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| ENTREPRENEUR |

Securing their position

Astaro Corp.



German IT security software developers come here to grow

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JOURNAL STAFF

BURLINGTON — In the market for network security products, the founders of **Astaro Corp.** have found security of their own in establishing a U.S. presence in this state, while focusing on a particular customer demographic.

Astaro was established seven years ago in the college town of Karlsruhe, Germany, by three student founders — CEO Jan Hichert, chief software architect Gert Hansen, and chief technology officer Markus Hennig, — who observed a market need.

“A lot of the security vendors were focused on the large enterprises with very expensive and complex products, because that’s where most of the security concerns and most of the money was,” explains Hichert, 31. “But then, as security became a mainstream topic, there really wasn’t anything for the small and midsize businesses.”

Astaro aimed to make the technology cost-effective for its customers by offering products that are powered by open-source components. “Open-source” refers to computer programs that are written by Internet communities and are free to use, but can also be implemented and edited by software developers, because

anyone has access to the source code.

The company’s value proposition, says Hichert: “Being an extremely easy to use ‘Swiss army knife’ for network administra-

FAST FACTS

Astaro Corp., an IT security software vendor, was founded in Germany in 2000 by Jan Hichert, Gert Hansen and Markus Hennig.

The company established its U.S. headquarters in Burlington in 2002.

Its products are sold exclusively through a network of 1,200 resellers worldwide.

W. MARC BERNSAU / BUSINESS JOURNAL

Jan Hichert is CEO of Astaro Corp. The company’s products, which are available as software and hardware appliances, have fueled its growth in the network security market.

ASTARO: Providing IT security

tors that want to secure their networks.”

Astaro’s product delivery model has evolved from strictly selling software to selling the software on a hardware “appliance” — a one-unit, chassis-type box that has network interfaces and can be easily plugged into their customers’ data centers.

The founders’ vision has enabled Astaro to grow into an enterprise that is co-headquartered in Germany and Burlington, with 120 employees, approximately 35 of whom are based in Massachusetts. Additional sales offices are located in the United Kingdom and Japan.

Astaro settled on Burlington for its U.S. presence in 2002, because, says Hichert, “Boston is a great location to recruit sales and marketing talent in the IT industry, and it’s six hours closer to Germany than Silicon Valley.”

The company, which has been profitable since 2005, has also enjoyed incremental revenue growth, rising from \$16 million in 2005 to \$26 million in 2006 and a projected \$40 million for 2007.

That growth is a testament to just how far the founders have come since they started the company in 2000, initially using some of their own funds.

“It was difficult for us to turn it into an international business, just because we didn’t have the required funds available to travel and hire sales people and do marketing,” says Hichert.

When they began searching for VC dollars about five years ago, says Hichert, they discovered that the funding climate had changed. “By that time it was 2002 and the market had collapsed,” he says. “And we were three guys with no prior experience, with little traction, with this weird open-source angle, where we wouldn’t even own our technology.”

While the process was stressful and time-consuming, says Hichert, the partners were ultimately able to secure a total of \$12.9 million in two separate rounds of funding, the most recent of which was in May 2004, from two outside investors, Insight Venture Partners of New York and Wellington Partners of Munich, Germany.

Scott Maxwell, managing partner and senior managing director at OpenView Venture Partners LLC of Boston and formerly a managing director at Insight Venture Partners, observes, “The team has figured out how to pack all of the ‘best in breed’ security capabilities into a package

that is extremely easy to set up and maintain, and they have been able to offer their products at very reasonable prices to their customers.”

The products themselves are sold exclusively through resellers — 1,200 worldwide, 350 of which are in the United States. That sales model is essential, says Hichert, in order to provide each customer with local service and support, especially considering that Astaro now has 25,000 customers in over 60 countries.

With Astaro’s success, the founders continue to reinvest in the business, rather than live expensive lifestyles. Today, Hichert himself resides in an apartment in Cambridge with his wife and 1-year-old son, while co-founders Hansen and Hennig remain in Germany.

“We try to maintain a startup culture within Astaro, because as soon as lifestyles explode, it changes the whole perception and the attitude toward the customer,” says Hichert.

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