

## February 2017 Update

### Analyst Note Update

Eka recently announced their 2016 year end results, providing the opportunity to review the company's progress in developing and marketing its **Commodity Analytics Cloud**, a new product announced in 2015. Additionally we will also review the company's overall performance since our last full update, released in November of 2014.

*For a more complete coverage of Eka, see our analyst briefing note released in July 2015 for detailed review of the company's [Commodity Analytics Cloud](#). Also see our [ComTech Analyst Briefing Note](#) released in November 2014, for a complete corporate overview, strategy discussion and products overview by ComTech analysts.*

### 2016 Announced Results

In a recent Eka press release (dated January 30, 2017), the company announced a 35 percent increase in sales and an increase of 80 percent in EBITDA in 2016.

Additional highlights of the year's results noted in the announcement include:

- Eka grew new name agricultural customers by 23 percent.
- Four out of the five of the top global agriculture companies have licensed some portion of Eka's platform.
- Eka's energy business added 25 percent new name customers.
- Analytics Cloud customers grew by over 400 percent.
- The company opened three new offices in the US, Europe and Canada, and staff numbers increased by 19% overall. It has plans to open another office in the US in Q1 2017
- It added a number of key executive management positions during 2016
- Eka reported numerous go-lives and upgrades in 2016 including Agrex, REG, Boliden, ENMAX, Just Energy and Rio Tinto.

It should be noted when reviewing these results that the 2015 baseline comparison was not available; nonetheless, the improvement in financial and sales activity versus 2015 do indicate solid market momentum for the business at the end of 2016.

### ComTech Review

Though Eka markets a number of software products and service offerings supporting business activities across many different commodities and market categories, given the company's recent announcements and activity, we will focus on the following topics:

#### Commodity Analytics Cloud

As described in ComTech's Analyst note of July, 2015, Eka have introduced its Commodity Analytics Cloud, an application "to accelerate information flow and analysis for commodity trading and commodity management companies. The solution crosses several technology and software categories, including integration solutions, BI tools, analytics, Big Data solutions, data cubes, and cloud offerings; and as such, it's a product that is difficult to slot into any single existing solution category. It uses preconfigured and/or user definable apps to provide rapid analysis and insights into the critical issues facing business users, including physical/financial positions, P&L, risk exposures, supply chain performance, forecasting, and more. Utilizing some of the tools of a Big Data solution, including the use of NoSQL, the product aggregates data from any number of sources, including CRM solutions, spreadsheets, E/CTRM applications (Eka's and/or others), bespoke solutions, data feeds, and ERP/accounting systems."

Since its initial release, market adoption (despite decreased spending for IT in the commodities space in 2015 & 2016) has been fairly robust, and the company has continued to invest in new capabilities. It has released seven additional Commodity Analytics Cloud apps in 2016, providing analytics coverage that includes position consolidation, risk, supply chain, P&L evaluation and attribution, procurement, margin analysis, and plan performance.

These continued investments in functionality, and a growing acceptance of cloud-based solutions servicing the commodities markets, has provided Eka with a significant number of new clients for the product in 2016 with 11 announced new deals, spanning a number of commodities and industries, but including agricultural commodities and products, energies, and metals. Additionally, ComTech has observed growing interest in a comprehensive risk overlay as an architectural CTRM component across many parts of the industry. Eka's timing has been very good, introducing a product into an area of growing interest and demand and without significant competition.

### **InSight CM**

Eka's 2016 performance was solid especially when taking into consideration the general economic conditions across the commodity sector. It announced a number of new CTRM license sales in the agricultural space in calendar year 2016, including Canadian ag concerns Broadgrain and Providence Grain, CJ International in Asia, Cremer in Germany, and others at a time when demand in ags & softs trailed expectations<sup>1</sup> under difficult market conditions in the sector. Eka does appear to continue to compete well across the agricultural space (and particularly in the grains area), with company management noting that "four out of the top five agricultural traders are Eka customers, including Bunge, Cargill, Glencore, and Louis Dreyfus." Additionally, its strong market presence in the agricultural space has allowed it to leverage a large client base in which to cross sell the Commodity Analytics Cloud solution.

Other notable new license sales in 2016 included Progress Energy, a Canadian based energy producer. Following the acquisition of EnCompass in April 2013, Eka has made obvious investments in the product to expand its commodity scope and market reach. According to the company, Eka's InSight CM<sup>®</sup> platform for energy has seen growing momentum, with additional sales in the US and Canada. Although Eka notes they have added European functionality since the acquisition, the energy solution has not yet been licensed outside of North America.

### **Corporate Developments**

Despite a difficult year for technology sales in the commodity space, Eka's continues to exhibit growth opening three new offices to accommodate its rapidly expanding business, adding locations in Canada, the United States, and Europe. Headcount grew over 19 percent globally and will continue to grow with another office opening in the Americas in the first quarter.

