



Impact Report

nCrypted Cloud aims at Fortune 500 companies, brings extended collaboration to fruition

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Leveraging its patented key management technology to provide data encryption/decryption and policy control at the user level, two-year-old nCrypted Cloud has sharpened its business focus and value proposition while inching its way into the high-end enterprise market – Fortune 600 corporations in particular. As noted by co-founder and CEO Nick Stamos, the company is positioned to address external collaboration challenges that face enterprises today with its nCrypted Cloud platform. Having unveiled the enterprise edition of nCrypted Cloud in January 2013, the startup seems to be growing at a fast clip from a customer acquisition standpoint. It counts about 600 companies using its application, including trial customers, and nCrypted Cloud claims to have captured 50 million audit events in 2014. Moving forward, it will invest further in features and functions that help bring the notion of extended enterprise (partners, suppliers and customers) collaboration to fruition.

The 451 Take

nCrypted Cloud seems to have picked the right marketing message when it decided to go after the enterprise segment, Fortune 500 companies in particular. The company is benefiting from the growth in the market for file sync and share services in general, as well as the fact that the impact of IT consumerization goes far beyond personal technology choices – it is changing the way businesses collaborate both internally and externally. Enabling extended enterprise collaboration is generally a good entry point to gain corporate attention. It is not without challenges – nCrypted Cloud is going up against the more established and diversified vendors for enterprise dollars. Going after large enterprise accounts usually takes time and it requires the company to be patient to yield results. With a renewed value proposition, nCrypted Cloud may have to change its name to reflect the new corporate identity.

Context

Headquartered in downtown Boston and out of stealth mode since February 2013, nCrypted Cloud has focused on facilitating businesses and consumers to collaborate and share information securely since its inception. As information sharing and collaboration extends beyond the corporate firewall, the startup came to realize that real challenge facing enterprises is to mitigate the risks associated with extended collaboration – a daunting challenge for companies that are highly regulated or have significant IP. To that end, nCrypted Cloud has sharpened its business focus and strengthened its value proposition with what it described as nCrypted Cloud Extended Collaboration Platform.

The company maintains a small team, yet gradually grew its headcount to some 30 employees today from 16 since we last spoke in March 2013. In August 2014, nCrypted Cloud extended its physical presence in Europe, opening a new office in the UK to provide support for existing customers while acquiring new customers. The company has raised a total funding of \$5.6m from angel investors so far and is expected to be cash flow positive in the coming months. Having a handful of marquee customers in hand, nCrypted Cloud says it's comfortable with its current financial situation. For future funding opportunities, it's likely turn to strategic investors rather than traditional venture capitalists.

Products

The company looks to address several gaps in enterprise collaboration. Using its patented key management system, nCrypted Cloud provides individuals (freemium model) and enterprise users (multiple business versions) with the ability to encrypt and decrypt data using a self-generated personal key. Aside from providing features such as unlimited encryption/decryption, audit trail and centralized PIN, it has made available a number of extended features, including trusted sharing, mobile OS support and cloud storage. For trusted sharing, nCrypted Cloud introduced the concept of 'virtual room.' Users can easily and securely share files and collaborate with third-party non-nCrypted Cloud users by enforcing such security features as read only, watermark and link expiration. On the mobility front, nCrypted Cloud provides mobile clients for iPhone, Android and BlackBerry. As far as extended IT is concerned, the startup has extended support for Google Drive, OneDrive, Box and Egnyte in addition to Dropbox.

Stepping up its extended enterprise collaboration game, nCrypted Cloud unveiled a mail plug-in in August 2014, targeting business customers. Dubbed Infinite Mail, the idea is that business users can securely share content and collaborate with colleagues and partners via Microsoft Outlook, with no file size limitations. Similar to the trusted sharing feature, the security policy is enforced using predefined features like read receipts, watermarking and expiration date.

Other enhanced features available in the enterprise edition include a brandable management dashboard with greater policy control at the device, folder and user access levels and single sign-on with SAML 2.0. Customers are able to enforce privacy and grant access for viewing and downloading. These capabilities are deemed valuable for companies that have significant IP while working in a collaborative environment.

As part of the product roadmap, nCrypted Cloud will focus on enriching user experience for extended collaboration. Some of the new features for 2015 include file and folder name obfuscation, Infinite Mail Office 365 integration and secure conversation.

Customers

NCrypted Cloud claims that over 600 companies are using nCrypted Cloud software, but many of these companies are running proof-of-concept projects, for which they have gone through a proper validation process. It has ramped up its business for the enterprise edition fairly quickly, with about 80 paying customers. A growing number of these are Fortune 500 companies in highly regulated industry verticals, including finance and insurance and health care. It is also gaining traction in the education sector. While nCrypted Cloud has customers of different sizes and in a number of geographies – the company opened a new office in London in August 2014 – it primarily focuses its efforts on addressing issues associated with extended enterprise collaboration and considers large enterprises (10,000 users or more) that have significant IP, with a lot of external collaboration, as sweet spots.

In terms of pricing, the consumer edition is free of charge for unlimited encryption/decryption on PCs and mobile devices and includes a five-day personal audit trail. The enterprise edition is priced at \$10 per user per month, with different levels of user commitment (25 users/250 users/ 2,500 users). Thus a 2,500-user deployment would include all features available for the lower commitment levels plus additional features such as active directory integration, automatic user revocation and forensic auditing data feeds.

Competition

NCrypted Cloud is not the only game in town when it comes to cloud-based encryption. There are quite a number of startups eyeing opportunities in the file sync and share market by providing users with a security layer. Companies like Sookasa, Cloudfogger, PKWARE (Viivo), Boxcryptor and SafeMonk (SafeNet) are actively pursuing opportunities through integrating with major cloud storage vendors such as Dropbox, Box, Google Drive, OneDrive Secomba (Boxcryptor). Another startup, Ionic Security, has recently made headlines for securing \$40m in series C round of funding, led by Meritech Capital Partners with participation from existing investors Kleiner Perkins Caufield & Byers, Google Ventures, TechOperators and Jafco Ventures. This round brought its total funding to \$78.1 million. Nevertheless, with the renewed focus on solving extended enterprise collaboration problems, nCrypted Cloud notes it has actually seen less of these vendors in recent months.

While taking a storage vendor-agnostic approach to extended enterprise collaboration, nCrypted Cloud is challenged by vendors that have a diversified product portfolio and a large installed base. Citrix ShareFile is one such example. For Citrix customers, ShareFile seems to be a logical choice because it provides seamless integration with its own products such as XenDesktop, XenApp NetScaler and XenMobile (formerly Zenprise).

SWOT Analysis

Strengths

Weaknesses

As a small startup, nCrypted Cloud is steadily building its credibility in the enterprise market. The company is able to garner some high-profile enterprises in the finance and insurance sectors, although we are not at liberty to disclose any company names.

Financially speaking, nCrypted Cloud is not yet profitable, nor cash flow positive. It will need to take a more conservative approach when it comes to harnessing growth opportunities. While nCrypted Cloud is not relying solely on word-of-mouth for growth opportunities, that is likely to be the primary source of new customers in the near term.

Opportunities

With growing availability of disruptive technologies like mobility and cloud computing, companies are increasingly operating in a collaborative environment. Enabling extended enterprise collaboration is generally a good entry point to gain corporate attention. As enterprise cloud adoption continues to rise, there are many gaps to fill.

Threats

Targeting the large enterprise segment, nCrypted Cloud is going up against the more established and diversified vendors for enterprise dollars.

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