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UCC Consolidation Part II: LogMeIn Acquires Citrix GoToMeeting Division for $1.8 Billion

Summary: LogMeIn and Citrix jointly announced that LogMeIn would acquire the Citrix GoToMeeting division for US $1.8 Billion.

Event: On July 26th, 2016, LogMeIn announced the purchase of the GoToMeeting division of Citrix for $1.8 Billion. The boards of directors for both firms have already approved this deal.

Analysis

With this purchase, LogMeIn immediately becomes one of the largest providers of web and video conferencing on a global basis: both LogMeIn's join.me and Citrix's GoToMeeting are leaders in web and video conferencing. Collectively, this makes for a powerful combination that puts competitors on notice.

LogMeIn receives a strong customer base and Bill Wagner, CEO and President of LogMeIn, will continue in both roles. LogMeIn indicated that some Citrix staff will continue in their roles at the combined company. We expect GoToMeeting sales to be one of those key departments that remains intact.

Citrix Wanted Out

Competition in the web and video conferencing market is getting tougher. With Citrix wanting to exit this market (due to activist investor Elliot Management), it was a smart move for LogMeIn to act.

A Larger LogMeIn with Global Reach

With the addition of the GoToMeeting division, the new LogMeIn will be a large, global firm, with a customer base of over 2 million enterprises and a robust set of applications. We expect the broader portfolio and global capabilities to increase demand.

While there is overlap between join.me and GoToMeeting and their webinar offerings, GoToWebinar has a larger share and is still popular with many enterprises, particularly SMBs. Because GoToMeeting has a larger market share, we expect a harmonized roadmap to be offered in the near future.

The webinar space has been heating up, as webinars are the number one source of Marketing Qualified Leads (MQLs). GoToWebinar and Cisco Event Center have been dominant players in this market but are being challenged with upstarts such as BrightTalk and ReadyTalk.

We expect LogMeIn to double down on webinars given the revitalized innovation that should be part of the merger. The other GoTo Products that LogMeIn acquires include products such as:

- GoToTraining

- GoToAssist and See It

- GoToMyPC

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Audio Conferencing And the UCC Platform Play

GoToMeeting also had a hidden gem – its Grasshopper audio conferencing product line. With video and audio capabilities, LogMeIn is better positioned to compete in the UCC platform market. The only thing the company is missing is mobile collaboration, but that will be an easy acquisition.

UCC Consolidation Continues

This merger follows on the heels of Polycom being taken private, following a failed attempt by Mitel to buy the company. It also follows three other UCC acquisitions:

- Cisco's 2015 acquisition of Acano
- Atos' purchase of Unify
- ThinkingPhones' 2015 purchase of Fuze

Alternative to Skype for Business

LogMeIn faces tough competition from Microsoft, which just made Skype meetings free. However, that is a limited offer and it is really just a sales tactic; Microsoft sales reps are pitching their customers about Skype for Business paid editions that are now bundled in Office 365, with a particular focus on the E5 edition.

Licensing Matters – Host vs. Named User

Enterprises need to realize that LogMeIn and other web conferencing providers still offer a host model, which does not require all users to have a license to use the service. Microsoft uses a named user model. To use Skype for Business, every user must be licensed. This has significant TCO implications for SMBs.

Aragon Advisory

- Enterprises should ask LogMeIn for a consolidated product road map.
- Enterprises should expect more M&A in the UCC market in the next twelve months.
- Enterprises need to understand licensing models for web and video conferencing.

Bottom Line

Enterprises looking to replace their existing web conferencing vendor should evaluate LogMeIn as one of the major providers in the converged web and video conferencing market. As voice, video, and collaboration converge into a full UCC Stack, investors and buyers are looking to integrate UCC into more of their daily business processes and applications.

Related Aragon Research

- Predictions for Collaboration, 2016: Enabling People and Processes
- Atos Acquires Unify for Greater Stake in Collaboration Platforms and Services
- The Aragon Research Technology Arc for Collaboration, 2016