Importantly, staff additions included four new executive level positions, with Colin Cooper named Eka's vice president of EMEA to manage Eka's expansion in the EMEA; Sudhir Anandarao was appointed chief operating officer, analytics to oversee development of Eka's analytics solutions; Sanjay Singla became Eka's general manager, CTRM to manage sales and support of Eka's commodity trading and risk management solution; and long-term industry veteran, Sebastian Esposito joined the company in early 2017 to oversee sales for their products in North America. The company continues to strengthen its management team bringing in experienced and knowledgeable staff to support its plans for growth.

### **Outlook and Analysis**

While the global markets for CTRM and CM products have been difficult for more than 2 years, with persistent low commodity prices negatively impacting a broad spectrum of market participants, Eka's results in 2016 suggest that the company has momentum across the space. During a period of slower growth generally, Eka's results are quite impressive and contrast sharply with those of competitors such as Triple Point, for example. With its InSight CM platform selling well and the rapid market adoption of the Commodity Analytics Cloud product, Eka does appear to be closing new business at a rate that places them in the top tier of the market for CTRM/CM vendors. Eka's ability to innovate, as evidenced with its adoption of cloud technologies and models for deploying enterprise-level analytics suites (including "big data" capabilities) and CM solutions, has positioned Eka strongly for continued success.

With the cloud in mind, ComTech continues to see growing acceptance of cloud delivered product and services across all market regions and segments. While the US markets have traditionally lagged Europe in terms of cloud adoption in CTRM and CM, recent ComTech research indicates this is changing rapidly and we expect the growth in demand for cloud solutions to significantly outstrip that of on-premises installations. Eka is one of the vendors in the space that has truly cloud-enabled products and it will benefit from this trend accordingly. There may well be the beginnings of a major technology shift occurring related to cloud deployment in which, should it occur, Eka will be strongly positioned. In fact, Eka recently announced that "75% of its new customers are choosing the cloud based solution."

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<sup>1</sup> 2016 ComTech CTRM Market Sizing Update

The introduction of the Commodity Analytics Cloud suite has also proven to be well-timed both with respect to cloud adoption but also with respect to a growing demand for vendor-agnostic, enterprise risk overlays providing visualization and enhanced analysis of increasing amounts of data. As ComTech has pointed out in the past, as the fundamentals of trading change and oversight becomes more intense and invasive, visibility across all aspects of the business must improve:

→ Market visibility – market awareness driven by data and a vigilant eye on macro trends. Strategies must be formulated around macro trends and managed on market data and real-time or near real-time analysis.

→ Internal visibility – profit is made or lost on daily decisions. Accurate and timely position management, risk management and business intelligence support is key to ensure opportunities are exploited and risks addressed

→ Regulatory visibility – regulators will be quick to move and once on their radar, you will be a target of scrutiny for a very long time. Developing a culture of compliance and visibility for regulators is key to avoiding punitive attention and actions

The chances of succeeding in the market will be dependent upon trading technologies such as CTRM, Optimization software, data aggregation and analysis, trading surveillance, BI, and reporting. This is where Eka has a strong competitive advantage moving forward and it appears to be bringing on board the expertise and talent to leverage its position.

### Opportunities

- Early adoption of cloud technologies and visualization tools means that Eka will be able to leverage the buying trend for cloud-deployed products very effectively
- Eka's Commodity Management strength in agricultural supply chains – particularly grains – means that the vendor is well positioned to compete in ags & softs markets going forward and ComTech still expects these markets to grow strongly in the future
- Eka has competed well in North America with its energy product and, according to the company, they have developed new European functionality that could open a large, new market to add to its current growth
- The Commodity Analytics Cloud product is beyond proof of concept and appears to fill a need gap in the market. It has few competitors as of yet and it could be the Eka's early to market position can be turned into a dominant position

### Risks

- Though recently improved, continued commodity price weakness, particularly in metals and ags could impact technology sales in the coming years.
- Lack of energy customers in European and other non-north American markets is a significant gap in Eka's customer portfolio
- It is still early in terms of market adoption for large-scale cloud CM/CTRM solutions and also for the Analytics solution. Either could yet fail or suffer an unexpected issue such that Eka is unable to meet its full potential.

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## About ComTech Analyst Briefing Notes

*Commodity Technology Advisory (ComTech) is the leading analyst organization covering the Energy and Commodity Trading and Risk Management (E/CTRM) technology markets. We provide invaluable insights, backed by primary research and years of experience, into the issues and trends affecting both the users and providers of the applications and services that are crucial for success in markets constantly roiled by globalization, regulation and innovation.*

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**Disclosures:** *At the time of this writing, Eka is a customer of Commodity Technology Advisory and the company's management cooperated in the preparation of this ComTech Analyst Briefing Note.*

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19901 Southwest Freeway  
Sugar Land TX 77479  
+1 281 207 5412

Prague, Czech Republic  
+420 775 718 112

ComTechAdvisory.com  
Email: [info@comtechadvisory.com](mailto:info@comtechadvisory.com)

