in this market security management continues to be insecure because of its storage on premise in old servers. It also continues to lag in sophistication as it relates to utilizing collected footage / data to optimize onsite security.

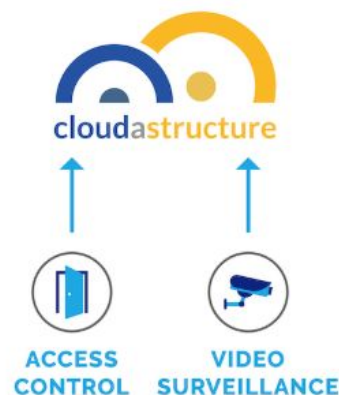
Cloudatastructure wants to solve for both of these market gaps.

The Solution:

[Cloudatastructure](#) addresses these issues by combining both Access Control and Video Surveillance technologies, and moving them to the cloud in order to perform advanced AI functions and establish a more secure workspace.

The result of a merger between a Surveillance Service company and an access control company, Cloudatastructure seeks to establish synergy between the two through a network of devices and cloud storage.

Bringing this data to the cloud means that a business doesn't need to run risky web servers on company premises, thus streamlining the setup, management,



and operation processes. It also allows the security team to view footage from nearly anywhere on any device and be able to react in real time.

The tech will also be able to tag all objects captured in the security footage, which allows for the application of artificial intelligence to capture suspicious activity in real time and enable expedient reviews of building incidents, minimizing human review from hours to minutes.

Between enhanced security ability, less human involvement and de-risked management of the footage data, Cloudatastructure provides a comprehensive answer to a nagging problem in the corporate security market.

Business Model:

Cloudatastructure operates both on a recurring revenue SaaS model, which covers the cost for the door, camera, data storage and AI software with a one time hardware fee with 10 cameras costing around \$1K. The yearly recurring cost is expected to be ~\$200 to \$250/yr before adding in additional AI upsell tools.

Though way too early to have much meaning to an investor the team was able to generate \$130K in revenue last year with just \$10K in COGS, a sign of the type of strong unit economics that can be achieved over time with this SaaS model.

In reality, the team has not begun a real go-to-market push relying largely on inbound and light touch marketing to business units where they are finding interest.

As their technology features continue to roll out over the next 6 to 12 months and capital is raised, the team will implement a sales team to begin

their corporate go-to-market strategy in addition to working with distribution partners.

Competition in Security as a Service:

Cloudatastructure is one of a handful of companies in the early stages of trying to provide innovative solutions to the antiquated video surveillance industry.

Another startup in this space is [Faceter](#), which has created an enterprise level face recognition, object detection, and video analysis software. To date, they have [raised over \\$28M to tackle this problem](#). However, they seem to still focus on integrating with on- premise storage, which may make for better short term adoption, but does not effectively solve for moving security footage to the cloud.

Companies that also provide cloud based video surveillance include [Eagle Eye Networks](#), which seems largely focused on selling to retail (e.g., restaurants, gyms) reducing its competitive threat to Cloudatastructure.

[Brivo](#) is the closest competitor with a cloud based video surveillance program that has been around for 20 years. Regardless, it's technology seems far less sophisticated in terms of offering AI capabilities to scan, analyze and enhance security capabilities.

The main challenge for Cloudatastructure will be to sell through to clients utilizing security equipment from large incumbents like Tyco and Honeywell who will actively try to ward off new entrants. At the same time, the multibillion dollar conglomerates could also provide attractive exit opportunities down the road.

The Cloudatastructure Team:

The founding team is a real strength of this investment opportunity. Management all have long careers in tech and entrepreneurship with exits under their belts.

Having spent time speaking with the Founder and [CEO Rick Bentley](#), I found him to be a dynamic entrepreneur who found a way to make security an exciting topic (that's saying something).

His background as an operator and founder of Televoke, Inc., which had an exit to Uber gives me confidence that he can effectively lead this tech company to exit. The fact that he has Physics and Engineering degrees from UC Berkeley and has worked as an advisor to Google Life Sciences as well, all speak to the bright mind that Rick is.

The firm's technology advisor, [Gregory Rayzman](#), is a well-known expert in Big Data. Rayzman was a founding engineer and software director for Annuncio, an early e-marketing software which was acquired by Oracle.

He also led the design of database infrastructures at Apple and created a shopping search engine algorithm that was acquired by Facebook in 2015.

[Craig Johnson](#), the company's VP and Sales leader was previously the COO of a digital signage startup. He also was a General Manager for Honeywell with experience in consulting, selling, and maintaining security systems in commercial buildings. A great way to know how to win against incumbents is to have someone who has been on the inside!

Why We Like It:

- 1. Strong Founding Team:** Rick is a seasoned entrepreneur who has built teams and product before. He has been in and around Silicon Valley for the past couple decades and has proven himself to be highly capable of building successful companies. He knows how to

maneuver the challenges of building tech companies and is the type of Founder I consider to be in the top echelon. Anytime I leave a discussion with a Founder where I find myself wanting to actually work for them is a sign of a great entrepreneurial leader.

- 2. Large Market Opportunity:** Video surveillance was globally a [\\$37B industry in 2018 and is expected to grow to \\$68B by 2023](#). A major driver of this rapid growth has to do with the move from analog to IP systems 'aka' software video management.

As video surveillance tech improves, its value to security management is quickly increasing. Cloudatastructure's step change technology will enable it to capitalize on this trend.

- 3. Scalable:** Building a SaaS model around video surveillance tech with cloud storage makes what could be a boring hardware company, an intriguing long term model. In many ways the team is taking the razor-razorblade model where the cameras they sell are not how they make their money, but rather they make their money by selling clients the software, storage and AI tools that connect to the cameras.

Selling B2B to large corporations may prove to be a slog to start with 3 to 6+ month sales cycles, but the wins will quickly scale the business. With only a handful of clients that have largely come inbound the team already has over \$120K in ARR. A few major corporate wins could quickly make Cloudatastructure an intriguing acquisition candidate.

- 4. Acquisition Opportunity:** With deep pocketed incumbents (e.g., Honeywell, Tyco) who lack the sophistication of a Silicon Valley startup, Cloudatastructure could help these old school companies move further away from just selling hardware to selling software, which is more profitable.

If this team can prove they can win business away from these large incumbents, as is often the case in this industry, they will likely be acquired quickly or work with them on some form of a distribution deal in the near term, which will still lead to significant scale.

The Rating: Top Deal

Cloudastructure is a Top Deal. This startup is developing an innovative SaaS solution that follows suit in developing a cloud based tech solution for the last piece of corporate America that hasn't moved to the cloud. In doing so, it has an opportunity to capitalize on the fast growing \$37B+ industry with a team of Silicon Valley veterans that know how to build and exit companies.

At the current \$7M valuation cap the upside scenarios to major corporations in the space like Honeywell and Tyco that are less sophisticated when it comes to developing cloud and AI solutions seem very attractive. This is a highly scalable business that once it starts winning can experience hockey stick growth.

To be clear, they will face stiff resistance from incumbents that try and hinder their adoption because of the threat this business presents. Regardless, this is a unique opportunity to invest in a really talented management team with a bright vision and proven ability to execute at a reasonable valuation. For these reasons, it is a Top Deal! Be sure to invest [HERE](#).